

Section Four - General Fund Revenue Budget

Revised Budget 2022-23

1. During 2022-23, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
2. The economic uncertainty experienced this year continues to impact on the financial position of the council and supplementary financial reports have been considered by the Cabinet in May 2022 and November 2022. The Budget Monitoring Report showing the projected financial position at the end of Quarter Three (period to 31 December 2022) indicates a projected overspend for the year of £1,446,810 against the original budget indicating a contribution of £1,453,370 would be made from working balances, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2023-24

3. The ongoing financial pressures on the council will continue into 2023-24 and cannot be easily forecast with certainty mainly due to the volatility in interest rates, inflation and increasing costs for energy, fuel and supporting homelessness. Income generation is also challenging. The proposed budget for 2023-24 has been developed on the basis of using prudent and considered assumptions around key expenditure and income items for the year.
4. The Original Estimate for 2023-24 represents a balanced budget position, with a contribution of £2.62m being made from working balances to support expenditure in the year (assuming a Council Tax increase of £6.48 per annum for a Band D property in 2023-24).
5. A draft Budget Book is attached at Appendix 3a for Member information. The key factors considered when proposing the budget for 2023-24 are set out below.

Employee Costs

6. In 2022-23 a pay agreement between the unions and the National Employers for Local Government Services was finalised in the autumn of 2022. This resulted in a flat rate increase in pay for every employee in the council of £1,925. This produced an average pay increase of 5.5% across the council, whereas the budget for 2022-23 assumed an increase in pay of 2%.
7. The MTFP includes an assumed increase of 5% for salaries for 2023-24 and then 2% for future years.
8. The Vacancy Allowance will remain at £450,000 for the General Fund in 2023-24.

Running Expenses

10. The council maintains budgets for regular expenditure on supplies and services which support the council in delivering its services to residents and achieving its objectives.

- 11 Working with budget holders, these budget lines have been reviewed for 2023-24 to ensure that sufficient financial provision is made for such costs and that budgets remain fit for purpose using the best estimates of future costs at the time of budget setting. Forecasting costs for 2023-24 has been more challenging than usual due to the current economic situation the country is now facing.

Homelessness

Since 2019 (a four-year period), funding received from Government by the council to tackle homelessness has totalled £1.24m. Of this, funding of £310,000 has been received for the current financial year with a further £55,000 announced in recent weeks. At the time of writing there is no certainty on funding available for future years, not does demand for the demand for this service currently show any sign of receding.

The total cost of providing temporary accommodation to homeless households or those owed a duty in 2022/23 is currently forecast to be £1.8m.

Energy Costs

Wholesale energy costs have significantly increased in the last year, with continuing volatility anticipated in the short to medium term. Prices remain substantially high and have recently increased in October 2022, with gas unit prices rising by 58%, and electricity day and night unit prices rising by 17% and 45% respectively. Prices are now fixed for 12 months, and although there is limited support available via the Government's Energy Bill Discount scheme, the longer-term outlook is uncertain. Initial analysis indicates additional costs for 2022-23 of £190k.

Capital Financing

As part of the capital programme for both current and future years, new external borrowing has been planned. Resultantly, net interest payable on this borrowing is budgeted to be £210,800 in 2022-23.

The council is required to charge an expense to its revenue account for the repayment of external debt associated with its investment in capital assets (known as Minimum Revenue Provision, or MRP). For 2023-24, the required provision for this purpose is £665,480.

Investment Income

The ability to generate returns from traditional investment sources has improved during the year due to higher interest rates, the council has continued to maximise its returns where possible through a considered diversification of its investment portfolio into Property Funds and Diversified Income Funds.

12. In December 2022 the Bank of England base rate stood at 3.5%; for comparison the base rate at December 2021 was 0.25%. The Monetary Policy Committee is due to meet in February and March when interest rates are expected to be increased further. These rises are included in Link's current forecast which for 2023/24 gives average earnings of 4.40%.

Fees and Charges

13. The responsibility for determining fees and charges has been delegated to Directors and Assistant Directors (with the exception of car park fees). The council reviews its fees and charges structure at least annually, and a report on the outcomes of this will be reported to Cabinet alongside this budget report. This year some income lines have been significantly impacted in particular car parking income and income receivable from the Woodville due to the non-recovery back to pre-covid levels as the general public's behaviours have changed.

Rental Income

14. The council receives rental income through a number of lease arrangements, principally in respect of its property portfolio, co-location of partner organisations within the Civic Centre and from council-owned garage sites.

Appropriations

15. The council will make a number of planned transfers into working balances and reserves during 2023-24 to support future spending plans and help cushion the impact of uneven cashflows or unexpected events, avoiding the need for temporary borrowing. As set out in Appendix 6, as part of the budget setting process the Director (Corporate Services) has considered the adequacy of the council's reserves and working balances; the proposed appropriations to and from reserves and balances are in accordance with the review and are in line with the council's Reserves Policy.
16. In 2023-24 the council will continue its policy decision of taking New Homes Bonus Funding directly to working balances when received.

Medium Term Financial Planning for the council and its community

17. Last year the council prepared a five-year MTFPS spanning 2022-23 to 2026-27 in response to an absence of further information on the future of funding for local government from central government and the need for the council to consider initiatives to reduce the emerging budget gap that the council is facing on its General Fund services compounded by increased costs energy, fuel and supporting the community with temporary accommodation.
18. The budget proposals for 2023-24 reflect the challenging financial position the council finds itself in, with a sharpened focus on maintaining the council services valued by the communities in Gravesham and delivering a Gravesham to be proud of. The proposals continue to financially support the established plans to deliver a new sustainable Leisure Centre for the Borough, enable the delivery of new housing, maintain the Gravesend town centre street and council-owned play sites, and uphold the council's stance on fly-tipping.

19. The impact of high inflation and costs has created significant uncertainty regarding the potential impacts on the economy. The council recognises that businesses and individuals will also need support to respond and adapt to the economic environment that emerges as the country recovers from the current situation.
20. In setting the budget for 2023-24, the council is once again facing a situation of emerging significant financial pressures in future years which will require action to address. This required action has been included in the Council's Medium Term Financial Strategy.