

Classification: Part 1 – Public

Key Decision: No

Gravesham Borough Council

Report to: Report for Cabinet

Date: 29 January 2024

Reporting officer: Leader of the Executive
Chief Executive
Director (Corporate Services)

Subject: General Fund Revenue and Capital Estimates 2024-25

Purpose and summary of report:

To present Cabinet with the draft revenue and capital estimates for General Fund services in 2024-25. To seek a recommendation to Council on the level of council tax to be levied for 2024-25.

Recommendations:

1. That Cabinet agree for a resolution to be placed before the meeting of the Council on 20 February 2024, specifying the council tax to be levied in the Borough of Gravesham for the year 2024-25.

Cabinet recommends to Council that:

2. The draft revenue estimates for 2024-25 together with revised estimates for 2023-24, be approved, subject to any final amendments agreed by the Section 151 Officer in consultation with the Chief Executive and Leader of the Executive;
3. The provisional estimates for the following eight years be noted;
4. The draft capital estimates for 2024-25, together with the revised estimates for 2023-24, be approved subject to detailed reports coming forward on new schemes where applicable;
5. 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.
6. The threshold for Key Decisions remains at £100,000.
7. Endorsement is given to the Council decision taken in February 2023 for the application of a 100% council tax premium on 'second homes', applicable from 1 April 2025 (in order to provide the required one-year minimum notice), as enabled by Section 80 of the Levelling-Up and Regeneration Act 2023. Delegated authority be given to the Director (Corporate Services) (as S151 Officer) to take all necessary and timely action to implement this recommendation.
8. Approval is given to reduce the current Prescribed Class C discount to 0% with effect from 1 April 2024 as enabled by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.
9. Approval is given to reduce the current Prescribed Class D discount to 0% with effect from 1 April 2024 as enabled by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.

Key Implications:	
Item	Implications
Legal	<p>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 11th March in the preceding financial year.</p> <p>The setting of the budget is a function reserved to Full Council, who will consider the draft budget prepared by the Cabinet. Once the budget has been agreed by Full Council, any in-year changes or virements can only be made in accordance with the council's Constitution.</p> <p>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.</p>
Finance and Value for Money	This report sets out the parameters and processes in place for preparing a balanced budget for 2024-25. It also provides an update on delivery against the approved Medium Term Financial Strategy for the council for the period 2022-23 to 2026-27.
Corporate Plan	<p>One Council: a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact.</p> <p>Financial responsibility: a financially sustainable authority, driven by a strong Medium Term Financial Strategy, enforced by a suite of effective financial monitoring controls.</p>
Climate Change	Reserve funding is included in the budget proposals for Climate Change Activity.

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 The council's General Fund accounts for all income and expenditure relating to the day-to-day running of council services. It does not include income and expenditure related to the provision of council housing and services associated directly with this, which are accounted for through the Housing Revenue Account (HRA). This report presents the draft General Fund revenue and capital estimates for the year 2024-25 to enable the Cabinet to recommend to Full Council its proposal in respect of the council budget for 2024-25 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. Executive Summary

- 2.1 The financial situation for local authorities is as difficult at this time as perhaps it has ever been, evidenced by the almost daily coverage of the state of local government finance and more local authorities issuing a Section 114 notice, or being close to issuing a S114 notice, than ever before.
- 2.2 At a headline level, the 2024-25 Provisional Local Government Finance Settlement indicates a 4.9% increase in cash terms in Core Spending Power for Gravesham in 2024-25 compared to 2023-24. Whilst this is in line with the increase experienced by other Shire Districts, it falls significantly below the 6% plus increases experienced by Authority types, with this also being the case in the last four settlements. This is also the six, one-year provisional settlement with local government funding reform effectively put on hold until after the next Comprehensive Spending Review.
- 2.3 Support for homeless households continues to be the most significant pressure on the council's budget, with spend on temporary accommodation increasing by 661% in past 4 years. Increases in demand for other council services, delays in proposed changes in government policy and economic factors such as inflation and interest rates has brought about an increasingly difficult environment within which the council operates.
- 2.4 These factors come alongside over a decade of significant cuts in local government funding, with direct government funding to meet expenditure on council services reducing from £8.44m in 2010/11 to £592,390 in 2024/25. In 2010/11 expenditure on council services was primarily met by secure, known funding sources provided directly by Central Government. Today, funding for council services is principally met from more volatile, local income sources, substantially from council tax. Over the last decade the council has had to manage its financial position, with proactive action delivering total net reductions in its base budget of £7.56m since 2016. In 2010/11 the council's net budget requirement was £14.4m. When considering inflation this would have increased to £23.4m for the current financial year. The budget requirement for 2024/25 is £14.59m.
- 2.5 The proposed budget for 2024-25 represents a balanced budget position, achieved through a contribution of £2.07m being made from working balances to support expenditure in the year (assuming a Council Tax increase of £6.57 per annum for a Band D property in 2023-24). This would see the level of Working Balances fall below its recommended minimum level of £5.25m by 31 March 2025. Proactive and accelerated action is required to deliver the Balancing the Budget initiatives to prevent the council finding itself in a position where it has limited capacity to respond to and manage the impact of any significant or unexpected events or emergencies during 2024-25 and unable set a balanced budget for 2025-26.
- 2.6 The budget proposals for 2024-25 have been developed to respond to the growing demand for services in a number of areas, demonstrate financial awareness, whilst also seeking to maintain those services that are understood to be important to the community the council serves and reflected in the council's newly adopted Corporate Plan covering the 2023-27 period; *Together - Proud to be Gravesham*. Specifically, the draft budget includes:

- A continued focus on improving the attractiveness and pride in the borough through delivery of the council's waste collection and recycling services alongside education and enforcement activity to prevent and target fly tipping and other environmental crimes.
- The progression of activity, with Partners, to support skills development and the creation of employment opportunities in the borough.
- Projects to reinvigorate town centres and support local business, including the creation of the Tech Hub flexible working space in the St Georges Shopping Centre and securing of a new operator for the Gravesend Borough Market.
- Continuing to progress activity to ensure the borough has high quality, accessible leisure facilities to support the health and wellbeing of its residents, including the delivery of a new leisure centre in the east of the borough and maintenance of play parks and open spaces.
- Support for the delivery of additional mixed tenure housing units in the borough and action to ensure the quality of private sector housing in the borough.
- Action to reduce our own operational carbon footprint and support the wider borough in taking action to minimise waste and emissions, recognising the wider benefits such action can have on general health and well-being alongside reduced energy costs.
- Recognition of the necessity for continued financial support and signposting to other partner agencies for our residents who need it.

3. Format of this report

3.1 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
- Section Four - General Fund Revenue Budget
- Section Five – Council Tax
- Section Six - Robustness of Estimates and Adequacy of Reserves
- Section Seven - Capital Programme

4. SECTION ONE – POLICY CONTEXT

Corporate Plan 2023-2027 – Together – Proud to be Gravesham

- 4.1 In October 2023 the Council adopted a new Corporate Plan for the period 2023 to 2027 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:

#oneborough: a safe, clean and attractive living environment, enhanced by a sustainable and increasingly energised local economy.

#onecommunity: an active, engaged and culturally enriched population, built on the foundations of an affordable and quality local housing offer.

#onecouncil: a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact.

- 4.2 Performance against the plan will be 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.

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

Provisional Local Government Finance Settlement

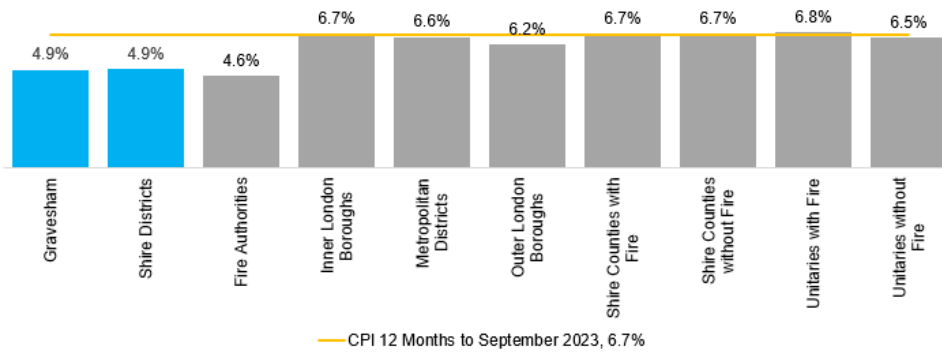
- 5.1 The provisional settlement sets out the level of funding assessed by Central Government for councils (the Settlement Funding Assessment – SFA) and is made up of two elements – Revenue Support Grant (RSG) and Business Rates Retention. Since 2018-19, the Business Rates retention element of the assessment increases each year in line with CPI, with the RSG element effectively used to bring the funding received by councils to the level assessed by Central Government.
- 5.2 On 18 December 2023 the Provisional Local Government Finance Settlement for 2024-25 was announced by the Department for Levelling Up, Housing and Communities and Local Government (DLUHC). As has been the case for the last five years, the provisional settlement is for one year only with local government funding reform now effectively put on hold until after the next Comprehensive Spending Review.

Core Spending Power

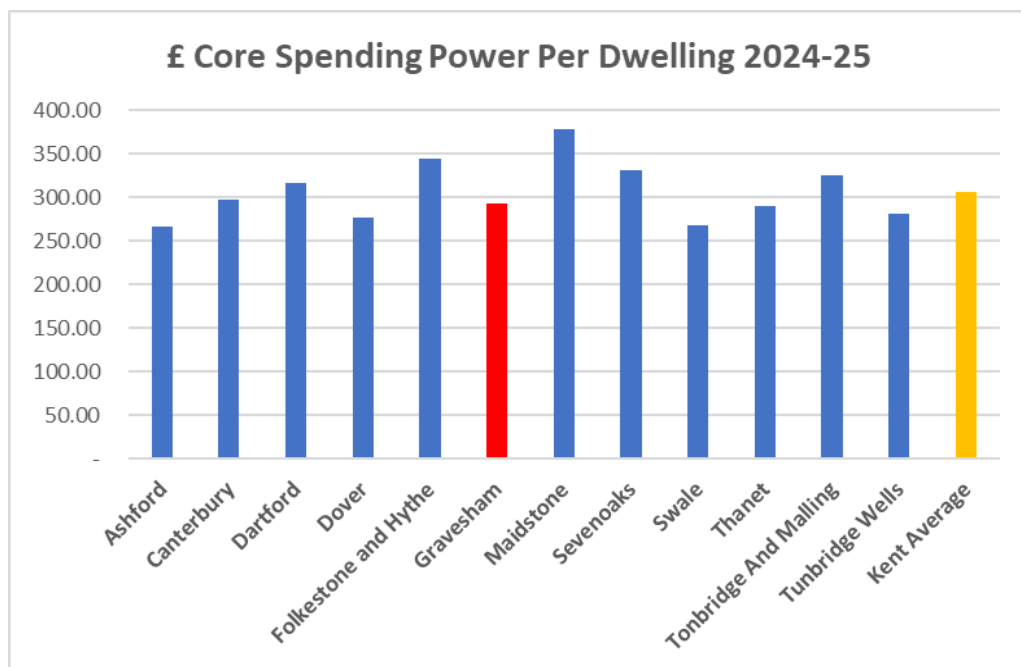
- 5.3 Core Spending Power is the headline figure used by DLUHC to represent the core revenue funding available to a local authority to fund services. It incorporates SFA, estimates of Council Tax income and other grants that are announced as part of the settlement.

5.4 At a headline level, the Spending Review indicates a 4.9% increase in cash terms in Core Spending Power for Gravesham in 2024-25 compared to 2023-24. This is in line with the increase experienced by other Shire Districts but falls significantly below the level of increase experienced by other Authority types, with the exception of Fire Authorities. Shire Districts receiving a lower increase in Core Spending Power than other authority types has occurred in the last four settlements.

Chart 1 - Change in CSP by Authority Type



5.5 The Kent view of assumed Core Spending Power per dwelling for individual districts authorities is shown in the graph below.



5.6 As a result of the provisional settlement, the council will experience an increase in its core spending power of 4.9% for 2024-25 and will have the sixth lowest level of assumed spending power per dwelling in Kent at £294, an increase of £12 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 (3%)

Settlement Funding Assessment

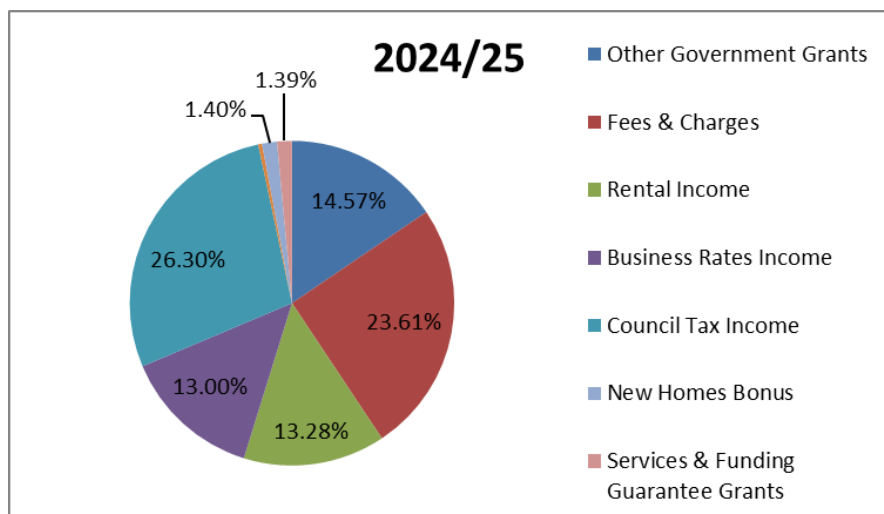
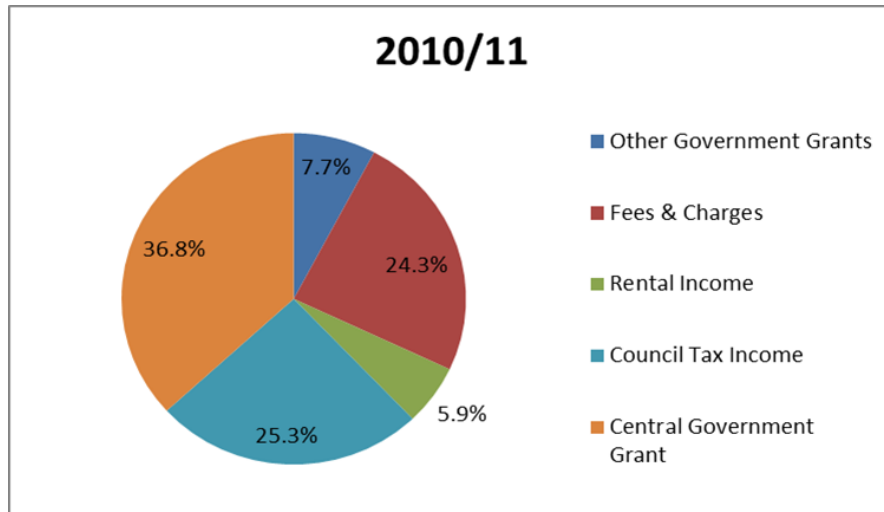
- 5.7 The Settlement Funding Assessment (SFA) has seen funding provided to the council uplifted line with the Consumer Price Index (CPI) inflationary measure as of September 2023.
- 5.8 In order to maximise the level of business rates retained locally, the council has been part of the Kent Business Rates Pool since 2015-16 and it has been confirmed that the Pool will continue to operate in 2024-25. 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.

Other Grants

- 5.9 **New Homes Bonus Scheme** - Under the scheme the council has secured indicative NHB funding for 2024-25 of £475,800. In previous years the council's policy has been to take NHB funding directly into Working Balances, so that it could be available to support future spending plans. In 2024-25, this funding will be applied in year to meet the spending plans and budget requirement for the year.
- 5.10 **SFA Multiplier Compensation** – The compensation amount estimated for 2024-25 (£618k) includes funding for previous years caps on inflationary increases.
- 5.11 **Services Grant** – The value of this grant in 2024-25 has significantly diminished from that available at a national level for 2023-24, likely due to sums being allocated instead to increases in Social Care Grant, inflationary increases in RSG and increases to Funding Guarantee. For Gravesham, the grant is expected to be £18,870 (was £115,170 in 2023-24).
- 5.12 **Funding Guarantee** – as was the case in 2023-24 the grant is intended to ensure that local authority will see an increase in core spending power lower than 3%, before taking into account council tax level decisions and changes to funding from rolled in grants. The minimum 3% increase is at the same level as 2023/24. Indicatively this grant amounts to £471,940 for Gravesham in 2024-25 (was £272,180 in 2023-24).

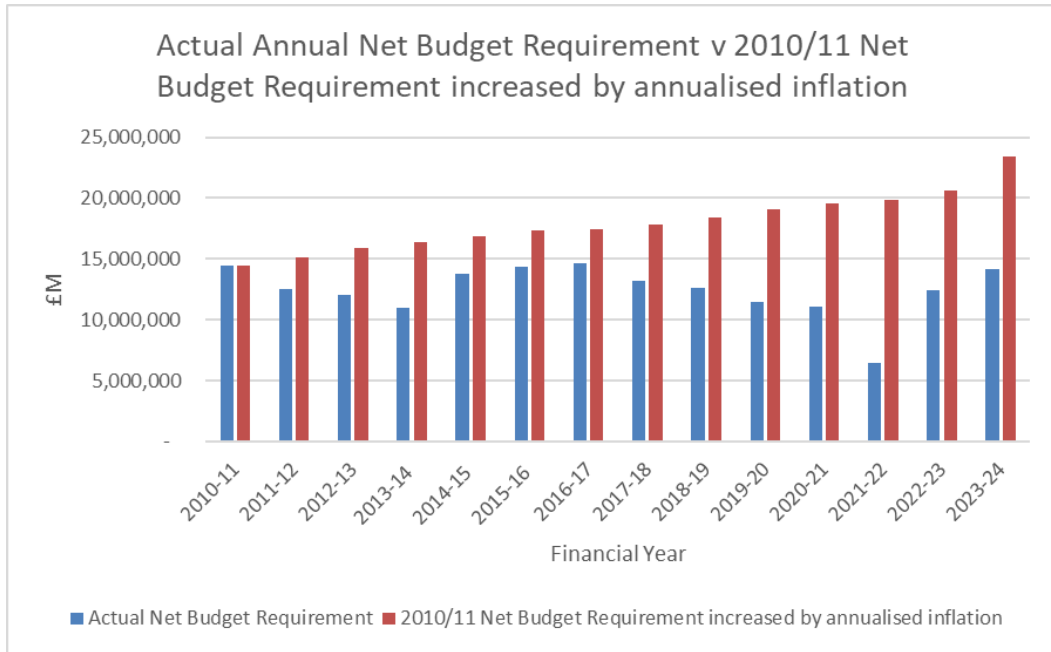
6. SECTION THREE – MEDIUM TERM FINANCIAL STRATEGY (See also Appendix 2)

6.1 The system of funding for local government has significantly changed since 2010, moving from a situation where local authorities were significantly dependent upon Central Government support to one where the council is becoming increasingly reliant on localised funding sources, with greater exposure to risk and opportunities coming with this.



6.2 Public sector services and local government in particular have had to respond to significant changes and sustained reductions in Government Grant funding whilst also grappling with increasing demand for services and changes in the legislative environment in which it operates.

6.3 The council continues to operate in a challenging financial climate, with many of these challenges outside of the council's control. Growing demand pressures and economic factors over the last decade have required the council to actively manage its budgetary position. As an illustration of this, the council's net budget requirement in 2010/11 was £14.4m. Taking into account inflation this would have increased to £23.4m for the current financial year. The actual original net budget requirement for 2023/24 was £14.1m, with the revised projection for the year estimated to be £13.6m.



- 6.4 The level of direct government funding available to meet expenditure on council services since 2010/11 has reduced from £8.44m to £592,390 in 2024/25. This has introduced increased volatility in the council's funding streams, shifting from a position where expenditure on council services was primarily met by secure, known funding sources provided directly by Central Government to the situation today where funding for council services is met from more volatile, local income sources, including council tax. Decisions taken by the Full Council around annual council tax levels can have a significant impact on the council's financial position for the year and as a starting point for council tax setting in future years.
- 6.5 In February 2023 the council amended its five-year Medium Term Financial Strategy (MTFS) spanning 2022-23 to 2026-27 in response to the increasing emerging budget gap that the council was facing on its General Fund Services. At that time, the identified budget gap of the council was estimated to be £4.3m, despite c£1.4m of initiatives to balance the budget having been delivered and reflected as part of the budget setting process for 2023-24. Members were alerted to the potential challenges in balancing the budget in the 2024-25 financial year if no further action was taken to actively manage the situation.

- 6.6 The MTFS sets out five workstreams which the council will actively progress in responding to the financial challenges it faces.

Initiative	Value of Activity to be delivered over MTFS Period (£)
Budget Rationalisation	1,540,280
Fees & Charges	307,000
Asset Optimisation	1,035,000
Trading and Commercialisation	698,200
Continuous Improvement Reviews	1,019,520
TOTAL VALUE OF ACTIVITY	4.600,000

- 6.7 Activity to balance the council's budget has been reflected in preparing the Original Budget for 2024-25.

Progress in delivery of Balancing The Budget Activity			
Workstream	Expected Value of Activity (£)	Activity Implemented and reflected in MTFP (£)	Activity Agreed, not yet reflected in MTFP (£)
Budget Rationalisation	1,540,280	1,635,140	805,000
Fees and Charges	307,000	520,130	64,730
Asset Optimisation	1,035,000	877,440	595,000
Trading & Commercial	698,200	274,390	466,200
Corporate Improvement Team	1,019,520	-	1,019,520
Total Value of Activity	4,600,000	3,307,100	2,950,450

- 6.8 Despite the council making strong progress in delivering the planned work streams, with measures to date totalling £3.307m reflected in the MTFP, this action has only served to enable the council to stave off the growing pressures on its budget from demands for homelessness support, the cumulative effect of above-budget pay awards and challenges in deriving income in the current economic climate, rather than address the underlying structural finance issue of spending plans being beyond the income it is able to generate.
- 6.9 These pressures have been principally driven by inflation and the wider economic challenges in the country. The most significant pressure on the council's budget is support for homelessness, with spend of temporary accommodation increasing by 661% between 2020-21 and the anticipated level of spend for 2023-24.

- 6.10 Based on the current MTFP projections, the council will be required to find a further £784k of base budget reductions to manage its ongoing financial position and maintain financial sustainability beyond the 2024-25 financial year. A number of options to deliver additional reductions to the base budget have already been identified and will be progressed, with updates provided to Members through 2024.
- 6.11 Whilst the council is able to produce a balanced budget for 2024-25, this is reliant on drawing £2.07m from its working balances. This would see the council fall below its recommended minimum level of reserves of £5.25m set within the Medium Term Financial Strategy. Based on current forecasts and were there to be no further intervention during 2024-25 to improve this position, the council would not be able to set a balanced budget for 2025-26.

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

Revised Budget 2023-24

- 7.1 The Projected Outturn for 2023-24 indicates a projected underspend in the year of £124,790, albeit a significant contribution of some £2m from working balances will still be required to meet planned expenditure for the year. As is always the case, income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2024-25

- 7.2 Each year the council is legally obliged to produce and agree a balanced budget, whereby spend plans are matched to the estimated funding available. Where income expected in the year does not cover expenditure plans, the council can draw on its working balances to make up the shortfall, whilst ensuring that it retains sufficient balances to cover any unexpected events.
- 7.3 The Original Estimate for 2024-25 represents a balanced budget position, with a contribution of £2.07m being made from working balances to support expenditure in the year (assuming an annual Band D equivalent Council Tax increase of £6.57).
- 7.4 The budget proposals for 2024-25 reflect the challenging financial position the council finds itself in, with a sharpened focus on working to maintain those council services valued by the communities in Gravesham and delivering a Gravesham to be proud of, whilst fully recognising that there will be some difficult decisions the council will need to take to ensure it deals with the structural budget pressures of maintaining spending plans within its envelope of available funding.
- 7.5 The proposals continue to financially support established plans to deliver a new sustainable Leisure Centre for the Borough, enable the delivery of new housing, maintain activity to promote pride in the borough and uphold the council's stance on fly-tipping.
- 7.6 A draft Budget Book is attached at Appendix 3a for Member information. This Budget Book also contains the budget for the Housing Revenue Account.

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

Council Tax Setting 2024-25

- 8.1 The draft Referendums Relating to Council Tax Increases (principles) (England) 2024 to 2025 were published alongside the annual Provisional Local Government Finance Settlement and included the proposal that Gravesham Borough Council, as a District Council, would be permitted to raise council tax by 3% without triggering the need for a council tax referendum.
- 8.2 The budget proposals reflect the council implementing an annual increase of £6.57 (2.93%) to its council tax charge in 2024-25. 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 £6.57 for those properties.
- 8.3 The total proposed annual council tax charge for the Gravesham element of the council tax bill will be £231.03; by way of comparison, the Band D equivalent council tax for 2023-24 was £224.46.

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

- 9.1 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.
- 9.2 It is the view of the Director (Corporate Services), as Section 151 Officer, that the estimates presented to Members are robust and that the threshold for Key Decisions has been reviewed and is to remain at £100,000. It must be recognised, however, that based on current forecasts the projected level of reserves is currently sufficient for the Authority but were there to be no further intervention during 2024-25 to improve the council's financial standing, the council's ability to respond to and manage the impact of any significant or unexpected events or emergencies during 2024-25 would be limited, and the council would not be able to set a balanced budget for 2025-26. The council has a clear track record for delivering against previous programmes of base budget reduction and there is no reason currently to believe the council cannot respond to the position it finds itself in. It is imperative, however, that activity is accelerated to provide the best opportunity for informed decision-making on such activity and to ensure the financial benefits derived are able to be realised.

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

- 10.1 The General Fund Capital programme is set out in Appendix Six to this report and for 2024-25 is estimated at £56.53m. In particular, the programme supports the council's intention to bring forward a new sustainable Leisure Centre Facility and bring forward new housing in the borough through working with partners.

11. Background Papers

- 11.1 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