

Section Four - General Fund Revenue Budget

1. Introduction

- 1.1 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).
- 1.2 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.

2. Revised Revenue Budget 2023-24

- 2.1 During 2023-24, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports, alongside a specific financial pressures report that was considered by Cabinet in November 2023. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
- 2.2 The Budget Monitoring Report showing the projected financial position at the end of Quarter Three (period to 31 December 2023) currently indicates a small 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.

3. Revenue Budget 2024-25

- 3.1 The ongoing financial pressures on the council will continue into 2024-25, with financial demands principally coming from the need to fund homelessness support. The proposed budget for 2024-25 has been developed on the basis of using prudent and considered assumptions around key expenditure and income items for the year.
- 3.2 The Original Estimate for 2024-25 represents a balanced budget position, however this has only been 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 will result in the Working Balances of the council falling below £5.25m, the level set within the Medium Term Financial Strategy to help the council cushion the impact of unexpected events or emergencies and smooth the impact of uneven cash flows and avoid the need for temporary borrowing.
- 3.3 A draft Budget Book is attached at Appendix 3a for Member information. The key factors considered when proposing the budget for 2024-25 are set out in the following paragraphs.

Employee Costs

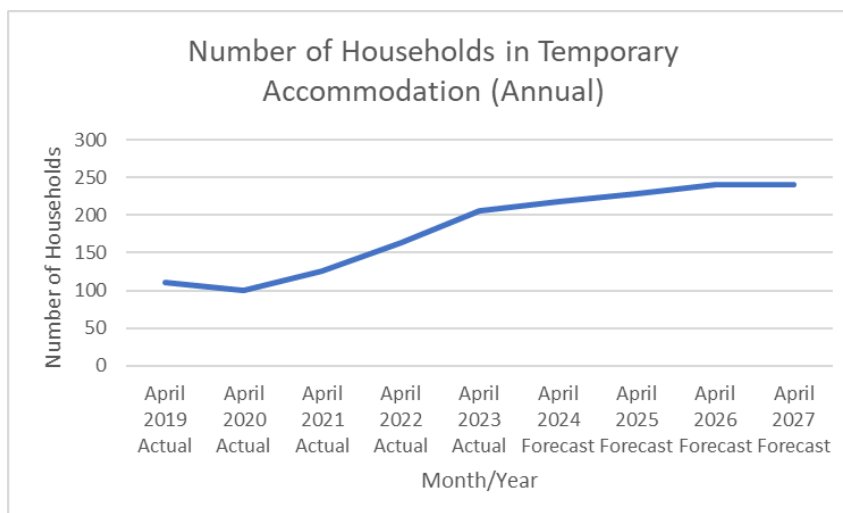
- 3.4 The pay settlement for 2023-24 was agreed between the unions and the National Joint Council (NJC) as an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points, equating to a percentage increase of between 9.42% and 3.88% across the salary scales. The offer also includes an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer, and an increase of 3.88 per cent on all allowances. This produced an average pay increase of 5.54% for employees, with the average increase in employer costs being 7.26% (taking into account resultant increases in employers National Insurance and pension contributions).
- 3.5 The MTFP includes an assumed increase of 5% for salaries for 2024-25, 3% for 2025-26 and then 2% annually for future years.
- 3.6 The Vacancy Allowance has been reviewed and reassessed against historic annual salaries spend data. On the basis of this exercise, the allowance will be increased from £450,000 to £500,000 for the General Fund in 2024-25.

Running Expenses

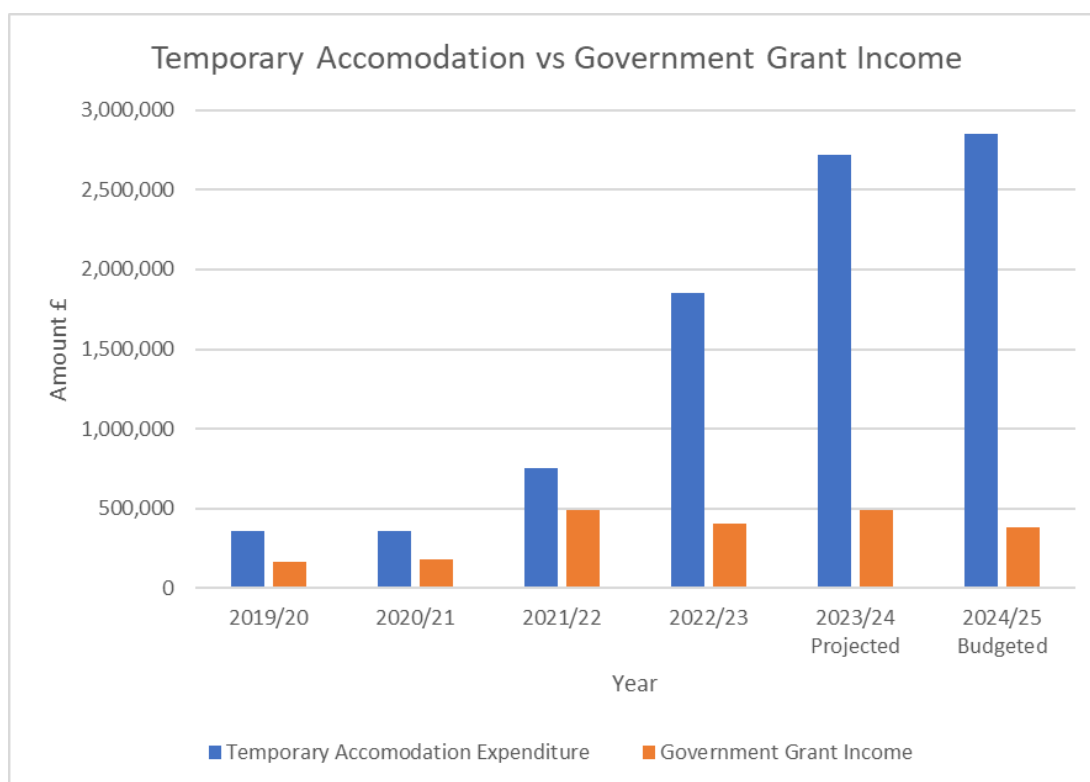
- 3.7 The council maintains budgets for regular expenditure on supplies and services which support the council in delivering its services to residents and achieving its objectives.
- 3.8 Working with budget holders, these budget lines have been reviewed for 2024-25 to ensure that sufficient financial 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.

Homelessness

- 3.9 Managing demand for homelessness assistance is currently the most significant pressure affecting Borough and District Councils financial stability. Providing temporary accommodation to a person or household that is homeless, eligible, has a priority need and is not intentionally homeless is a statutory duty that the council must discharge.
- 3.10 Since the start of the COVID-19 pandemic the council has seen a doubling of households to which it has a duty to provide temporary accommodation. Latest intelligence suggests that demand is only likely to increase, with demand currently forecast to rise by 5% annually before levelling out in 2027

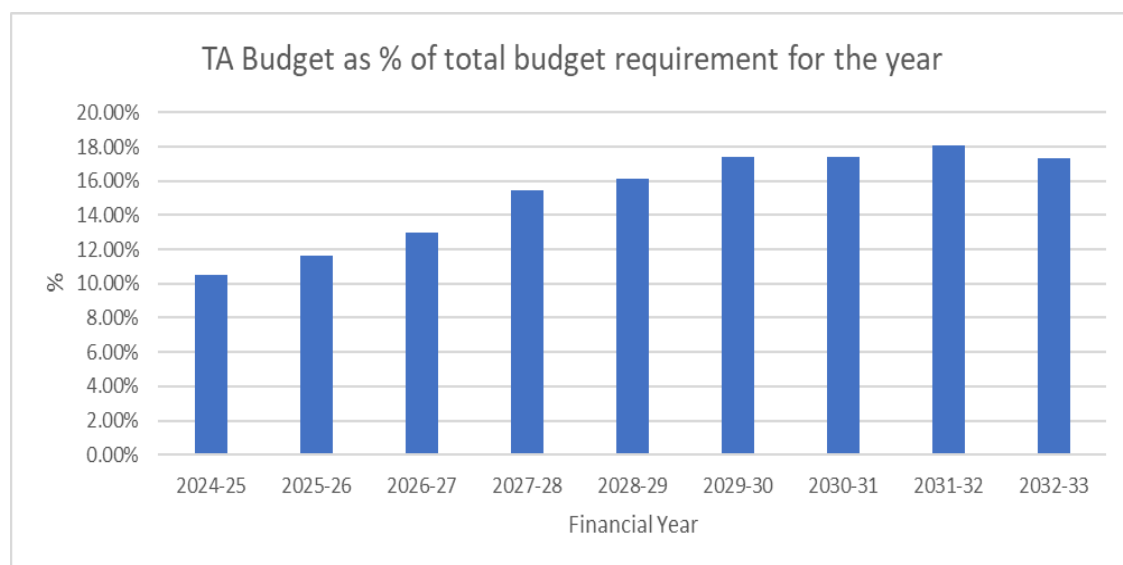
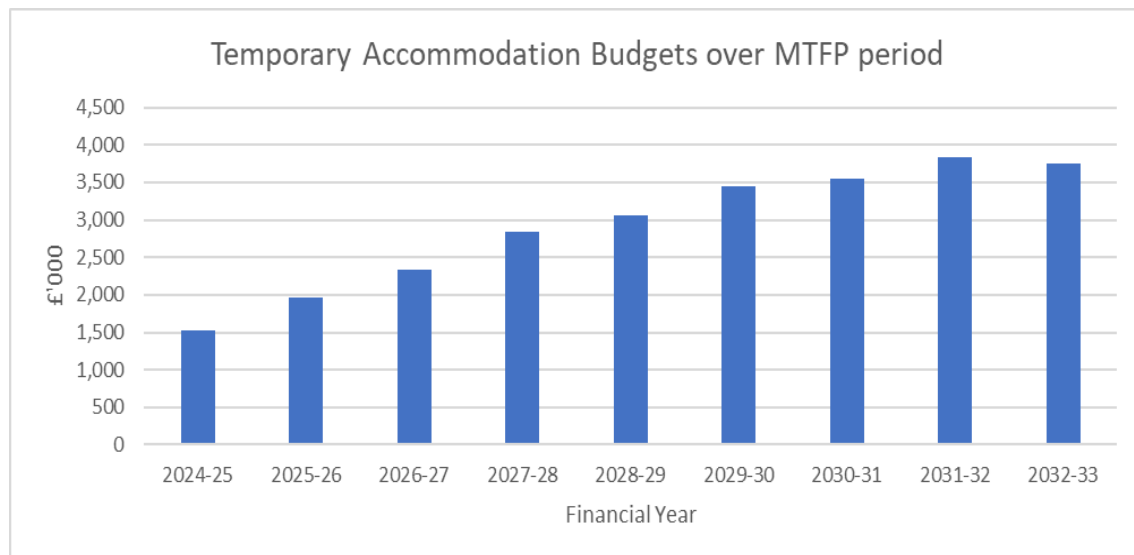


- 3.11 In setting the 2024-25 budget for the service, the council has anticipated gross spend on temporary accommodation for the year of £2.8m based on projected demand levels for the service and the associated anticipated cost of accommodation. This is before measures taken to respond to the growing pressures around homelessness support are taken into account.
- 3.12 Nationally, Homelessness Prevention Grant is provided to support services to prevent and tackle homelessness however due to the challenges in preventing homelessness within the private sector, this is usually offset against the temporary accommodation spend. Grant funding continues to fall short of the total cost of temporary accommodation to the council, resulting the balance of this cost falling on the Gravesham Taxpayer. The Autumn Statement included the announcement that Government would be providing £120m funding “to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship”. There is no further information currently available on the likely allocation of this funding, nor whether it is new money or an existing grant.



- 3.13 The council has, in the current financial year, approved the creation of a Social Lettings Agency (GBC Lettings) intended to increase access to good quality private sector accommodation for the purpose of providing temporary accommodation, as well as the direct purchase of suitable residential property which could be used to increase the council’s own housing stock and used for this purpose. These initiatives are expected to deliver a £580k reduction to gross spend on temporary accommodation in 2024-25. Service management continues to scrutinise processes and procedures to ensure that the council is robust in its assessment and placements of applications for support, while ensuring it fulfils its legal duty to those approaching the council and in priority need.

3.14 Despite these measures, service demand and the increasing cost of private sector temporary accommodation placements is placing excessive pressure on the council's budget. Ultimately, due to the increasing demand for temporary accommodation which is largely outside of the council's control, a change in government policy is needed to have any significant impact on future demand and the financial impact of the cost of the service to the council.



3.15 In the absence of any long term response to the national homeless situation, further action to respond to the increasing pressures this is creating on the council budget will be progressed in the coming months and reported through specific subject-matter reports to Cabinet or through budget monitoring reports.

Energy Costs

- 3.16 Volatility remains in the wholesale energy market, albeit unit prices have fallen in the last year, alongside actual council energy usage. Projections for 2024/25 and future years have been updated to reflect current usage levels and anticipated unit pricing.

Leisure Services

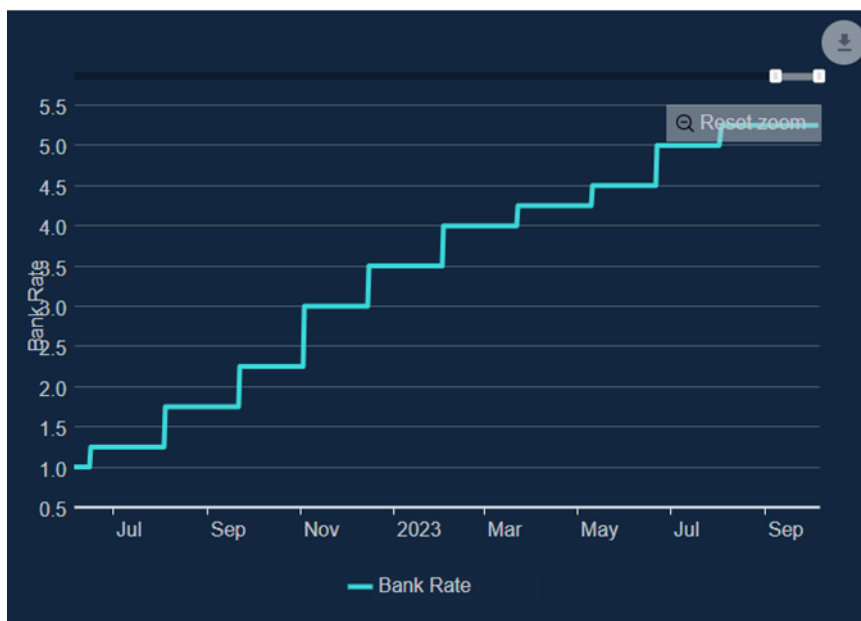
- 3.17 The council is contractually obliged to meet increases in the unit cost of utilities for the two leisure centres within the borough with Gravesham Community Leisure Limited (GCLL), the incumbent centre operator, responsible for any cost increases relating to consumption.
- 3.18 During 2023-24, the council has provided for financial support to GCLL of up to £500k for this purpose. In 2024-25 this support is expected to be continued, albeit at a slightly lower level of £420k. This is reflected in the budget through the council effectively waiving the management fee expected for the two centres and providing a further £170k of direct financial support to GCLL. This level of support will be monitored during the course of the year to ensure that support provided it is reflective of any downward movement in energy unit costs or any other proactive initiatives that may impact on energy usage.

Capital Financing

- 3.19 As part of the capital programme for both current and future years, new external borrowing has been planned. Total net interest payable on borrowing during the year is budgeted to be £1.1m in 2024-25.
- 3.20 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 2024-25, the required provision for this purpose is £1.2m.

Investment Income

- 3.21 The ability to generate returns from traditional investment sources has improved during the year due to higher interest rates, albeit that the cash balances available to the council for internally managed investment purposes are anticipated to decline. 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.



Source: Bank of England [Interest rates and Bank Rate | Bank of England](#)

- 3.22 In December 2023 the Bank of England base rate stood at 5.25%; for comparison the base rate at December 2021 was 0.25%. The Monetary Policy Committee is due to meet in February and March when further interest rates movements are expected to be discussed. The latest interest rate projections from the council's Treasury Management Advisors, Link Asset Management Services, are provided below for information and have been used to anticipate Investment Income for 2024-25 and future years.

Fees and Charges

- 3.23 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, with a report on the latest review undertaken, informing fees and charges levels for 2024-25, considered by Cabinet in December 2023.

Rental Income

- 3.24 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

- 3.25 The council will make a number of planned transfers into working balances and reserves during 2024-25 to support future spending plans or anticipated liabilities. 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.
- 3.26 In 2024-25 the council will use New Homes Bonus Funding, which had previously be taken directly to working balances when received, to fund planned expenditure in the year.

4. Conclusion

- 4.1 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.
- 4.2 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.
- 4.3 The council recognises that businesses and individuals will also need support to respond and adapt to the current economic environment and will continue to provide assistance to those in need.