

**Classification: Public**

**Key Decision: No**

## **Gravesham Borough Council**

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

**Date:** 26 June / 18 July 2023

**Reporting officer:** Assistant Director (Corporate Services)

**Subject:** General Fund Provisional Outturn Report 2022/23

### **Purpose and summary of report:**

To present:

- The 2022/23 provisional General Fund Outturn Report, including movements in the General Fund working balances and earmarked reserves.
- The 2022/23 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

<b>Key Implications:</b>	
<b>Item</b>	<b>Implications</b>
<b>Legal</b>	There are no specific legal matters arising from this report
<b>Finance and Value for Money</b>	The financial implications are contained within the body of the report
<b>Corporate Plan</b>	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks
<b>Climate Change</b>	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 therefore provides details of the provisional budget outturn for the 2022/23, as well as updating Members on other key areas of financial performance.
- 1.2. During 2022/23, 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;
  - Monitoring the delivery of activity under the Medium Term Financial Strategy (MTFS).
  - Requiring all recruitment activity to be considered and approved by Management Team.

## **2. EXECUTIVE SUMMARY**

### **Revenue**

- 2.1. The provisional outturn position for the year is a net deficit of £673k. Significant movements against budget are detailed in the report, with the most notable items being staffing costs falling in the "All Directorate" section, the St George's Centre, within the Communities Directorate, and Homelessness, within the Housing Directorate. The wider financial context is explored in section 3.12
- 2.2. The level of Working Balances at year-end is £10.25m, constituted of minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £5m.
- 2.3. Movements in the year have resulted in a net increase in earmarked reserves of £527k. Within this movement, significant items relate to transfers from reserves to support expenditure within the Capital Programme, as well as contributions made to the Asset Enhancement, and Enterprise Zone reserves as described in section 3.11.2.
- 2.4. Although the provisional outturn position shows a more favourable position than reported at Q3, expenditure continues to exceed income by an average of £16k a day. In response to this financial challenge the Council has put in place a 5-year Medium Term Financial Strategy with initiatives to help improve the financial position. This is explained in section 3.12 "Wider Risks to the MTFP".

### **Capital**

- 2.5. The General Fund Capital Programme working budget was £49.18m, including £28.8m relating to The Charter, £8.9m for the St George's Centre, £1.98m for a New Leisure Centre, and a combined £3.4m relating to Property/Land Acquisition schemes. Actual spend for the year was £29.76m.

### 3. REVENUE

#### 3.1. Budget 2022/23

3.1.1 The approved Original Budget Requirement for 2022/23 was £12,461,820, largely funded by a combination of retained Non-Domestic Rates, New Homes Bonus, and Council Tax. Additionally, there was a requirement to use £1,453,370 of Usable Working Balances, in accordance with the Medium-Term Financial Strategy, to produce an overall balanced budget.

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 to 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 2022/23 (£)	Outturn 2022/23 (£)	Variation 2022/23 (£)
All Directorate - Salaries	16,262,770	16,640,410	377,640
Chief Executive	(498,260)	(430,990)	67,270
Communities	(1,239,840)	(592,860)	646,980
Corporate Services	303,850	54,890	(248,960)
Environment	902,280	674,320	(227,960)
Housing	45,740	879,100	833,360
Non-Directorate Specific	828,380	833,160	4,780
Interest and Investment Income	(814,240)	(1,538,930)	(724,690)
Government Grant Funding	(2,152,290)	(2,128,450)	23,840
Transfers to/ (from) reserves	(1,338,160)	96,410	1,434,570
Transfers to/ (from) balances	573,150	573,150	0
Transactions below the line	(411,560)	(1,658,110)	(1,246,550)
<b>BUDGET REQUIREMENT</b>	<b>12,461,820</b>	<b>13,402,100</b>	<b>940,280</b>
Business Rates Income	(2,701,820)	(2,966,000)	(264,180)
Council Tax Income	(7,592,170)	(7,592,170)	0
Parish Precepts	(471,860)	(471,860)	0
New Homes Bonus	(573,150)	(573,150)	0
Lower Tier & Services Grants	(337,380)	(340,480)	(3,100)
Transfers to/(from) the Collection Fund	667,930	667,930	0
Use of Working Balances	(1,453,370)	(1,453,370)	0
<b>BUDGET SHORTFALL/(UNDERSPEND)</b>	<b>0</b>	<b>673,000</b>	<b>673,000</b>

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

#### 3.2. ALL DIRECTORATE – £378k ADVERSE VARIANCE

3.2.1 The Council's original budget for 2022/23 included a projected general pay award of 2% for all staff. Following negotiations between the Local Government Organisation and the Unison, Unite and GMB Unions, agreement was reached in November, resulting in a basic salary increase on all scales of £1,925, plus an increase on other allowances of 4.04% for all grades up to Service Manager. When also factoring in the vacancy

allowance of £450k already included within the staffing budget (anticipated to occur from natural turnover as well as posts held vacant pending the re-design of services), the budgetary impact for 2022/23 is an adverse variance of £378k.

### 3.3. CHIEF EXECUTIVE'S DIRECTORATE – £67k ADVERSE VARIANCE

3.3.1 **Qualification & Training Expenses: £38k adverse variance** – As a result of additional training expenses incurred during 2022/23, largely within the Waste Management and Vehicle Workshop services, there is a year-end adverse variance of £38k.

3.3.2 **Human Resources – Shared Service costs: £37k adverse variance** – The core elements of the HR team came back in house to the Council in July 2021, with residual items such as IT maintenance, hosting of the HR system, recruitment and workforce development services remaining at Medway Council. Including back-dated charges for 2021/22, these costs have come in higher than the original budget, leading to an adverse variance in 2022/23.

3.3.3 **Other Net Variances: £8k favourable variance** – The net effect of other variances across the Chief Executive's Directorate is a favourable variance of £8k.

### 3.4. COMMUNITIES DIRECTORATE – £647k ADVERSE VARIANCE

3.4.1 **District Shopping Centres & Industrial Estates rental income: £136k favourable variance** – Although being under pressure during the period of Covid-19 restrictions and the subsequent challenging economic climate, rental income across District Shopping Centres and Industrial Units has held up well. The Council has benefited from a combination of continued tenancies as well as rent reviews at a number of sites. The net effect of these is £57k, and along with the release of a Covid-19 bad debt provision set aside of £78k (to allow for potential lost income from longer-term circumstances arising from the pandemic), is an overall favourable variance in 2022/23 of £136k.

3.4.2 **St George's Arts Centre: £103k favourable variance** – This has been the first full year of operation of the St George's Arts Centre, so exact costs of annual operations are only emerging now. Part of the budget is to develop the creative programme offer, but also to support local artists and creatives in developing their skills and drawing external funding into the area through providing match funding opportunities. However, during the first year or so of operation, the demand for the use of the space and collaborative working has outstripped our initial expectations, resulting in less cost to the Council to 'buy' in the programme. Whilst some match funding has been used (and resulted in attracting quite significant levels of external funding for creative activity), the uptake has not been as high as anticipated due to embedding the offer. Over the current financial year, a review of future activity and potential funding requirements will be undertaken with the expectation that a reduction to the operating budget for programmed activity costs can be achieved.

3.4.3 **Town Centre & Tourism – £89k favourable variance** – The main focus for town centre events during 2022/23 was the Winter Light Festival, for which the Council was successful in securing Arts Council England monies of £30k. This funding enabled the Council to grow the activity of the inaugural event last year to encourage greater participation and involvement. Consequently some of the Council's own budgets were not utilised, leading to a favourable year-end variance of £70k. The Tourism service experienced a lower volume of activity than budgeted of £19k, leading to the combined year-end position of £89k.

- 3.4.4 **Car Parks: £65k favourable variance** – Within the budget-setting process for 2022/23 an allowance of £149k 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. With the current Cost of Living Crisis, generating income continues to be challenging, with a net loss compared to the original budget of £84k realised at year-end. However, this was more than offset by the release of the Covid-19 allowance of £149k, giving rise to the net favourable variance of £65k.
- 3.4.5 **Civic Centre rental income: £49k favourable variance** – As a result of additional rental income and service charges being raised to occupants of the Civic Centre compared to the original budget, £49k additional income has been realised. This includes £27k of back-dated contributions to business rates raised during quarter four.
- 3.4.6 **Reprographics/Photocopiers: £41k favourable variance** – Continued careful management of various stationery and photocopier budgets, combined with lower demand for producing publicity material and other related information, has led to a favourable year-end position of £41k. Some of these budgets have now been removed under the Council’s “Budget Rationalisation” strand of activity designed to address the longer-term overall budget gap.
- 3.4.7 **Licensing: £39k favourable variance** – A combination of smaller underspends within the transport and supplies and services budgets, as well as additional license fee income, has led to a favourable variance of £39k across the service in 2022/23.
- 3.4.8 **Community Engagement: £27k favourable variance** – During 2022/23, the Council was able to expend various Covid-19 grants carried forward from 2021/22 as well as further tranches of Household Support funding. These have enabled the Council to facilitate a wide programme of support to individuals and local community organisations in the borough. Consequently, there has been less call on the Council’s own budget, leading to a favourable year-end variance of £27k.
- 3.4.9 **St George’s Centre – net rental income: £716k adverse variance** – Rental of units in shopping centres continues to be challenging, particularly in the period of recovery following the Covid-19 pandemic and in the current Cost of Living crisis with changing customer behaviour and business delivery models. As a result there are a number of vacant units within the Centre. Throughout 2022/23, the Council has incurred service charges and business rates which would otherwise have been chargeable to tenants, this amounts to £647k. Additionally, whilst the Council’s loan repayments to Aviva have increased by an inflationary amount of 5%, it has been simultaneously challenging to increase rental income in a similar fashion. In cash terms, the net deficit between income received and loan repayments made is £22k, which combined with the non-recoverable charges of £647k, and other items of £47k, has led to the overall year-end adverse variance of £716k. The Council continues to engage with Reef and other agents to market opportunities, and respond to interests received, moving them forwards as rapidly as possible.
- 3.4.10 **Leisure Services: £294k adverse variance** – The Council’s budget has felt the impact of rising energy costs through the management fee received from Gravesham Community Leisure Limited (GCLL). Earlier in the year, GCLL invoked the clause in its contract which places a legal obligation on the Council to adjust the management fee should the unit cost of utilities rise (GCLL is responsible for overall consumption costs, whereas the Council are responsible for inflationary increases). Following analysis by the Council’s Finance Team, a reduction in the annual management fee for 2022/23 was agreed, with no further contributions received after September 2022. This resulted in a year-end adverse variance of £148k.

- 3.4.11 Additionally, following the agreed management fee reduction, wholesale energy prices increased significantly in October 2022, particularly within the Leisure industry. The impact of these inflationary increases falling upon the Council was £67k for Quarter three, and £79k for Quarter four. Thus, a combination of a reduced management fee payable from GCLL, and direct support for utility inflation payable to GCLL, has led to an overall adverse variance of £294k within Leisure Services in 2022/23.
- 3.4.12 **Energy Costs: £190k adverse variance** – Wholesale energy costs have significantly increased in the last year, with continuing volatility anticipated in the short to medium term. The energy requirements of the Council are procured through LASER Energy, which is part of the Commercial Services Group, a company wholly owned by Kent County Council. LASER has mitigated against a large proportion of the market extremes through its flexible procurement approach by purchasing energy requirements for its customers in advance.
- 3.4.13 Earlier during the year, an estimated overspend on electricity for 2022/23 of £150k was projected, however since then, the final outturn position has moved to a deficit of £220k. This is largely attributable to inflationary increases taking effect from October 2022 with electricity day and night unit prices rising by 17% and 45% respectively. For example, the projected price per day unit earlier in the year was £0.36, whereas the actual price per unit was £0.42. The additional adverse variance of £70k has been met by the Corporate Inflation Provision held to smooth the impacts of inflationary increases experienced across the Council.
- 3.4.14 Similarly, an estimated overspend on gas costs of £40k earlier in the year has now materialised in a year-end adverse variance of £87k. The additional variation is largely attributable to gas unit prices rising by 58% in October 2022, higher than previously been anticipated. In a similar fashion to electricity, the additional inflationary impact for gas has been met from the Corporate Inflation Provision, and thus the net residual adverse variance for electricity and gas remains at £190k, as reported earlier during 2022/23.
- 3.4.15 Prices remain high for electricity and gas, and although there has been limited support available via the Government's Energy Bill Discount scheme, the longer-term outlook is uncertain. Adjustments were made during the budget setting process for 2023/24 to reflect anticipated trends, and as a key area of Council expenditure, this will continue to be monitored closely over the coming months.
- 3.4.16 **Other Net Variances: £4k favourable variance** – the net effect of other variances across the Communities Directorate is a favourable variance of £4k.

### 3.5 CORPORATE SERVICES DIRECTORATE – £249k FAVOURABLE VARIANCE

- 3.5.1 **Housing Benefit Subsidy: £343k favourable variance** – The favourable variance has arisen predominantly due to a decrease in the bad debt provision, as a result of a reduction in the overall Housing Benefit debt. The Council is continuing to see a decrease in debt, due to the roll out of Universal Credit and a decline in the Housing Benefit caseload, which has resulted in a reduction in the new debt being raised. Through Verifying Earnings and Pensions, the Council has better quality data, as officers can now access HMRC records to review high-risk claims to ensure the Council is paying the right benefit. 2022/23 year has also seen the release of the previous Covid-19 related provision, which has also resulted in a reduction in the bad debt provision. All budgets relating to Housing Benefit Subsidy for future years are currently being reviewed under the Council's budget rationalisation activity to ensure they reflect current, and expected trends going forwards.

- 3.5.2 **Interest Payable: £136k favourable variance** – The Monetary Policy Committee (MPC) continued to increase the Bank of England Base rate during 2023 from an all-time low of 0.10% in December 2021 to 4.25% in March 2023, with rates now expected to peak around 5.00% during 2023/24. Whilst this has pushed up borrowing rates to a level higher than was forecast at the time of setting the budget in February 2022 and considered earlier in 2022/23, delays in the delivery of capital schemes such as The Charter, which is being funded through borrowing, has meant the Council has taken on less external borrowing. Thus despite the higher interest rates, the total cost of the external debt incurred by the Council during 2022/23 has been lower than originally budgeted. This is merely a timing issue, as external borrowing requirements will still need to be considered projects such as The Charter and Leisure Centre progress in 2023/24.
- 3.5.3 **Sundry Debt Impairment Provision: £93k favourable variance** – Following analysis of the year-end provision for General Fund sundry debt, a reduction in the provision for bad debts held is required in 2022/23. This is in part due to additional funds relating to Covid-19 having previously been held, now no longer required. The net impact is a favourable variance of £93k.
- 3.5.4 **Net New Burdens funding: £57k favourable variance** – In 2022/23 the Council has received Government New Burdens grants to cover administration costs for a series of measures to support businesses and individuals within the local community. These are in response to the longer-term impacts of the Covid-19 pandemic as well as the current Cost of Living Crisis. The grants primarily contribute to staff and IT/system costs incurred in facilitating schemes such as Household Support, Energy Payments, and Covid-19 Business Support.
- 3.5.5 **St George’s Centre interest charges: £375k adverse variance** – Following the auditor challenge to the treatment of the St George’s Centre transaction as described in last year’s outturn report, work continues to ascertain the correct treatment. The estimated impact in 2022/23 is additional interest charges of £375k.
- 3.5.6 **Other Net Variances: £5k adverse variance** – the net effect of other variances across the Corporate Services Directorate is an adverse variance of £5k.
- 3.6 **ENVIRONMENT DIRECTORATE – £228k FAVOURABLE VARIANCE**
- 3.6.1 **Planning Policy – costs recovered: £273k favourable variance** – During 2022/23 the Council has been successful in recovering £273k worth of costs incurred under Planning Performance Agreements from National Highways. These relate to staffing costs and other expenses the Planning Team has experienced on the Lower Thames Crossing initiative, dating from 2019/20 to 2022/23. Although it had previously been hoped that cost recovery would be forthcoming, this was not confirmed until during the 2022/23 financial year, thus leading to the current favourable outturn position.
- 3.6.2 **Planning Application Income: £66k favourable variance** – Income within the service from planning applications has continued to fare well in 2022/23 with a reported year-end favourable variance of £66k.
- 3.6.3 **Garden Waste Income: £30k favourable variance** – The service continues to grow with additional demand for the subscription service during 2022/23. This has led to a favourable year-end income variance of £30k.
- 3.6.4 **Allotments – Grounds Maintenance: £19k adverse variance** – The Cruden Road allotment site has required major works during 2022/23 in order to bring it back into full

use. This incorporated rubbish clearance, removal of uncultivated brambles, bushes and grass, and the installation of a new fence. The scope of works required exceed the original budgetary provision, thus resulting in a £19k year-end adverse variance.

- 3.6.5 **Vehicle charges: £105k adverse variance** – The Council operates over 120 vehicles in delivering a range of services to the residents of the borough. Fuel for vehicles is purchased at volume and stored at the Brookvale Depot site. Prices per litre have increased significantly over the last two years, from £0.88 per litre in March 2020, to £0.97 in March 2021 and £1.37 in March 2022. At the end of March 2023, the price per litre of fuel was around £1.20.
- 3.6.6 Due to the wider economic climate, both at home in the UK and abroad, the cost of vehicle parts has seen a substantial increase this year. There have been availability challenges when trying to source some of the parts, which at times has required the Council to purchase parts from an alternative supplier. This in turn has meant that officers have not always been able to obtain the same discounts that can usually be accessed. Technological advancement of the vehicles in the Council's fleet, has improved the environmental emissions of each vehicle, which on some occasions is to the detriment of the reliability of the vehicle as it ages. However, the extra technology comes at a cost which can now be seen within the adverse variance at year end.
- 3.6.7 As a consequence of the inflationary increases to both fuel and vehicle parts, a transfer of £113k has been made from Corporate Inflation Provision. The resultant effect is a net year-end adverse variance of £105k reported within the Environment directorate.
- 3.6.8 **Other Net Variances: £17k adverse variance** – the net effect of other variances across the Environment Directorate is an adverse variance of £17k.

### 3.7 HOUSING DIRECTORATE – £833k ADVERSE VARIANCE

- 3.7.1 **Private Housing – Recoverable costs: £56k favourable 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. The works were initially funded by the Council's own budgets, however during 2022/23 recovery of these costs was concluded, leading to a favourable year-end variance of £56k.
- 3.7.2 **Southfield Shaw – Rental income: £23k favourable variance** – Additional rental income compared to the original budget has been realised in 2022/23 leading to a favourable year-end variance of £23k.
- 3.7.3 **Southfield Shaw – Electricity cost recovery: £18k favourable variance** – As a result of changes designed to ensure full cost recovery of electricity charges incurred by the Council at the site and recharged to tenants, back-dated adjustments have been processed in 2022/23 realising in a favourable year-end variance of £18k.
- 3.7.4 **Rosherville Repairs: £16k favourable variance** – Rosherville Repairs and Maintenance Limited began trading during 2022/23 and as at year-end, there is a favourable variance to the Council of £16k relating to recharges of Council officer time for services provided to Rosherville Repairs under the service level agreement.
- 3.7.5 **Southfield Shaw – Commission income: £16k favourable variance** – During the fourth quarter of 2022/23, additional income of £16k was received by the Council following the sale of one mobile home at the Southfield Shaw site.



- 3.7.6 **Parks – Rental income: £14k favourable variance** – Additional rental income within the Parks service of £14k, was realised during 2022/23 compared to the original budget.
- 3.7.7 **Private Housing Enforcement – net additional income: £13k favourable variance** – During 2022/23, combined additional income from HMO (Housing in Multiple Occupation) Licensing Fees, charges for serving notices, and Housing Act penalty notices resulted in a net favourable variance of £13k.
- 3.7.8 **Homelessness – Temporary Accommodation: £1,008k adverse variance** – There has been a steady increase in households requiring homeless advice and assistance. In 2022/23, 1904 households made contact with the Council as they were homeless or in threat of becoming homeless within 56 days which represents a 3% increase compared to 2021/22. The numbers of households approaching the service at the point of crisis has put greater demand on the need for temporary accommodation where the local authority owes legal duties to secure accommodation. There are several factors that have impacted the Councils temporary accommodation figures including:
- Relationship breakdown between couples (non-violent), families & friends causing exclusions
  - The Domestic Abuse Act 2021
  - Increase in private sector evictions (potential to increase with the Rent Reform Act as landlords struggle to meet obligations expected of them and therefore sell homes has seen a steady flow of customers presenting Section 8 and Section 21 Notices.
  - The Cost of Living Crisis increases making lower income households challenged with meeting their housing costs when in receipt of benefits, and unable to afford the Private Rental Market.
- 3.7.9 During 2022/23, officers have explored various options for longer-term temporary accommodation solutions, with a report presented to Cabinet on 30 May 2023 proposing to introduce a not-for-profit Social Lettings Agency. This approach is designed to increase the possibility of securing private sector accommodation, managed by the agency and thereby, reduce the current reliance on nightly paid accommodation. The report was agreed and will now be implemented during 2023/24.
- 3.7.10 The Council has received £407,620 Homeless Prevention Grant from Central Government, which alongside the existing original budget of £50,000 has been used to finance the cost of temporary accommodation. Additionally, due to proactive and collaborative working between the Housing Team and the Benefits Team, additional Housing Benefit income has been generated related to households placed in temporary accommodation, particularly during the last quarter of 2022/23. These have made a positive contribution to reducing the overall variance at year end, and in particular improving the previously reported adverse variance of £1,250k.
- 3.7.11 When taking the complete picture of temporary accommodation expenditure, and income from grants and housing benefit receipts into account, the net position for the Council was an overall adverse variance of £1,008k in 2022/23.
- 3.7.12 **Other Net Variances: £19k favourable variance** – the net effect of other variances across the Housing Directorate is a favourable variance of £19k.

### 3.8 ITEMS CARRIED FORWARD FROM 2021/22 – £67,240

3.8.1 The following items from 2021/22 were approved for carry forward to 2022/23 by the Section 151 Officer and the Council's Management Team:

<b>Summary of General Fund 2021/22 year-end carry-forward requests</b>			
<b>Directorate</b>	<b>Service</b>	<b>Amount</b>	<b>Reason for carry-forward request into 2022/23</b>
Environment	Allotments	£5,850	Site clearance
Environment	Allotments	£3,500	Wooden fencing damaged during Storm Eunice was temporarily replaced, but now requires a permanent solution.
Communities	Safer Stronger Communities	£4,250	Grant funding from KPCC - approved carry forward to 2022/23 projects. If not spent on appropriate activities, grant funding would be required to be repaid.
Communities	Base Camp	£7,610	External funding to be used for appropriate event focus on Armed Forces. If not spent (or spent appropriately), repayment would be due.
Communities	Altogether Stronger	£37,910	External funding for food/music, community engagement events. If not spent (or spent appropriately), repayment would be due.
Communities	Art Project	£3,370	To cover production costs 2022/23.
Housing	Homelessness	£4,750	Grant funding relating to Syrian/Afghan refugees. If not spent in line with conditions, repayment would be likely.
<b>Total carry-forward requests</b>		<b>£67,240</b>	

Table 2: Items Carried Forward from 2021/22

### 3.9 NON-DIRECTORATE SPECIFIC – £5k ADVERSE VARIANCE

3.9.1 **Retirement Benefits: £5k adverse 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 additional expenditure on this second aspect of the budget in 2022/23, leading to an adverse year-end variance of £5k.

### 3.10 INTEREST AND INVESTMENT INCOME – £725k FAVOURABLE VARIANCE

3.10.1 As per the interest payable section earlier, the increasing Bank of England Base rate has had a positive impact on the income generated by the Council's investments. Assumptions about the level and speed of interest rate rises at budget setting were much more modest than was experienced during the year, as financial markets responded to the changing political environment.

3.10.2 Several schemes within the Council's capital programme have also not progressed at the pace originally envisaged at budget-setting. Therefore where the Council was using either internal borrowing or reserve balances to fund expenditure, the speed at which these resources have been used has also slowed, resulting in the Council having higher cash balances available to invest on a day-to-day basis. Improved dividends from the Council's investments in Property and Multi Asset Funds, have also contributed to the overall favourable variance despite falls in the capital values of these funds.

### 3.11 FUNDING STREAMS – £55k FAVOURABLE VARIANCE

3.11.1 **Government Grant Funding: £24k adverse variance** – Due to timing differences between completion of the statutory NNDR1 form in January 2022, and the finalisation of the budget setting process for 2022/23, estimates are required to assess Central Government Section 31 grants receivable in-lieu of direct business rates receipts. The outturn for 2022/23 is an adverse variance of £24k compared to the original budget.

3.11.2 **Transfers to/(from) reserves: £1,435k net additional contributions** – Following analysis of the overall year-end position, the opportunity has been taken to review amounts held within specific earmarked reserves. Compared to the original budget, the following movements have taken place:

- Transfer from Enterprise Zone – contribution to the 2022/23 Riverside Festival and Town Centre Light Festival of £99k
- Woodville Reserve – release into the General Fund of £50k
- Planning Policy Reserve – transfer to reserve of £42k to assist with future Local Plan obligations
- Corporate Priorities Reserve – transfer to reserve of £52k to contribute to Corporate Plan initiatives
- IT Infrastructure Reserve – transfer to reserve of £170k to facilitate a range of IT and digital enhancements across the Council
- Asset Enhancement Reserve – transfer to reserve of £200k to meet ongoing landlord maintenance responsibilities across the Council's portfolio of property assets
- Enterprise Zone – transfer to reserve of £1,120k, representing £906k as detailed in paragraph 3.11.3, and £214k as reported in section 3.11.4.

3.11.3 **Transactions Below the Line: £1,247k favourable variance** – There is a favourable year-end variance of £1,247k within this section, which can be attributed to the following:

- Enterprise Zone – due to delays in the Valuation Office getting the Enterprise Zone correctly assessed for annual billing, initially there were delays in receiving funds due to the Council. This has now been rectified in 2022/23, with monies of £906k relating to prior-years now received. In accordance with the Enterprise Zone Memorandum of Understanding, these funds have been transferred to the Enterprise Zone reserve.
- Enterprise Zone – at the time of setting the 2022/23 original budget, the timing of business rate receipts from the Enterprise Zone was unknown, and thus it was felt prudent to set a sum aside in case the process was delayed further. Through the proactive approach of the Revenues Team, this took place smoothly during 2022/23, and thus the provision of £334k was not required.
- Other net movements resulted in a favourable variance of £7k.

3.11.4 **Business Rates Income: £264k favourable variance** – There is a positive year-end variance relating to Business Rates Income as follows:

- Enterprise Zone – due to timing differences resulting from the completion of the statutory NNDR1 form, and finalising the 2022/23 budget, an additional £214k has been realised compared to initial expectations. This has been transferred into the Enterprise Zone reserve, as shown within the reserves section.
- Levy Account Surplus – Central Government made a one-off distribution from the national business rates levy account at year-end 2022/23 resulting in additional income to the Council of £25k
- Other net movements (separate to the Enterprise Zone) resulting from timing differences between business rates estimates as declared on the statutory NNDR1 form in January 2022, compared to the Council's final budget set for 2022/23 have resulted in additional income of £25k.

3.11.5 **Lower Tier & Services Grants: £3k favourable variance** – Following confirmation of the final Local Government Finance settlement, the Council realised an additional £3k from the Lower Tier and Services grants compared to original expectations.

### 3.12 **Wider Risks to the MTFP**

- 3.12.1 Although the reported outturn position is more positive than anticipated at Q3, expenditure at this authority continues to be greater than income received with an estimated overspend of £16k per day.
- 3.12.2 Officers persist to seek to reduce expenditure wherever possible, however this continues to be challenging as the financial pressures reported at Q3 remain. Volatility in the economy and the ongoing cost of living crisis coupled with unprecedented rises in everyday expenditure continues to put pressure on the council's financial position.
- 3.12.3 Significant financial risk remains for the council. As set out in the body of this report, during 2022/23 the council has seen substantial increases in costs relating to homelessness/temporary accommodation, energy and fuel along with a reduction in income from the St George's Shopping Centre, which have all negatively impacted the outturn position.
- 3.12.4 Central Government continues to consider how Local Government should be funded over the longer term which creates difficulties and challenges in planning the financing of Council services over the longer term. There is currently no published timetable for implementing the delayed Fair Funding Review and Business Rates Reset (both originally planned for 2019/20).
- 3.12.5 In response to the financial challenges the Council continues to face, in February 2023 Full Council approved a revised five-year Medium-Term Finance Strategy building on the 5 key initiatives set out in February 2022 to help improve the financial position. During the year officers have been proactive in implementing some of these initiatives. This has contributed to an improved position at outturn.
- 3.12.6 The initiatives set out in the MTFS are:

#### Reviewing Fees and Charges

This has seen favourable variances in the areas of planning application fees and garden waste. (see sections 3.6.2 and 3.6.3)

#### Budget Rationalisation

Reviewing consistent underspends, particularly in the area of reprographics

#### Trading and Commercial

Rent reviews & income from our Local Authority Trading Company

#### Asset Optimisation

Maintaining an optimum portfolio and obtaining best value from our assets

#### Continuous service reviews

Looking at ways to increase income, reduce costs and improve efficiency. Options for consideration as a result of these reviews will be brought to members in due course.

### 3.13 WORKING BALANCES AND RESERVES

3.13.1 The variances and Carried Forward items outlined in this report have the following effect upon the General Fund working balances:

<b>Working Balances</b>	<b>£</b>
Balance Brought Forward from 2021/22	11,804,510
New Homes Bonus (Straight to working balances)	573,150
Budgeted use of Working Balances to support the General Fund	(1,453,370)
Variances per budget report (Incl.items Bfwd from 2021/22)	(673,000)
<b>Working Balances C/Fwd (as at 31 March 2023) including Minimum GF Working Balance</b>	<b>10,251,290</b>
Less: Minimum GF balance	(2,000,000)
Less: Additional General Fund Reserve	(3,250,000)
<b>Usable Working Balances C/Fwd (as at 31 March 2023)</b>	<b>5,001,290</b>

Table 3: Effect on General Fund Balances

3.13.2 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.

<b>General Fund Earmarked Reserves</b>	<b>Opening Balance 01/04/2022 £'000</b>	<b>Actual Use of Reserve (Expenditure) £'000</b>	<b>Actual Contributions (Income) £'000</b>	<b>Transfers Between Reserves £'000</b>	<b>Closing Balance 31/03/2023 £'000</b>
Planning Policy Reserve	599	(146)	92		545
Asset Enhancement Reserve	977	(374)	385		988
Leisure Centres Reserve	47	(19)			28
Corporate Priorities Reserve	587	(39)	52		600
Town Pier Pontoon Reserve	136		12	(148)	--
Elections Reserve	137	(12)	100		225
NNDR Collection Fund Equalisation Reserve	2,188	(841)	755		2,102
IT Infrastructure Reserve	252	(90)	295		457
DSO Vehicle Capital Reserve	441	(229)	132		344
Freighter Replacement Reserve	1,032	(98)	221		1,155
NNDR Growth Fund Reserve	510	(148)	46		408
Lower Thames Crossing Reserve	140				140
Woodville Repairs Reserve	240	(175)	57		122
Investment Interest Equalisation Reserve	500				500
Housing & Commercial Growth Fund	700				700
Commercial Income Protection Reserve	661		97		758
Playgrounds Reserve	204	(164)	69		109
Decriminalisation Reserve	269	(128)			141
Enterprise Reserve	173	(465)	1,470		1,178
Climate Change Reserve	423	(73)		148	498
<b>Sub-total - Specific Earmarked Reserves</b>	<b>10,216</b>	<b>(3,001)</b>	<b>3,783</b>	<b>--</b>	<b>10,998</b>
Revenue Grants not yet applied	1,723	(608)	353		1,468
<b>Total - All Earmarked Reserves</b>	<b>11,939</b>	<b>(3,609)</b>	<b>4,136</b>	<b>--</b>	<b>12,466</b>

Table 4: Analysis of Specific Reserves

3.13.3 Significant or new approved uses of reserves, other than those already referred to elsewhere within the report include:

- Planning Policy Reserve - £146k transferred to cover expenditure associated with the Local Plan.
- Asset Enhancement Reserve – this largely relates to expenditure within the “Essential Repairs to Buildings” budget within the Capital Programme.
- DSO Vehicle Capital Reserve - £229k transferred to cover expenditure within the “Purchase of Vehicles” element of the Capital Programme
- Transfer of £148k between the Town Pier Pontoon and Climate Change Reserves following the sale of the Town Pier and Pontoon, and in conjunction with the original cabinet decision made.

#### 4. GENERAL FUND CAPITAL PROGRAMME

4.1. The following table details the final outturn position for the General Fund Capital Programme. This includes the revised original budget for 2022/23, taking into consideration adjustments for carried forward items as approved by the Section 151 Officer and the Council's Management Team.

Scheme	2022/23 Original Budget £	2022/23 Approved Adjustments £	2022/23 Working Budget £	Final Outturn £	Variance £	C/Fwd's and adj's to 2023/24 £	2023/24 Original Budget including C/Fwd £
Essential Repairs to Buildings	435,000	(44,530)	390,470	325,243	(65,227)	65,230	660,230
Gravesend Cemetery Improvements	0	14,830	14,830	0	(14,830)	0	0
Purchase of Vehicles (DSO Fleet)	413,400	144,940	558,340	328,557	(229,783)	0	346,500
Gatekeeper Replacement	0	0	0	0	0	0	50,000
New Wheeled Bins for Flat Recycling	0	25,000	25,000	16,588	(8,412)	8,410	66,810
Waste & Horticulture back office system	0	48,370	48,370	39,414	(8,956)	8,960	20,450
Replacement Playground Programme	159,870	60,170	220,040	224,110	4,070	0	130,000
Property Acquisition Programme	0	2,940,000	2,940,000	2,893,832	(46,168)	0	1,060,000
Land Acquisition Programme	2,945,790	(2,504,790)	441,000	498,400	57,400	0	2,504,790
Land Acquisition Dering Way	3,590,190	(3,590,190)	0	0	0	0	0
St George's Centre	9,019,640	(148,950)	8,870,690	0	(8,870,690)	0	2,982,530
Heritage Assets	331,570	(102,990)	228,580	44,808	(183,772)	157,580	157,580
Gym Equipment Leisure Centres	0	47,000	47,000	18,852	(28,148)	28,150	28,150
Parking Machines	0	301,570	301,570	128,504	(173,066)	173,070	173,070
LATCO development costs	0	18,600	18,600	0	(18,600)	18,600	18,600
LATCO working capital provision	170,260	0	170,260	66,623	(103,637)	103,640	103,640
Elizabeth Huggins Cottages – Loan	1,364,000	174,380	1,538,380	1,192,997	(345,383)	345,380	633,520
Parking Software	0	0	0	0	0	0	0
Purchase of Freighters	0	98,460	98,460	98,460	0	0	800,000
IT Infrastructure Assets	100,000	70,340	170,340	90,150	(80,190)	0	40,000
Rosherville Loan (The Charter)	45,439,010	(16,627,290)	28,811,720	21,176,606	(7,635,114)	7,635,110	43,219,960
Website Content Management System	0	23,120	23,120	23,117	(3)	0	0
New Leisure Centre	7,632,590	(5,654,030)	1,978,560	1,462,125	(516,435)	0	27,001,610
Electric Vehicle Charging Points	0	127,170	127,170	107,765	(19,405)	0	0
Disabled Facilities Grant	832,800	1,285,640	2,118,440	1,016,085	(1,102,355)	1,102,350	2,121,950
Alleyways	45,000	(45,000)	0	0	0	0	0
UK Prosperity Fund	0	15,000	15,000	0	(15,000)	15,000	40,470
Mobile Polling Station	0	20,000	20,000	6,700	(13,300)	13,300	13,300
Springhead Recreation Ground	0	0	0	0	0	0	150,000
St Andrews Gardens Landscaping	0	0	0	0	0	0	285,260
EV Charging Points - Brookvale	0	0	0	0	0	0	69,650
Improved River Access	0	0	0	0	0	0	1,000,000
Multi-Play sports and play equipment	0	0	0	0	0	0	192,570
	<b>72,479,120</b>	<b>(23,303,180)</b>	<b>49,175,940</b>	<b>29,758,937</b>	<b>(19,417,003)</b>	<b>9,674,780</b>	<b>83,870,640</b>

Table 5: General Fund Capital Programme 2022/23

- **Essential Repairs to Buildings** – In 2022/23 the following projects have been completed: Brookvale Depot roof recovering works; further LED lighting installed at the Civic Centre; Civic Centre lift repairs; installation of replacement fire alarm panels at Brookvale, safety works at Larkin Memorial, and the internal refurbishment of the Fort Gardens public toilets. Additionally, fire safety works have commenced at the Civic Centre, with many items already completed following the inspection of the building by the Kent Fire and Rescue Service.
- **Gravesend Cemetery Improvements** – A number of improvements at Gravesend Cemetery were completed during 2022/23, a programme for 2023/24 is being prepared.
- **Purchase of Vehicles (DSO Fleet)** – Three electric vehicles were added to the fleet during quarter four, a further two electric vehicles are awaiting delivery.
- **Gatekeeper Replacement** – Notice was given to Arriva that as from 1 April 2023 the gatekeeper service in King Street would cease. The gate is now closed in mornings and



re-opened in evenings (as per the Traffic Regulation Order) by the Parking team, with market operatives and street teams supporting cover on Sundays and Bank Holidays. There has been no further progress with Kent County Council in relation to installation of Automatic Number Plate Recognition cameras.

- **New Wheeled Bins for Flat Recycling** – The installation of wheelie bins in flats for recycling is underway and the wheelie bins are being purchased on a block-by-block basis.
- **Waste & Horticulture Back Office System** – The Council are currently reviewing new digital systems for the allotment service. The hardware for the Bartec System has been installed in the refuse collection vehicles.
- **Replacement Playground Programme** – Quarter four saw the delivery of a new play park at The Warren and refurbished Multi-Use Games Area and the start of an improved play area at Hever Court recreation space.
- **Property & Land Acquisition Programme** – As reported to Cabinet in February 2023, during the last quarter of the year the council acquired the long leasehold interest of twenty business units at D, E, F and G Springhead Enterprise Park, Gravesend. During the third quarter of 2022/23, the purchase of land at the junction of Ordnance Road and Milton Place from the Ebbsfleet Development Corporation was concluded. This will enable the Council to bring forward a comprehensive housing development at the site.
- **St George's Centre** – No works were undertaken at the shopping centre during the year.
- **Elizabeth Huggins Cottages** – Construction work continues at the site on Cross Lane West with funds continuing to be drawn down from the council on a monthly basis.
- **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** – A decision to hold back with spin bike replacement in the fitness gym areas has been made with the trust operator, whilst the existing equipment continues to function adequately post Covid-19 closure. Officers will continue to monitor usage and equipment performance in partnership with GCLL over the forthcoming financial year and replace equipment where necessary with the remaining funds.
- **Parking Machines** – The project has continued throughout 2022/23 and the car parks will go live in Q1 & Q2 2023/24. Rathmore Road car park, will go live on 15 May 23 with Parrock Street; Milton Place and Ordnance Road to follow in June and July.
- **LATCO Development Costs** – No requests to utilise these funds have been received in the financial year.
- **LATCO Working Capital Provision** – In accordance with the decision taken by Cabinet in March 2022, working capital of £67k has been provided to Rosherville Repairs & Maintenance Limited to assist with initial company set-up costs.

- **Parking Software** – The parking back-office system and virtual permit system has been in operation for a year now and the invoices have been paid in full.
- **Purchase of Freighters** – An order for three new refuse collection vehicles has been placed, these are due to be delivered during May/June 2023.
- **IT Infrastructure Assets** – Since the adoption of hybrid working, the IT operating model has changed significantly and as a result, infrastructure demands have changed. The 2022/23 expenditure relates to the consolidation of the Council's end-user device real-estate, which is a crucial part of the IT & Digital strategy, and the replacement of the Council's hardware firewall, which is key to the safety and security of the council's network infrastructure.
- **Rosherville Loan (The Charter)** – Construction work continues on site with monthly drawdowns being made by Rosherville Property Development Limited.
- **Website Content Management System** – The website migration project was completed in 2022/23.
- **New Leisure Centre** – A permitted planning application for the new leisure development was received in the 4<sup>th</sup> quarter of 2022/23 and now we are working with the project team on finalising the tender documentation for the construction build element of the project, which will be issued shortly for the 'Early Contractor Involvement' stage (ECI) of the process.
- **Electric Vehicle Charging Points** – The project was completed in November 2022 and all Charging Points are now installed. The remainder of the grant funding (25%) has now been received.
- **Disabled Facilities Grants** – There were 114 referrals in 2022/23, and the service have fully completed 86 grants, a further 38 cases have been awarded and will be completed in 2023/24. There have been 34 Homestraight referrals completed. The service is seeing an increase in referrals and is currently looking at ways to ensure properties are maintained in an appropriate condition. Officers are also seeing an increase of self-neglect cases, several of which require a multi-agency approach. Due to the change in Energy Company Obligation and Sustainable Warmth funding no longer covering emergency boiler repair/replacement, the Council are offering a DFG heating grant for elderly and vulnerable clients without heating and hot water, who would have normally qualified for a DFG. In the year, the Council had 26 referrals and completed 22 grants to the value of £98k.

## 5. CAPITAL RESOURCES

5.1 The table below shows the General Fund resources available to fund capital projects in the future:

<b>General Fund Capital Resources</b>	<b>Opening Balance 01/04/2022 £</b>	<b>Actual Income 2022/23 £</b>	<b>Use of Funding 2022/23 £</b>	<b>Closing Balance 31/03/2023 £</b>
Capital Receipts	(355,080)	(838,670)	433,310	(760,440)
S106 Capital Contributions	(807,670)	0	191,000	(616,670)
Capital Grants Unapplied	(96,390)	0	0	(96,390)
<b>Total Capital Resources</b>	<b>(1,259,140)</b>	<b>(838,670)</b>	<b>624,310</b>	<b>(1,473,500)</b>

Table 6: General Fund Capital Resources 2022/23

<b>Capital Grants Unapplied</b>	<b>Opening Balance 01/04/2022 £</b>	<b>Actual Income 2022/23 £</b>	<b>Use of Funding 2022/23 £</b>	<b>Closing Balance 31/03/2023 £</b>
Localised Council Tax Support	(41,390)	0	0	(41,390)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
<b>Total Capital Grants Unapplied</b>	<b>(96,390)</b>	<b>0</b>	<b>0</b>	<b>(96,390)</b>

Table 7: Capital Grants Unapplied 2022/23

5.2 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 2022/23 £	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. The money can be spent on Singlewell Ward to deliver mitigation requested by Leisure Services.
Land at the South of Hever Court Road	0	0	(80,000)	(80,000)	Highways contribution.
Land South of Dalefield Way, Dering Way	(17,000)	0	0	(17,000)	Flood Risk Management - £12,000, Bus Shelter - £5,000.
Whitehill Road	0	0	(2,670)	(2,670)	Funding is for a Traffic Regulation Order linked to parking.
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	(45,000)	0	0	(45,000)	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	0.00	0.00	0	0.00	Payable towards the provision of or major upgrade, refurbishment or improvement of Affordable Housing in the Borough of Gravesham.
Rosherville Property Development - NHS Contribution	0.00	0	(155,230)	(155,230)	Refurbishment, 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.
<b>Total S106 Contributions</b>	<b>(616,670)</b>	<b>0.00</b>	<b>(237,900)</b>	<b>(854,570)</b>	

Table 8: S106 Contributions 2022/23

<b>Secondary Implications</b>	
<b>Risk Assessment</b>	The purpose of this report is to demonstrate financial performance as at 31 March against the original budget set for the 2022/23 financial year. It also illustrates how the year-end position affects the Working Balances and Earmarked Reserves held by the Council.
<b>Data Protection Impact Assessment</b>	<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>
	a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a> ?  A definition of each type of data can be found on the Information Commissioner's Office website via the above links.  N/A
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?  N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdp@medway.gov.uk">gdp@medway.gov.uk</a> .  N/A
<b>Equality Impact Assessment</b>	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.
	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.
	<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>
<b>Crime and Disorder</b>	No direct implications
<b>Digital and website implications</b>	No direct implications
<b>Safeguarding children and vulnerable adults</b>	No direct implications