

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Report for Cabinet
Date: 24 June 2024
Reporting officer: Sarah Parfitt, Director (Corporate Services)
Subject: Financial Update and Balancing the Budget

Purpose and summary of report:

To provide Members with information on the current financial challenges facing the Council, the General Fund Budget, Medium Term Financial Strategy and Medium Term Financial Plan (MTFP).

To set out the actions already taken and planned under the council's Balancing the Budget programme.

Recommendations:

1. This report is for information only.

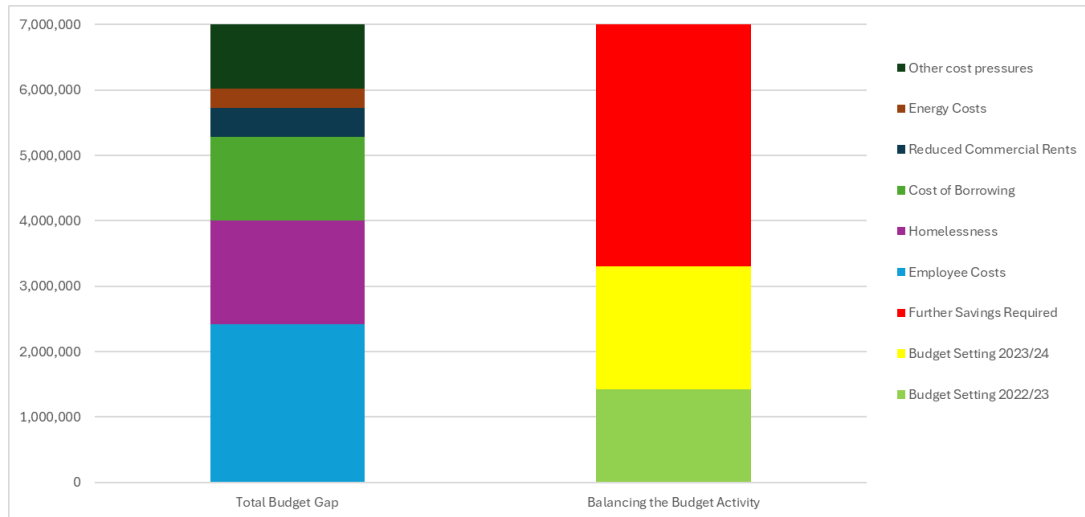
Key Implications:	
Item	Implications
Legal	<p>The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the council to set a balance budget with regard to the advice of its Chief Finance Officer (Section 151).</p> <p>The setting of the budget is a function reserved to Full Council, 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>
Finance and Value for Money	Whilst this is an information only report, the report incorporates information on the financial position and financial sustainability of the council.
Corporate Plan	N/A – the report is for information only.
Climate Change	N/A – the report is for information only.

1. Introduction

- 1.1 Local Government has been subject to a sustained period of financial uncertainty over the last fourteen years. Direct government funding to meet expenditure on council services has reduced from £8.44m in 2010/11 to £592,390 in 2024/25, demand for services has increased and income streams available to fund council services are more volatile.
- 1.2 In 2010/11 the council's net budget requirement was £14.4m. When considering inflation this would have increased to some £24m for the current financial year. The actual budget requirement for 2024/25 is £14.59m, with the council still doing the same, if not more, with the equivalent budget it had in 2010-11.
- 1.3 The Budget Setting report presented to Full Council in February 2024 presented a stark outlook with the need to deliver a further £3.7m of base budget reductions, through either additional income or expenditure savings, to manage the council's ongoing financial position and maintain financial sustainability beyond the 2024/25 financial year.
- 1.4 This report is intended to provide Members with information on the council's fiscal journey since 2020, set out the actions already taken to respond to the increasingly challenging financial position and those planned under the Balancing the Budget programme.

2. Executive Summary

- 2.1 In February 2020 the council was able to set a balanced budget for the forthcoming year, with financial projections at that time indicating that the council would not be required to make any additional savings across the medium-term financial planning period to 2028-29. Planned expenditure for the period was able to be met from anticipated income or usable working balances.
- 2.2 In the four years since February 2020, the financial landscape has significantly altered.
- 2.3 In February 2022, against a backdrop of growing service costs and reducing income, the council found itself again in a position where it was required to undertake a proactive programme of activity to manage its budget position. Since this time the council has seen budget pressures of some £7m, has proactively delivered base budget reductions of £3.3m and is operating with a financial budget of an equivalent value to the budget set by the council in 2010/11.



2.4 Despite these actions, the council still has an identified savings target of £3.7m to deliver in the short to medium term. The council is in a strong position to meet this target with specific activity totalling £3.9m identified and to be delivered through a concerted effort from all Members and Officers.

3. Budget Activity since 2020

Activity relating to the 2020/21 financial year

- 3.1 From 2016 the council had proactively progressed the workstreams set out in its Medium Term Financial Strategy (MTFS) as a sound and realistic plan for managing its finances.
- 3.2 In February 2020 and when proposing the budget for 2020/21, the council was able to demonstrate a sustained track record since 2016 in delivering reductions to its base budget requirement, with measures totalling £4.25m reflected in the MTFP at that time.
- 3.3 The council was able to set a balanced budget for the year which provided for £270,00 to be added to working balances during the year. Most importantly, the MTFP presented alongside the budget indicated that the council would not be required to make any additional savings across the plan period to 2028/29.
- 3.4 The period following February 2020 was unlike any other experienced by the council since its inception in 1974. During the year the council played its part in the national response to the Coronavirus (COVID-19) pandemic, with resources focused on supporting residents and businesses alike through the devastating impacts of the COVID-19 pandemic alongside maintaining critical services to the most vulnerable in the borough. Financial support was provided by Central Government to local authorities during the 2020/21 financial year through specific initiative such as the Sales, Fees & Charges Compensation Scheme.

Activity relating to the 2021/22 financial year

- 3.5 The Budget Setting Report for 2021/22, considered by Full Council in February 2021, reflected on the increased uncertainty brought about by the pandemic and its longer-term impacts on the nation's economy. Increasing demand for services such as temporary accommodation was also starting to become more prevalent.

- 3.6 The council was able to set a balanced budget for the year which provided a contribution to working balances in the year of £98,270. The MTFP presented alongside the budget indicated a worsening in the council's medium term financial projections, with a budget gap of £2.6m present in 2026/27.
- 3.7 During the 2021/22 financial year the longer-term effects of the COVID-19 pandemic started to become more apparent. Revenues from key income streams, such as car parking, remained suppressed and the council maintaining the additional financial support during the year to Gravesham Community Leisure Limited (GCLL) to sustain the two Leisure Centres within the borough.
- 3.8 The council became increasingly exposed to financial pressures driven by demand for homelessness support and temporary accommodation. Growing demand for temporary accommodation and the statutory nature of the service, coupled with the decreasing supply of suitable accommodation locally inevitably left the council in a position of being reliant on nightly paid accommodation options both in and outside of the borough.

Activity relating to the 2022/23 financial year

- 3.9 The council was able to set a balanced budget for the year, but only through requiring a contribution from working balances of £1.4m. The MTFP presented alongside the budget indicated a further worsening in the council's medium term financial projections, with an increased budget gap of £3.0m now emerging in 2026/27.
- 3.10 The Budget Setting Report for 2022/23, considered by Full Council in February 2022, incorporated approval of a new MTFS in recognition of the increasingly challenging financial position of the council. The MTFS set out the intention for the council to follow five focused workstreams in order to manage its financial position and deliver activity to the value of £3.0m to respond to its identified budget gap:
- **Budget Rationalisation** – continuation of the council's robust financial management, monitoring and planning arrangements, including specific exercises to review its reserves and challenge spend and budgetary provisions.
 - **Fees & Charges** – recognising that deriving income from fees and charges had become increasingly challenging, the council committed to ensuring that fees and charges continue to meet the principal objectives of its Charging Strategy and to identify new income streams to support the delivery of council services.
 - **Asset Optimisation** – action would be taken to ensure that the council continues to maintain an optimum asset portfolio and obtaining the best value from the assets it holds.
 - **Trading and Commercialisation** – continuation of the development of activity through Rosherville Limited and its subsidiaries, as well as conclusion of the council's property acquisition strategy
 - **Continuous Improvement Reviews** – recognising that COVID-19 had changed the way the council operates and delivers some of its services, the council set in place a programme of service reviews to ensure that it directs its limited resources in an efficient and effective manner to ensure that it continues to deliver services in the best way for its communities.

- 3.11 Following the budget setting process for 2022/23 and the approval of the new MTFs for the council, a sharpened focus was given to reporting on and responding to the financial risks and pressures facing the council. Two reports presented to Cabinet during 2022 setting out the risks and financial pressures being experienced by the council, its residents and local businesses from the economic situation at the time. The second of these reports, presented to Cabinet in October 2022, updated on the formation and proposed programme of work of the Corporate Improvement Team.
- 3.12 During the year, pressures continued to grow on the council's budget due to the national fiscal and economic situation emanating from the ongoing effects of the COVID-19 Pandemic and other international events, increasing service pressures in areas such as homelessness with inflationary pressures affecting works and service contracts, energy costs and pay.
- 3.13 The Budget Setting Report for 2023/24, considered by Full Council in February 2023, set out how the council had delivered £1.4m of budget reduction initiatives in the year since February 2022.

IMPLEMENTED BALANCING THE BUDGET ITEMS - FEBRUARY 2023	TOTAL (£)
<u>Budget Rationalisation</u>	
Corporate Budget Realignment Exercise	173,030
Pension Fund Triennial Review	270,400
	443,430
<u>Fees and Charges</u>	
Corporate Budget Realignment Exercise	17,990
Fees & Charges Review	64,060
	82,050
<u>Asset Optimisation</u>	
Town Pier/Pontoon disposal (revenue)	75,500
Commercial Property Activity/Rent Reviews	555,040
	630,540
<u>Trading and Commercial</u>	
Acquisition of Springhead D, E, F & G	217,390
Rosherville Limited Returns	55,000
	272,390
<u>Corporate Improvement Team</u>	
	-
TOTAL BASE BUDGET REDUCTION	1,428,410

Activity relating to the 2023/24 financial year

- 3.14 Despite the base budget reductions delivered during 2022/23, the budget gap at the time of setting the budget for 2023/24 had increased to £4.3m with the need to make budget savings emerging in 2024/25. Without the proactive action taken to manage its budget during 2022/23, the council would have been facing a budget gap of some £6m.
- 3.15 The council was again able to set a balanced budget for the year, but only through requiring an increased contribution from working balances of £2.3m. The S25 Report produced by the Director (Corporate Services) to accompany the budget setting proposal set out that whilst this was affordable for 2023/24, moving forward the council would not be able to sustain this as level of drawdown from Working Balances as a long-term means of balancing its budget.

3.16 During 2023 a number of decisions were taken by the Cabinet and Full Council during the year in response to the increasingly acute financial situation.

Report Subject	Meeting of the Council	Date	Indicative Base Budget Reduction on implementation (£)	Actual Base Budget Reduction implemented to date (£)
CIT - Sport & Leisure	Cabinet	28/05/2024	52,150	--
Balancing the Budget - Town Centre Options	Cabinet	18/03/2024	37,000	37,000
Council Tax	Full Council	20/02/2024	50,140	50,140
Cessation of shared HR Services	Cabinet	29/01/2024	50,250	33,080
Acquisition of Land Assets (Land @ Istead Rise)	Cabinet	29/01/2024	90,000	--
Fees and Charges Review	Cabinet	18/12/2023	193,820	174,280
Revised Car Park Fees	Cabinet	06/11/2023	263,800	263,800
Property Purchases to alleviate TA	Cabinet	06/11/2023	329,640	243,880
CIT Reviews - Tranche 1	Cabinet	06/11/2023	160,000	47,250
Market Operator procurement	Cabinet	02/10/2023	126,000	135,100
Events Review	Cabinet	26/06/2023	103,950	93,130
Solohaus Pods	Cabinet	26/06/2023	107,270	--
WMT Restructure	Full Council	20/06/2023	225,000	49,280
Social Lettings Agency	Cabinet	30/05/2023	215,000	215,000
			2,004,020	1,341,940

3.17 Delivery of the initiatives under the Medium Term Financial Strategy continued during 2023, with the delivery of a further £1.9m of base budget reductions.

IMPLEMENTED BALANCING THE BUDGET ITEMS - FEBRUARY 2024	TOTAL (£)
<u>Budget Rationalisation</u>	
10% Budget Rationalisation exercise	189,700
Review of Housing Benefit Subsidy Budgets	185,720
Council Taxbase Review	173,480
Inflation Provision Review	70,000
Review of Vacancy Allowance	50,000
Enterprise Zone - application of funds to support Events Programme	63,000
Reduction in Council contribution towards Events Programme	30,130
Kent Business Rates Pool Effect	382,430
	1,144,460
<u>Fees and Charges</u>	
Annual Review/New Income Sources	174,280
Car Park Fee increase	263,800
	438,080
<u>Asset Optimisation</u>	
Rent Reviews	111,800
Charter Market - alternative Operating Model	135,100
	246,900
<u>Trading and Commercial</u>	
Rosherville Limited Returns - 2024/25 Budget Estimates	2,000
	2,000
<u>Corporate Improvement Team</u>	
Community Safety	47,250
TOTAL BASE BUDGET REDUCTION	1,878,690

NB: the table above will include decisions that were taken by the Cabinet and Full Council reflected in the table at paragraph 3.16 above and implemented before February 2024.

Activity relating to the 2024/25 financial year

- 3.18 Despite the continuing pressures affecting the council budget, the proactive work undertaken during 2023/24 resulted in the budget gap of the council reducing to £3.7m at the time of setting the budget for 2024/25 with the need to make budget savings emerging a year later in 2025/26. Without the proactive action taken to manage its budget during the year, the council would have been facing a budget gap of some £7m.
- 3.19 The council was again able to set a balanced budget for the year through a reduced contribution from working balances of £1.95m. The S25 Report produced by the Director (Corporate Services) accompanying the budget setting proposal clearly articulated that without further increasing action to deliver the Balancing the Budget initiatives, the council could find itself in a position where it had limited capacity to respond to and manage the impact of any significant or unexpected events or emergencies during 2024/25 and set a budget for 2025/26.

4. Future Balancing the Budget Programme

- 4.1 In February 2024 the council had identified further activity to balance its budget of £3.0m, requiring some £0.7m of additional activity to be identified beyond that already agreed.
- 4.2 The urgency around action to deliver the Balancing the Budget Initiatives has required a renewed focus from both officers and elected members. Work between the Administration and Management Team has resulted in the council now being in a position where it has identified activity totalling £3.9m to deliver the Balancing the Budget Programme.

BALANCING THE BUDGET PLAN - MAY 2024		
	Value of Further Activity Required (£)	Value of Activity implemented and reflected in the MTFP since February 2024 (£)
Budget Rationalisation		
Review of reserves and provisions	480,000	
Treasury Management Activity	75,000	
Removal of HRA "Management charge" for GF use of HRA Properties for TA purposes	300,000	300,000
Consistent Underspends exercise (Global)	150,000	
Contracts Review	250,000	
Staff Benefits package adjustments (Salary Sacrifice etc.)	50,000	
Review of historic council taxbase growth assumption.	20,000	
	1,325,000	300,000
Fees and Charges		
Annual Review/New Income Sources	170,400	
Consistent Underspends exercise	20,000	
	190,400	-
Asset Optimisation		
Increase in income from the council land and property portfolio	970,000	
Generation of income from Biodiversity Net Gain Credits	90,000	
	1,060,000	-
Trading and Commercial		
Rosherville Limited Returns	150,000	
Commercial Asset Rent Reviews	140,000	
	290,000	-
Corporate Improvement Team		
Corporate Improvement Team/Budget Savings Exercise	1,039,630	189,100
TOTAL VALUE OF ACTIVITY	3,905,030	489,100

- 4.3 Activity to the value of £0.5m has been delivered and reflected in the MTFP since February 2024.

5. Governance

- 5.1 Strong financial governance is critical in the council delivering the base budget reductions it needs to continue to operate within the financial envelope available to it.
- 5.2 In September 2023 both the Cabinet and Finance & Audit Committee considered a report providing information on local government intervention and setting out the findings of a self-assessment conducted at the time against the Department for Levelling Up, Housing and Communities (DLUHC) guidance for addressing cultural and governance failings in local authorities. The self-assessment concluded that the council had many strengths in its organisational culture and governance arrangements, which had been kept under review by both internal and external mechanisms. The self-assessment did identify opportunities to build on these strengths and continue to develop and enhance the arrangements the council has in place; an update report considered by Cabinet in May 2024 confirmed that all actions identified through the self-assessment had been progressed.
- 5.3 External assessments of the council's governance arrangements by the LGA Peer Challenge process, Arcadis and the external auditor, Grant Thornton, support that the council has robust governance arrangements in place to support the actions it needs to take to manage its financial position.
- 5.4 In October 2019, the council invited a team of Peers from the Local Government Association (LGA) to undertake a Corporate Peer Challenge. A follow-up review was undertaken by the team in March 2021, taking in to account the council's response to the COVID-19 pandemic, which found positive progress by the council on its improvement journey.
- 5.5 In recent months, the authority has also been progressing discussions with Homes England as a way of supporting stalled developments within the Borough. As part of this, Homes England commissioned a report to look at the capacity of the council to support regeneration within the Borough, with a key part of that review being the financial management arrangements within the council. Reassuringly, the independent assessment commissioned by Homes England found that the authority presents a stable financial position (notwithstanding the need for additional savings to be delivered in line with all local authorities) and that the authority has a good track record of delivering savings.
- 5.6 Under the National Audit Office (NAO) Code of Audit Practice, the council's external auditor is required to consider and report on whether the council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In April 2024 Grant Thornton produced their report covering the 2020/21, 2021/22 and 2022/23 financial years. The report will be considered in full at the July meeting of the Finance & Audit Committee and will include the conclusion of Grant Thornton that there are no significant weaknesses in the council's governance arrangements identified and no improvement recommendations made.

6. Appendices

6.1 There are no appendices.

7. Background Documents

7.1 The following background documents were used:

- 7.2 [\(Public Pack\)Agenda Document for Council, 25/02/2020 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.3 [\(Public Pack\)Agenda Document for Council, 23/02/2021 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.4 [\(Public Pack\)Agenda Document for Council, 22/02/2022 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.5 [LGA Peer Challenge Action Plan Update - March 2022](#)
- 7.6 [\(Public Pack\)Agenda Document for Cabinet, 30/05/2022 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.7 [\(Public Pack\)Supplementary - Risks and Financial Pressures Agenda Supplement for Cabinet, 03/10/2022 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.8 [\(Public Pack\)Agenda Document for Council, 21/02/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.9 [\(Public Pack\)Agenda Document for Cabinet, 30/05/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.10 [\(Public Pack\)Agenda Document for Cabinet, 26/06/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.11 [\(Public Pack\)Agenda Document for Cabinet, 02/10/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.12 [\(Public Pack\)Agenda Document for Cabinet, 06/11/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.13 [\(Public Pack\)Agenda Document for Cabinet, 18/12/2023 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.14 [\(Public Pack\)Agenda Document for Cabinet, 29/01/2024 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.15 [\(Public Pack\)Agenda Document for Council, 20/02/2024 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.16 [\(Public Pack\)Balancing the Budget - Gravesend Town Centre Options Agenda Supplement for Cabinet, 18/03/2024 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.17 [\(Public Pack\)Supplementary - CIT Sports & Leisure Agenda Supplement for Cabinet, 28/05/2024 19:30 \(gravesham.gov.uk\)](https://www.gravesham.gov.uk)
- 7.18 [Agenda for Finance and Audit Committee on Tuesday, 16 July 2024, 7.30 pm – Gravesham Borough Council](#)

7.19 [Peer Challenge – Gravesham Borough Council](#)

Lead Officer: Sarah Parfitt, Director (Corporate Services)

Email: sarah.parfitt@gravesham.gov.uk

Secondary Implications	
Risk Assessment	The risks and opportunities associated with the current financial position of the council are set out within the main body of the report.
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>
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data ? 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 gdpr@medway.gov.uk . N/A
Equality Impact Assessment	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. N/A
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A
	<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	There are no direct crime and disorder implications arising from this report.
Digital and website implications	There are no direct digital or website implications arising from this report.
Safeguarding children and vulnerable adults	There are no direct safeguarding implications arising from this report.