

# Crawley Borough Council

## Cabinet

Agenda for the **Cabinet** which will be held in **Committee Rooms A & B**, Town Hall, Crawley, on **Wednesday 28 June 2017** at **7.30pm**

**PLEASE BRING THE CABINET/OSC REPORTS BOOKLET TO THIS MEETING**

Nightline Telephone No. 07881 500 227



**Head of Legal and Democratic Services**

**Membership:**

Councillor	P K Lamb	(Chair of Cabinet and Leader of the Council)
	S J Joyce	(Deputy Leader of the Council and Cabinet Member for Housing)
	M G Jones	(Cabinet Member for Public Protection and Community Engagement)
	C J Mullins	(Cabinet Member for Wellbeing)
	A C Skudder	(Cabinet Member for Resources)
	P Smith	(Cabinet Member for Planning and Economic Development)
	G Thomas	(Cabinet Member for Environmental Services and Sustainability)

Please contact Mez Matthews (Legal and Democratic Services Division) if you have any queries regarding this agenda.

Telephone number: 01293 438920

Email: [mez.matthews@crawley.gov.uk](mailto:mez.matthews@crawley.gov.uk)

Published 16 June 2017

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## **Part A Business – (Open to the Public)**

### **1. Apologies for Absence**

### **2. Members' Disclosures of Interest**

In accordance with the Council's Code of Conduct, members of the Council are reminded that it is a requirement to declare interests where appropriate.

### **3. Minutes**

To approve as a correct record the minutes of the Cabinet held on 22 March 2017.  
**(Enclosure A).**

### **4. Public Question Time**

To answer any questions asked by the public which are relevant to the functions of the Cabinet.

Public Question Time will be concluded by the Chair when all questions have been answered or on the expiry of a period of 15 minutes, whichever is the earlier.

### **5. Further Notice of Intention to Conduct Business in Private and Notifications of any Representations**

The Monitoring Officer will report on any responses to representations received in relation to why item 15: *Authority to Appoint a Contractor for Goffs Park Development* should not be held in Part B Business – (Closed to the Public).

### **6. Matters referred to the Cabinet**

To consider any matters referred to the Cabinet (whether by a scrutiny committee or by the Council) for reconsideration in accordance with the provisions contained in the Scrutiny Procedure Rules, the Budget Procedure Rules and the Policy Framework Procedure Rules set out in Part 4 of the Council's Constitution.

### **7. Report from the Chair of the Overview and Scrutiny Commission**

To receive a report from the Chair of the Overview and Scrutiny Commission on matters relating to Cabinet business considered by the Commission.

### **8. Treasury Management Outturn for 2016/17 The Leader's Portfolio**

To consider Report FIN/412 of the Head of Finance, Revenues and Benefits, which was referred to the meeting of the Overview and Scrutiny Commission held on 26 June 2017. This is **Enclosure 1** in the OSC/Cabinet joint reports booklet for this meeting.

### **9. K2 Crawley – Leisure Management Procurement Wellbeing Portfolio**

To consider Report HPS/009 of the Head of Partnership Services, which was referred to the meeting of the Overview and Scrutiny Commission held on 26 June 2017. This is **Enclosure 2** in the OSC/Cabinet joint reports booklet for this meeting.

**10. Financial Outturn 2016/2017  
The Leader's Portfolio**

To consider Report FIN/411 of the Head of Finance, Revenues and Benefits.  
(Enclosure B)

**11. Crawley Homes Gas Repair Servicing and Renewal, Responsive Repairs, Voids and Planned Works Options for Service Provision  
Housing Portfolio**

To consider Report CH/173 of the Head of Crawley Homes.  
(Enclosure C)

**12. Terms of Reference and Nominations for 2017-2018  
The Leader's Portfolio**

To consider Report LDS/131 of the Head of Legal and Democratic Services.  
(Enclosure D)

**13. Supplemental Agenda**

Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.

**14. Exempt Information – Exclusion of the Public (*Subject to Agenda Item 5*)**

The Committee is asked to consider passing the following resolution:-

That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraphs specified against the item.

**Part B Business – (Closed to the Public)**

**15. Authority to Appoint a Contractor for Goffs Park Development  
Housing Portfolio**

**(Exempt Paragraph 3)**

Information relating to financial and business affairs of any particular person (including the Authority holding that information).

To consider Report CH/172 of the Head of Crawley Homes.  
(Enclosure E)

**This information is available in different formats and languages. If you or someone you know would like help with understanding this document please contact the Democratic Services Team on 01293 438549 or email: [democraticservices@ Crawley.gov.uk](mailto:democraticservices@ Crawley.gov.uk)**

# Crawley Borough Council

## Minutes of Cabinet



**Wednesday 22 March 2017 at 8.00pm**

**Present:**

Councillors

P K Lamb

(Chair of Cabinet and Leader of the Council)

M G Jones

(Cabinet Member for Public Protection and Community Engagement)

S J Joyce

(Deputy Leader of the Council and Cabinet Member for Housing)

C J Mullins

(Cabinet Member for Wellbeing)

A C Skudder

(Cabinet Member for Resources)

P C Smith

(Cabinet Member for Planning and Economic Development)

G Thomas

(Cabinet Member for Environmental Services and Sustainability)

**Also in Attendance:**

Councillors

B J Burgess, R D Burrett, D Crow, C Portal-Castro and M A Stone.

**Officers Present:**

Ann-Maria Brown

Head of Legal and Democratic Services

Peter Browning

Acting Chief Executive

Karen Dodds

Head of Crawley Homes

Diana Maughan

Head of Strategic Housing and Planning

Chris Pedlow

Democratic Services Manager

**56. Apologies for Absence:**

No apologies were received.

**57. Members' Disclosure of Interests**

No declarations of interests were made.

**58. Minutes**

The minutes of the meeting of the Cabinet held on [8 February 2017](#) were approved as a correct record and signed by the Chair.

**59. Public Question Time**

There were no questions from the public.

## **60. Matters Referred to the Cabinet**

It was confirmed that no matters had been referred to the Cabinet for further consideration.

## **61. Report from the Chair of the Overview and Scrutiny Commission**

The comments from the Overview and Scrutiny Commission had been circulated to all Cabinet Members. Details of those comments are provided under the minute to which the comments refer.

## **62. Town Centre Regeneration Programme (Phase 2) Queensway and The Pavement**

The Cabinet Member for Planning and Economic Development presented report [PES/230](#) of the Head of Economic and Environmental Services, which set out the 2<sup>nd</sup> phase of the Town Centre regeneration, with the proposal to extend the environmental improvement scheme in Queens Square along Queensway and The Pavement.

It was noted that following approval, a detailed design would be created for a planning application submission in later 2017. The proposed works would not start until early 2018, which would allow retailers a 6 month gap including the Christmas period, between the ending of phase 1, Queen's Square, and commencement of the second phase.

The Cabinet noted the Overview and Scrutiny Commission's comments including their support from its meeting on 20 March 2017 and then agreed the recommendations.

### **RESOLVED**

That the Cabinet

1. approves the design concept for the Queensway and The Pavement regeneration scheme;
2. delegates authority to the Head of Economic and Environmental Services, in consultation with the Cabinet Member for Planning and Economic Development to approve the detailed design;
3. delegates authority to the Head of Economic and Environmental Services in consultation with the Cabinet Member for Planning and Economic Development to spend up to the allocated budget of £2.2m for the scheme, subject to formal approval from West Sussex County Council for a contribution of £1.1m;
4. delegates authority to officers to undertake a procurement exercise in accordance with the Council's Procurement Code to select a suitable Contractor to construct the scheme;
5. delegates authority to the Head of Economic and Environmental Services in consultation with the Cabinet Member for Planning and Economic Development and the Head of Legal and Democratic Services to enter into a contract with the successful bidder for the construction of the scheme.

## Reason for Decision

- a) Approval of the design concept for the scheme is required in order for the project team to undertake detailed design and prepare a planning application for submission in mid-2017. This will be closely followed by the procurement process leading to the selection and appointment of a contractor, with a view to commencing construction in early 2018.
- b) The scheme will complement and build on the momentum set by the Queens Square project and breathe new life into Queensway and strengthen the positive perception of Crawley town centre in order to consolidate and boost retail / business investment.

## 63. Sheltered Housing Service Review

The Cabinet Member for Housing presented report [CH/171](#) of the Head of Crawley Homes, which sought approval to change the Council's approach to sheltered housing service provision. The proposals for the change came through an in-depth systems thinking review of the service and the need for alternative provision following the withdrawal of the Supporting People funding.

It was noted that the outcome of the Review found that the accommodation based approach does create a significant amount of duplication with social care services, and provides services for those who really have no need of such services. As a result the proposals for the service going forward included:

- provision of an older persons tenancy support service to any older tenant including those in general needs accommodation
- deleting the out of hours service as existing and providing a service based on the provision of the lifeline service with out of hours emergencies covered through a duty rota.
- deleting the provision of the morning call service and removing the charge from those assessed as being required to pay for it.
- de-designate the dispersed sheltered schemes to older persons housing, which will be carried out in a gradual manner as the hard-wired alarm system required upgrading.

It was emphasised that the consultation taken with sheltered housing tenants and the results had been reasonably positive, with the majority not expressing any concerns or worries about the changing service. They were reassured however that the Careline service, that provided the 24/7 response to the alarm calls would not be affected by the proposals.

The Cabinet noted the Overview and Scrutiny Commission's comments from its meeting on 20 March 2017, including its support for the recommendations.

## **RESOLVED**

That the Cabinet

1. confirms that it has considered the report and the responses from the consultation process undertaken in respect of the proposed changes.
2. approves the change from an accommodation based service to a needs based assessment for older people including those in general needs accommodation.
3. delegates authority to the Head of Crawley Homes, in consultation with the Cabinet Member for Housing to implement the proposals contained in this report as outlined in 5.3 of report [CH/171](#).
4. delegates authority to the Head of Crawley Homes, in consultation with the Cabinet Member for Housing to implement any further minor operational changes arising from the continuing systems thinking review.

### **Reason for Decision**

- a) The focus on accommodation based support has led to the provision of a service that the majority of new tenants and a significant number of existing tenants do not want and do not value.
- b) There is an opportunity to provide additional support to older people living in general needs accommodation who do have a need for additional support
- c) The Council's integral sheltered schemes do offer the opportunity to continue a quality sheltered service for those seeking a safe and secure environment with the offer of a vibrant community.
- d) The majority of the dispersed schemes do not provide the same opportunity for community activities and those people accessing the properties as accommodation rather than sheltered accommodation do not wish to engage in communal activities. These people are more likely to choose a dispersed scheme.

## **64. Irrecoverable Debts 2016/2017**

The Leader presented report [FIN/410](#) of the Head of Finance, Revenues and Benefits. The purpose of this report was to obtain approval to write-off a debt that was considered to be irrecoverable and exceed the delegated limit of £50,000 per write-off. It was noted that a summary of debts to be written-off under delegated powers was also contained within the report. The Leader commented that he had been privy to the lengths that the finance team chase debts to the Council and was satisfied that it was in the Council's best interest to write off the proposed debts for accounting purposes.

## **RESOLVED**

That the Cabinet approves the write-off of amounts exceeding £50,000 as detailed in the table below:

<b>Name and Address</b>	<b>Reason</b>	<b>Total £</b>
Make it Fashion Ltd 76/77 County Mall	Company Dissolved	78,289.36
		78,289.36

### **Reason for Decision**

The Council's Constitution necessitates amounts exceeding £50,000 requiring write-off to be approved by the Cabinet.

### **65. Exempt Information – Exclusion of the Public (subject to agenda item 5)**

#### **RESOLVED**

That in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraphs specified against the item.

### **66. Council Enabled Affordable Housing**

*(Exempt Paragraphs 3 (information relating to financial and business affairs of any particular person (including the Authority holding that information))).*

The Cabinet Member for Housing presented reports SHAPS/58 and SHAPS/58.5 of the Head of Strategic Housing and Planning Services. The purpose of the reports were to secure financial assistance to enable the provision of up to 95 affordable housing units on the College Car Park site. The Cabinet was guided through both reports which contained in-depth information on the proposed approach for securing the housing units and the associated financial implications.

The Leader invited Councillor Burrett to ask a question in relation to the proposals and the associated implications on both the HRA and Council's capital reserves, respectively.

#### **RESOLVED**

The Cabinet request that Full Council in relation to:-

- 1) the College Car Park scheme:
  - i) Approve a supplementary capital estimate, as detailed in Section 5 of report SHAPS/58, to secure up to 95 affordable housing units on the College Car Park site, funded from usable capital resources.



- ii) Delegate authority to the Head of Strategic Housing and Planning Services and the Head of Finance Revenues and Benefits, in consultation with the Cabinet Member for Housing and the Head of Legal and Democratic Services, to conclude nomination and funding agreements with a Housing Association, as named in the report.
- 2) enabling affordable housing with Right To Buy (RTB) 1-4-1 receipts:
- i) approve a supplementary capital estimate, as detailed in Section 5 of report SHAPS/58 to be funded from the RTB 1-4-1 receipts, which will enable Officers to respond to existing and emerging opportunities to allocate funding for additional affordable housing units and/or additional rental units.
  - ii) Delegate authority to the Head of Strategic Housing and Planning Services and the Head of Finance, Revenues and Benefits, in consultation with the Cabinet Member for Housing and the Head of Legal and Democratic Services, to allocate funding to successful RSL bidders and enter into appropriate funding and nomination agreements with them to protect the Council's interests.

### **Reason for Decision**

- a) The delivery of new affordable housing remains a key priority for the Council. Given land supply constraints, and where appropriate, it is vital that the Council is in a position to respond promptly and positively to potential windfall opportunities to maximise delivery.
- b) The recommendations within this report are firstly intended to secure a significant windfall of up to 95 affordable housing units through an RSL partner. As the RSL has included HCA grant funding in their offer for this scheme, any funding contribution from the Council cannot be in the form of RTB 1-4-1 receipts.
- c) Secondly to pursue opportunities with Housing Association partners using RTB 1-4-1 Receipts in order to secure additional units, or to better address housing need by converting Intermediate Tenures into Affordable Rent Tenure, with the aim to mitigate the risks of underspending RTB Receipts by responding to opportunities as they arise.

### **67. Closure of Meeting**

With the business of the Cabinet concluded, the Chair declared the meeting closed at 8.19 pm.

P K LAMB  
Chair

# Crawley Borough Council

## Report to Overview and Scrutiny Commission 26 June 2017

### Report to Cabinet 28 June 2017

#### Treasury Management Outturn for 2016/17

Report of the Head of Finance, Revenues and Benefits – FIN/412

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#### 1. Purpose

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2016/17 the minimum reporting requirements were that the full Council should receive the following reports:
  - an Annual Treasury Strategy in advance of the year (Council 24/02/2016)
  - a mid-year treasury update report (Council 14/12/2016)
  - an annual review following the end of the year describing the activity compared to the Strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Committee before they were reported to the full Council.

#### 2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) To approve the actual 2016/17 Prudential and Treasury Indicators as set out in the report;
- b) To note the Annual Treasury Management Report for 2016/17.

### 3. The Economy and Interest Rates

- 3.1 The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.
- 3.2 In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.
- 3.3 The strategy adopted in the original Treasury Management Strategy Report for 2016/17 approved by the Council on 24/02/2016 was subject to revision during the year due to the addition of Housing Associations and Repurchase Agreements as counterparty categories at the mid-year update.

### 4. Overall Treasury Position as at 31 March 2017

- 4.1 At the beginning and the end of 2016/17 the Council's treasury position was as follows:

	31 March 2016 Principal £'000	Rate/ Return	Average Life yrs	31 March 2017 Principal £'000	Rate/ Return	Average Life yrs
<b>Total debt</b>	<b>260,325</b>	<b>3.2%</b>	<b>15.03</b>	<b>260,325</b>	<b>3.2%</b>	<b>14.03</b>
<b>CFR</b>	<b>260,325</b>			<b>260,325</b>		
<b>Over / (under) borrowing</b>	<b>0</b>			<b>0</b>		
<b>Total investments</b>	<b>117,963</b>	<b>0.92%</b>	<b>0.68</b>	<b>118,183</b>	<b>0.68%</b>	<b>0.48</b>
<b>Net debt</b>	<b>142,362</b>			<b>142,142</b>		

## 5. The Borrowing Requirement and Debt

- 5.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

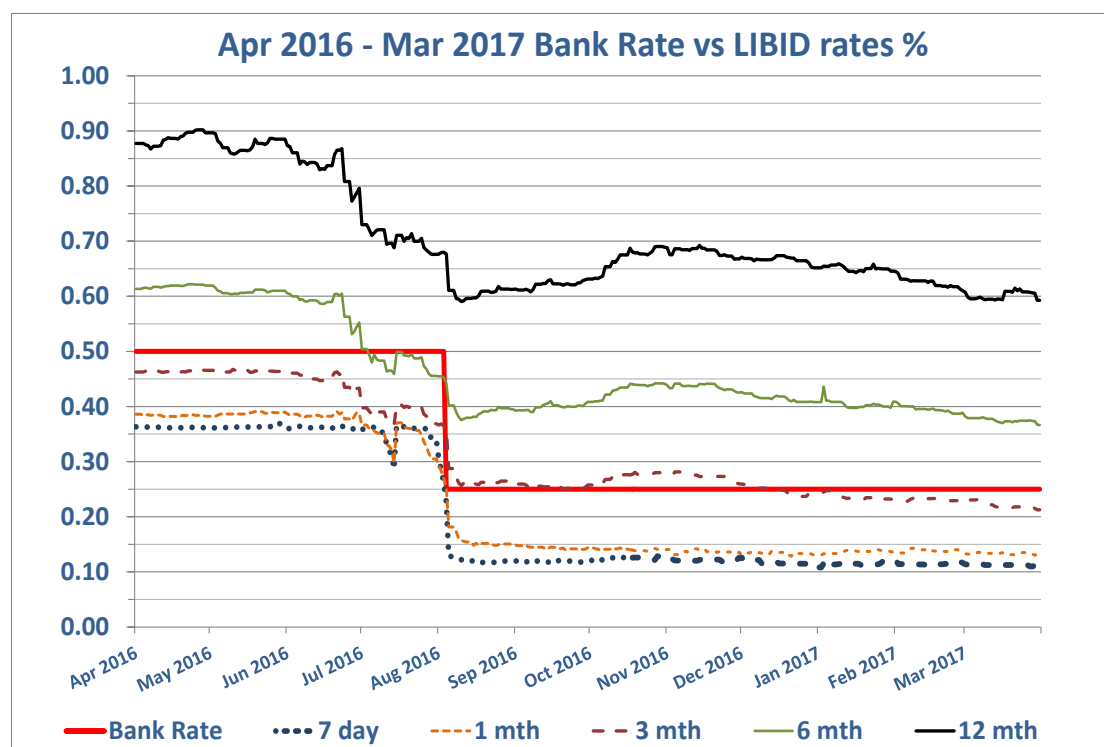
	31 March 2016 Actual £'000	31 March 2017 Budget £'000	31 March 2017 Actual £'000
CFR General Fund (£000)	0	-207	0
CFR HRA (£000)	260,325	260,147	260,325
Total CFR	260,325	259,940	260,325

## 6. Borrowing Outturn for 2016/17

- 6.1 No borrowing was undertaken during the year.

## 7. Investment Rates in 2016/17

- 7.1 After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.



## **8. Investment Outturn for 2016/17**

- 8.1 **Investment Policy** – the Council’s investment policy is governed by Government guidance, which was been implemented in the annual investment strategy approved by the Council on 24/02/2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks and credit default swaps. The strategy was revised in the mid-year update by Council on 14/12/2016.
- 8.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 8.3 **Investments held by the Council** - the Council maintained an average balance of £128,050,803 of internally managed funds. The internally managed funds earned an average rate of return of 0.81%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.20%. This compares with a budget assumption of £109,766,000 investment balances earning an average rate of 1.04%. See appendix 2 for a list of investments held at 31 March 2017.
- 8.4 Investments balances are higher than forecast in the strategy due to slippage in the capital programme. The rate of return achieved has been directly affected by the decision to leave the European Union and the Bank of England reducing base rate to 0.25% following this decision.

## **9. Implications**

- 9.1 The financial and legal implications are addressed throughout this report. The Council’s investments were managed in compliance with the Code and the Prudential Code through the year.

## **10. Background Papers**

[Treasury Management Strategy for 2016/2017 – Cabinet, 10 February 2016; OSC, 8 February 2016 \[FIN/381 refers\]](#)

[Treasury Management Mid-Year Review 2016/2017 – Cabinet, 30 November 2016; OSC, 28 November 2016 \[FIN/396 refers\]](#)

Report author and contact officer: Paul Windust, Corporate Accounting and Treasury Services Manager (01293 438693)

## Appendix 1: Prudential and Treasury Indicators

During 2016/17, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2015/16 Actual £000	2016/17 Original £000	2016/17 Actual £000
Capital expenditure			
• General Fund	8,205	23,751	14,823
• HRA	20,789	35,837	16,294
• Total	28,994	59,588	31,117
Capital Financing Requirement:			
• General Fund	0	(207)	0
• HRA	260,325	260,147	260,325
• Total	260,325	259,940	260,325
Gross borrowing	260,325	260,325	260,325
External debt	260,325	260,325	260,325
Investments			
• Longer than 1 year	11,000		5,000
• Under 1 year	106,963		113,183
• Total	117,963	96,691	118,183
Net borrowing	142,362	163,634	142,142

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016/17.

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2016/17 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 £000
Authorised limit	270,325
Maximum gross borrowing position	260,347
Operational boundary	260,325
Average gross borrowing position	260,325

Ratio of financing costs to net revenue stream	31 March 2016 actual	2016/17 original	31 March 2017 actual
Non - HRA	-8.53%	-7.50%	-8.03%
HRA	16.89%	17.39%	17.18%

	31 March 2016 Principal £000	Rate/Return	Average Life yrs	31 March 2017 Principal £000	Rate/Return	Average Life yrs
Fixed rate funding:						
-PWLB	260,325	3.2%	15.03	260,325	3.2%	14.03
-Market	0	0%		0	0%	
Variable rate funding:						
-PWLB	0	0%		0	0%	
-Market	0	0%		0	0%	
<b>Total debt</b>	<b>260,325</b>	<b>3.2%</b>	<b>15.03</b>	<b>260,325</b>	<b>3.2%</b>	<b>14.03</b>
<b>CFR</b>	<b>260,325</b>			<b>260,325</b>		
<b>Over/ (under) borrowing</b>	<b>0</b>			<b>0</b>		
<b>Total investments</b>	<b>117,963</b>	<b>0.92%</b>	<b>0.68</b>	<b>118,183</b>	<b>0.68%</b>	<b>0.48</b>
<b>Net debt</b>	<b>142,362</b>			<b>142,362</b>		

The maturity structure of the debt portfolio was as follows:

	Lower limit	Upper limit	31 March 2017 actual
Under 12 months	0%	10%	£0.00m (0%)
12 months and within 24 months	0%	10%	£0.00m (0%)
24 months and within 5 years	0%	10%	£0.00m (0%)
5 years and within 10 years	0%	20%	£64.00m (25%)
10 years to 20 years	0%	80%	£179.00m (69%)
20 years to 30 years	0%	25%	£17.33m (6%)
30 years to 40 years	0%	10%	£0.00m (0%)
40 years to 50 years	0%	10%	£0.00m (0%)

The exposure to fixed and variable rates was as follows:

Debt portfolio £000	31 March 2016 actual	2016/17 original limits	31 March 2017 actual
Fixed rate	260,325	270,325	260,325
Variable rate	0	10,000	0

Investment portfolio £000	31 March 2016 actual	2016/17 original limits	31 March 2017 Actual
Fixed rate	105,931	140,000	111,996
Variable rate	12,032	40,000	7,187



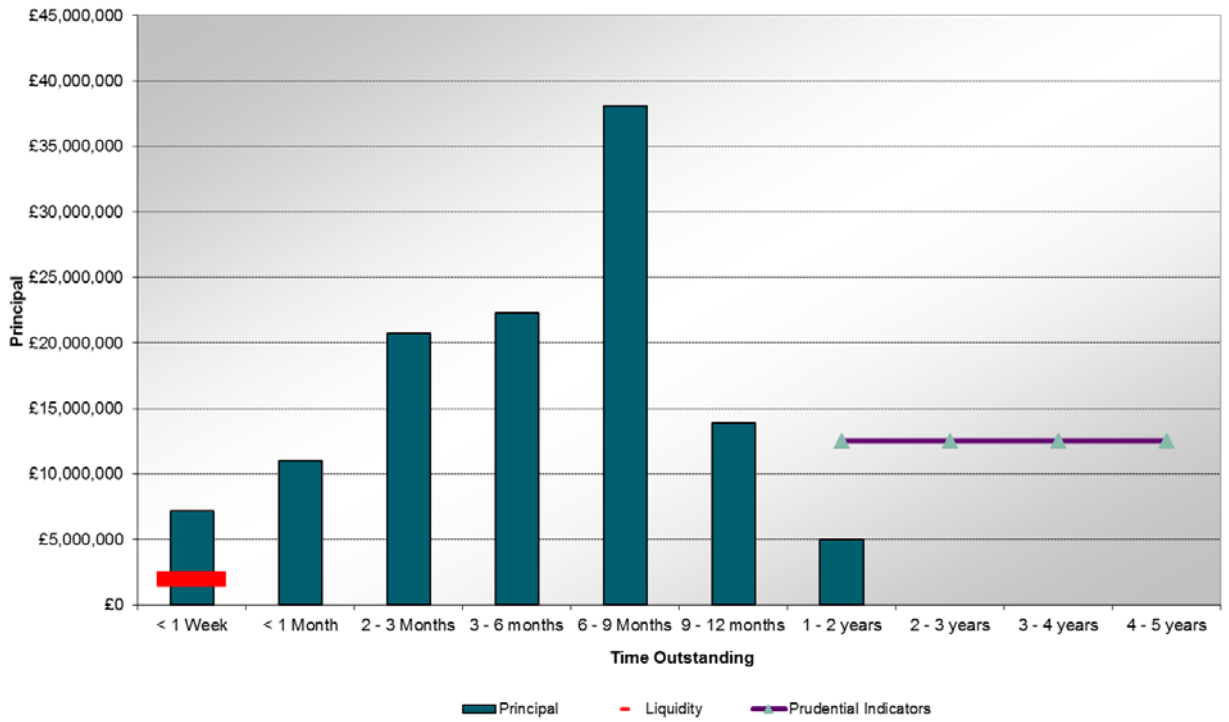
## Detailed holdings at 30 September 2016

## APPENDIX 2

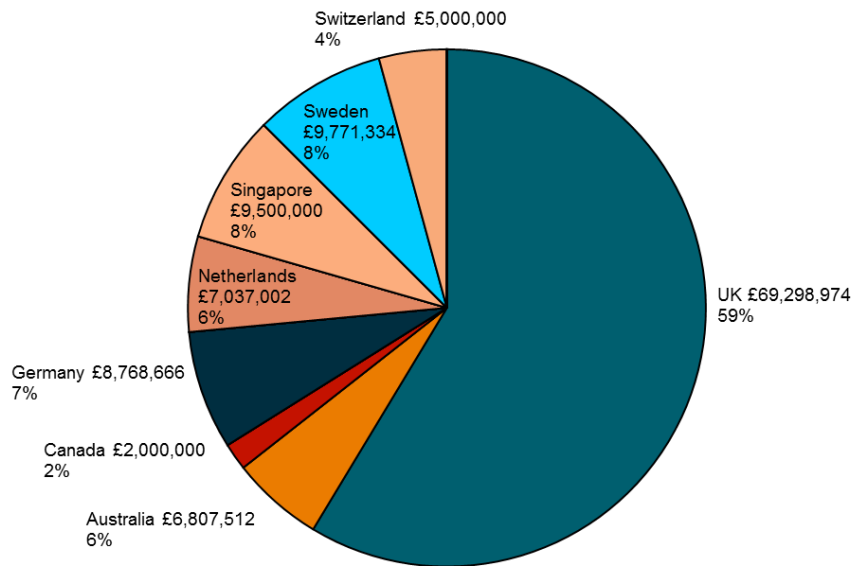
Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
<b>AUSTRALIA BANKS</b>									
Commonwealth Bank of Australia	2364	01/06/2016	24/05/2017	54	0.985%	5.000	5.000	10.000	AA-
<b>UK BANKS</b>									
Goldman Sachs International Bank	2391		01/04/2017	1	0.755%	2.000	2.000	10.000	A
Lloyds Bank plc	20		01/04/2017	1	0.150%	1.886	1.886	10.000	A+
Sumitomo Mitsui Banking Corporation	2400	02/12/2016	02/06/2017	63	0.510%	3.000	3.000	10.000	A
<b>UK BUILDING SOCIETIES</b>									
Nationwide BS	2379	09/08/2016	08/08/2017	130	0.620%	2.000			
	2395	14/11/2016	15/05/2017	45	0.420%	1.500	3.500	10.000	A+
<b>CANADA BANKS</b>									
Toronto Dominion Bank	2381	16/08/2016	16/05/2017	46	0.580%	2.000	2.000	10.000	AA-
<b>CORPORATE BONDS</b>									
BG Energy Capital plc	2403	14/12/2016	07/12/2017	251	0.591%	1.996	1.996	2.000	A
Daimler AG	2399	05/12/2016	08/11/2017	222	0.703%	2.000	2.000	2.000	A-
Deutsche Bahn Finance BV	54	11/08/2016	30/10/2017	213	0.389%	1.769	1.769	2.000	AA-
National Australia Bank Ltd	2409	17/01/2017	08/11/2017	222	0.547%	1.808	1.808	5.000	AA-
National Grid Gas plc	2376	06/07/2016	07/06/2017	68	0.759%	1.216	1.216	2.000	A-
Prudential plc	2411	25/01/2017	19/01/2018	294	0.658%	1.410	1.410	2.000	A
Rabobank Group	2404	15/12/2016	01/11/2017	215	0.604%	1.517			
	2406	05/01/2017	01/11/2017	215	0.559%	0.520	2.037	5.000	AA-
Svenska Handelsbanken	55	12/08/2016	29/08/2017	151	0.554%	0.755			
	56	15/08/2016	29/08/2017	151	0.612%	1.006	1.761	10.000	AA-
<b>GERMANY BANKS</b>									
Landesbank Hessen-Thuringen Giroze	2378	01/08/2016	31/07/2017	122	0.600%	2.000			
	2392	01/11/2016	31/10/2017	214	0.660%	3.000	5.000	10.000	A
<b>LOCAL AUTHORITIES</b>									
Dundee City Council	2401	15/12/2016	14/12/2017	258	0.450%	3.000	3.000	15.000	AA+
East Dunbartonshire Council	2397	24/11/2016	23/11/2017	237	0.420%	2.000	2.000	15.000	AA+
Glasgow City Council	2393	05/12/2016	04/12/2017	248	0.410%	5.000	5.000	15.000	AA+
Kingston-Upon-Hull City Council	36	02/12/2013	02/12/2021	1707	2.750%	5.000	5.000	15.000	AA+
London Borough of Enfield	2396	28/11/2016	27/11/2017	241	0.440%	5.000	5.000	15.000	AA+
North Tyneside MDC	2402	13/12/2016	12/12/2017	256	0.480%	3.000	3.000	15.000	AA+

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
Peterborough City Council	33	11/03/2013	12/03/2018	346	1.750%	4.000	4.000	15.000	AA+
City of Salford MDC	2354	11/04/2016	10/04/2017	10	0.650%	2.000			
	2414	20/03/2017	20/09/2017	173	0.450%	2.000	4.000	15.000	AA+
Slough Borough Council	2413	20/02/2017	19/02/2018	325	0.600%	2.000	2.000	15.000	AA+
Staffordshire Moorlands District Co	42	03/11/2014	03/11/2017	217	1.600%	2.000	2.000	15.000	AA+
Telford & Wrekin Council	2417	31/03/2017	13/04/2017	13	0.400%	4.000	4.000	15.000	AA+
Thurrock Borough Council	2405	06/01/2017	05/01/2018	280	0.450%	2.000			
	2408	06/01/2017	05/01/2018	280	0.450%	2.000	4.000	15.000	AA+
Warrington Borough Council	2398	29/11/2016	28/11/2017	242	0.450%	3.000	3.000	15.000	AA+
West Dunbartonshire Council	2353	19/04/2016	18/04/2017	18	0.550%	5.000	5.000	15.000	AA+
<b>MONEY MARKET FUNDS</b>									
Standard Life Investments LF	4		01/04/2017	1	0.286%	1.175	1.175	6.000	AAA
Federated Prime Rate Cash Man	1		01/04/2017	1	0.271%	2.115	2.115	6.000	AAA
<b>NETHERLANDS BANKS</b>									
Rabobank Group	2390	13/10/2016	12/10/2017	195	0.600%	2.500			
	2407	05/01/2017	04/01/2018	279	0.490%	2.500	5.000	10.000	AA-
<b>SINGAPORE BANKS</b>									
DBS Bank Ltd	2382	26/08/2016	26/05/2017	56	0.450%	5.000			
	2416	28/03/2017	28/09/2017	181	0.480%	2.000	7.000	10.000	AA-
United Overseas Bank Ltd	2410	20/01/2017	20/07/2017	111	0.410%	2.500	2.500	10.000	AA-
<b>SWEDEN BANKS</b>									
Svenska Handelsbanken	17		01/04/2017	1	0.100%	0.010	0.010	10.000	AA-
Nordea Bank AB	2394	14/11/2016	15/05/2017	45	0.400%	3.000	3.000	10.000	AA-
Skandinaviska Enskilda Banken	2385	08/09/2016	07/09/2017	160	0.510%	2.000			
	2389	03/10/2016	07/09/2017	160	0.510%	3.000	5.000	10.000	A+
<b>SWITZERLAND BANKS</b>									
UBS AG	2373	05/07/2016	04/07/2017	95	0.685%	3.000			
	2386	12/09/2016	11/09/2017	164	0.700%	2.000	5.000	10.000	A
							<b>118.183</b>		
<b>INVESTMENT PROPERTIES</b>							14.124		
						<b>221</b>	<b>132.307</b>		

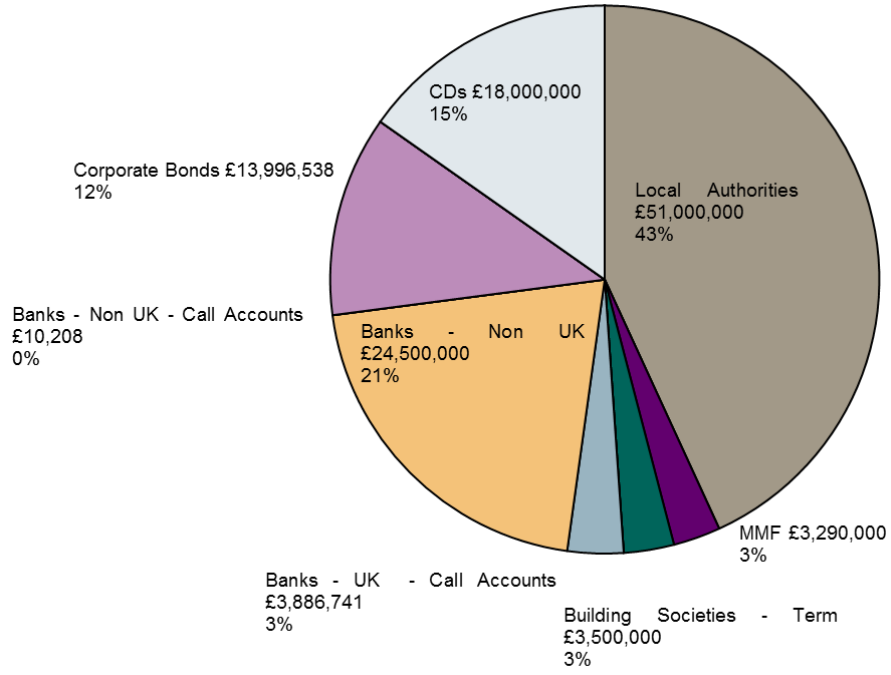
## Compliance with Liquidity and Prudential Indicator Limits



## Country Limits



## Sector Diversification



# Crawley Borough Council

## Report to Overview and Scrutiny Commission 26 June 2017

### Report to Cabinet 28 June 2017

## K2 Crawley – Leisure Management Procurement

Report of the Head of Partnership Services, HPS/009

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### 1. Purpose

- 1.1 This report considers options for the future management of K2 Crawley and makes recommendations for the preferred procurement route and service priorities to be reflected in the procurement process.

### 2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

- 2.1.2 That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

- 2.2.2 The Cabinet is recommended to:

- a) Approve the recommended procurement approach and process for the future management of K2 Crawley, Broadfield 3G Pitch and Bewbush Gym, as set out in paragraphs 6.2 to 6.10 of this report.
- b) Approve the recommended tender evaluation model as set out in paragraphs 6.11 to 6.12 of this report.
- c) Approve a supplementary capital estimate of £170,000 to provide a further 79 car parking spaces (subject detailed design and planning approval) within the main K2 Crawley car park as outlined in paragraph 6.13 of this report. The supplementary capital estimate to be funded from useable capital receipts.
- d) Agree to establish a cross party working group (3:2) to oversee the proposed procurement and tender evaluation process as set out in paragraph 6.15 of this report and for the Head of Legal and Democratic Services to liaise with Group Leaders to obtain nominations.
- e) Note that a further report will be brought to Cabinet in due course seeking approval of a preferred leisure management contractor.

### 3. Reasons for the Recommendations

- 3.1 The recommendations are required to ensure management arrangements for K2 Crawley are in place after the expiry of the current contract in November 2018. The recommended procurement process aims to provide a balance between financial sustainability and supporting the Council's Budget Strategy whilst ensuring a high quality inclusive service which continues to support the wider health and wellbeing agenda for residents.

## **4. Background**

- 4.1 K2 Crawley opened in November 2005. The Centre has been extremely successful and now regularly attracts in excess of 1.3 million visitors per annum with around 4,500 people regularly attending as K2 Crawley Members. K2 Crawley has also supported the sustainability and success of some of the town's larger sports clubs with significant growth in membership numbers and club and individual achievements evident at Crawley Swimming Club, Crawley Athletics Club Crawley Gymnastics Club as well as many of the other smaller clubs based at K2 Crawley.
- 4.2 In November 2008, following a competitive procurement process, the Council entered into a 10 year contract with GLL who subcontracted the contract to Freedom Leisure to manage K2 Crawley. The existing contract has worked well with customer feedback generally very positive about the standards and quality of service provided and has generated significant savings compared to the previous contractual arrangements.
- 4.3 The current contract with GLL/Freedom Leisure expires in November 2018 and it is now necessary to commence the process to ensure management arrangements are in place after the expiry of the current contract.

## **5. Description of Issue to be resolved**

- 5.1 The expiry of the current K2 Crawley contract on 13<sup>th</sup> November 2018 requires the Council to establish management arrangements which will come into effect after this date. These arrangements need to be compliant with the Public Contract Regulations (2015), with European Union Public Sector Procurement Directive 2014/24/EU and with the Council's own Procurement Code. To ensure sufficient time to implement the recommended procurement approach, it is necessary now for the Council to agree its preferred option for the future management of K2 Crawley and associated leisure facilities.

## **6 Information & Analysis Supporting Recommendation**

- 6.1 This section sets out options, key considerations associated with the future management of K2 Crawley. Specifically, recommendations are made in respect of:
- (i) Options appraisal and preferred procurement approach
  - (ii) Proposed procurement process and variant bid proposals
  - (iii) Proposed Contract Scope
  - (iv) Proposed Contract Length
  - (v) Tender Evaluation Model
  - (vi) Car Parking Arrangements
  - (vii) Licensee Arrangements

### **Options Appraisal and Recommended Procurement Approach**

- 6.2 In considering the proposed procurement approach, there are three broad alternatives available to the Council:
- (i) Bring the service back as an in house operation
  - (ii) Establish an independent Charitable Trust to operate K2 Crawley
  - (iii) Procure an existing operator via a competitive tender (Charitable Trust).
- 6.3 A summary of the strengths and weaknesses of these respective options is presented in Appendix 1.

- 6.4 Based upon the assessment of relative strengths and weaknesses contained in the Appendix, the recommended preferred option is to procure an established leisure operator. Consideration of the further key issues assumes this preferred approach.
- Procurement Process and Variant Bid Proposals
- 6.5 In 2015 the new Public Procurement Directives were issued and became law. The new Regulations fundamentally changed how local government undertook procurement exercises. Prior to the 2015 Regulations, sport related services were deemed a Part B service. The 2015 Regulation have removed the classification of services contracts as either part A or Part B instead all service contracts are subject to the full procurement regime, unless they are expressly excluded, in which case a "light touch" regime will apply. Schedule 3 of the 2015 Regulations lists services subject to the "light touch" regime, which includes "sport facilities operation services". This contract will therefore be classified as a Light Touch Regime procurement. The advantages of the Light Tough Regime is the flexibility to use any process or procedure the council choose to run the procurement as long as it respects the Treaty principles of transparency, non-discrimination, equal treatment and proportionality. There are some mandatory requirements which include publishing a Contract Notice to advertise the contract opportunity, and the publication of a contract award notice.
- 6.6 In consultation with SLC, the Council's consultant advisers supporting the procurement process, it has been agreed that the Council will follow an adapted procedure which roughly follows the principals of the PCR 2015 Competitive Procedure with Negotiation Route. The Competitive Procedure with Negotiation has been introduced under the 2015 Regulations and is used as an alternative to Competitive Dialogue when procuring a complex contract where effective negotiation with bidders will be necessary and/or beneficial.
- 6.7 The negotiation stage allows us to tailor our procurement in order to meet our specific needs. The negotiation will be run in successive stages, allowing dialogue and/or amendment to all elements of the specification and tenders, with the exception of the award criteria or the "minimum requirements" of the contracting authority. During the negotiation process we will shortlist suppliers to take a maximum of three to a final tender stage. Following submission of final tenders, no negotiation, of the tender submission is permitted.
- 6.8 As noted above, the recommended procurement process will allow for dialogue with potential bidders and should the Council so wish, revisions to the specification in advance of final bids being submitted. Noted below are the proposed variant bid options which the Council would propose for dialogue with bidders
- (i) Capital Investment Leisure Water: Officers have developed a concept scheme to enhance the leisure water provision and provide facilities of interest to older children (alongside the current provision which primarily attracts younger children) Reflecting the Council's current capital investment strategy, it would be expected that an investment in such facilities would provide a financial return to the Council. Including this scheme as a variant bid will enable the Council to assess the likely rate of return from bidders and decide whether this option should be included within the final tender submissions. Part of the assessment of the variant bids would consider whether it provides better value for the Council to make the capital investment and achieve the rate of return through the contract payment to the Council.

- (ii) **Planned Maintenance and Capital Replacement:** Under the current leisure management contract, Freedom Leisure are responsible for all reactive repairs and maintenance and replacement of equipment and consumables. The Council has retained responsibility for major capital replacement items and planned maintenance. The current arrangements have worked well and K2 Crawley continues to be well maintained and functions effectively with downtime / non availability of facilities occurring only in exceptional circumstances.

Through the competitive dialogue process, this variant bid will provide the opportunity to consider the financial and operational implications of transferring all of the capital replacement and the planned maintenance responsibilities to the contractor. Once the responses to this option are assessed and the dialogue stage is complete, the final tenders will be submitted with these responsibilities either retained by the Council or included as contractor responsibilities.

- (iii) **Living Wage Foundation:** Since 2014, the Council has been accredited to the Living Wage Foundation. Reflecting this, bidders will be asked to provide a variant bid compliant with Living Wage Foundation' wage rates.

**Proposed Contract Scope:**

- 6.9 The current Leisure Management Contract scope incorporates K2 Crawley, the gym and fitness facilities and cafe at the Bewbush Centre and the Broadfield 3G Pitch and Pavilion. It is recommended that these facilities form a cohesive group which all bidders would have relevant experience in managing and this facility scope is therefore proposed to be retained.

**Proposed Contract Length:**

- 6.10 The feedback from the Council advisers is that contracts of between 15 and 20 years typically generate the most 'market interest' and consequently secure the most advantageous contract offers for the Council. It is recommended that the contract term for K2 Crawley is for a period of 15 years, with the option to extend for a further 5 years, should the Council (and the contractor) choose to do this at the end of the proposed contract term.

**Evaluation Model:**

- 6.11 It is proposed that the evaluation model is based on a split of 40% price and 60% quality. Allowing for 60% of the weighted evaluation to be quality based provides the opportunity for the Council to ensure they are appointing a contractor who will provide good quality services and is best placed to respond to the Council's priorities set out in the service specification. The quality evaluation will incorporate an assessment of a number of priority aspects including, increasing participation, environmental sustainability, customer service excellence and customer engagement, sports development and working in partnership to improve health and well being, programming and equity proposals, development and management of staff, fees and charges and asset management. Each of the quality areas will be weighted in order of importance to the Council.
- 6.12 With regard to the financial evaluation, it is proposed that the Council sets a minimum threshold, below which the Council reserves the right not to accept a tender. This effectively communicates to bidders the minimum financial expectations which the Council have for the contract. Currently the Council receive a payment from Freedom Leisure of £220,000 per annum. The Council's advisors have prepared a 'shadow bid' and proposed that the minimum payment threshold should be set at £450,000 per annum. From that base position, bidders would score higher the greater the payment they propose to the Council.



### Car Parking

6.13 Availability of car parking at K2 Crawley can be an issue for customers at peak times and commonly is the main area of customer complaint. The ability of bidders to project increases in customer numbers and therefore to improve the financial payment to the Council is likely to be encumbered by these concerns regarding car parking. To address this, the following are proposed

- (i) To respond to current capacity requirements and provide parking for potential expansion of facilities, a scheme to remodel the existing car park has been prepared. This will provide an additional 79 car parking spaces at a budget cost £170,000. It is recommended that a supplementary capital estimate of £170,000 is requested to provide this additional car parking and that, subject to planning and detailed design, this scheme be implemented in advance of the new contract start date. These proposed enhancements to the car park will be communicated to bidders as part of the tender process.
- (ii) As part of the dialogue process with operators, the Council will discuss with bidders how they would support the Council's broader sustainability policies and promote alternative methods of transport to K2 Crawley customers. This would also include discussions regarding the car park management. Travel plan proposals can also form part of the weighted quality evaluation under the environmental sustainability consideration.
- (iii) If the capital investment to provide enhanced leisure water proceeds, this proposal would need to consider whether any further mitigating measures would need to be implemented.

### Licensee Arrangements

6.14 A number of licensee arrangements are in place at K2 Crawley which provide specialist management of specific facilities / services. These include Hi Sports (climbing wall), Hawth Gymnastics (gymnastics hall), The Treatment Rooms, Premier Training, Black Belt Academy, Day Nursery / Crèche and the Sports Nutrition Shop. These licences are held by the management contractor as occupier of K2 Crawley. To provide continuity for these operations and for the customers who use these services, it is proposed that these arrangements are extended into the new contract period with the incoming management contractor required to retain these existing licensees on pre agreed terms.

### Member Involvement

6.15 The proposed procurement option, process and evaluation model were presented to Members at a Full Members Seminar on 13<sup>th</sup> June 2017 and will be considered by the Overview and Scrutiny Commission on 26<sup>th</sup> June 2017. Any comments can be provided verbally to Cabinet where appropriate. To ensure Members continued involvement in the process, it is proposed that a Cross Party K2 Management Working Group to oversee the procurement and tender evaluation process be established.

## **7. Implications**

7.1 Financial Implications: The Council currently receives a contract payment of £220,000 per annum from Freedom Leisure. This is offset by expenditure on planned maintenance and capital replacement which for K2 Crawley, was £356,000 in 2015/16 and £96,000 in 2016/17.

7.2 The preferred procurement route and proposed evaluation model will seek to balance commercial considerations which provide an improved revenue position for the Council with broader policy considerations including Living Wage, Wellbeing and

Sports Development. The Council's consultant advisers have assessed the contract potential and advised that the Council should set a base bid minimum threshold of a payment of £450,000 per annum to the Council. This effectively communicates to bidders the minimum the Council would expect to receive and it would be reasonable to assume the Council will receive a payment in excess of the minimum threshold. It is noted compliance with the Living Wage variant bid may reduce the minimum payment (as compared with the base bid proposals).

- 7.3 Legal and Procurement Implications: The Leisure Management Contract is one of the biggest the Council procures, it is imperative therefore that the Council ensures compliance with the Public Procurement Regulations and OJEU requirements. The Council's procurement and legal teams are providing comprehensive support and advice on this project to ensure compliance and are part of the core project team. In addition, the project is supported by consultants SLC, who have expertise in the field of leisure procurement.
- 7.4 Environmental Implications: Through joint work between the existing leisure management contractor and the Council, electricity and gas consumption at K2 Crawley has reduced by 63% and 6% respectively over the 10 years of the current contract. Environmental considerations including accreditation to ISO 140001 will form part of the evaluation weighting to help to ensure these Council priorities are reflected in the management practice at K2 Crawley.

## **8. Background Papers**

- 8.1 K2 Crawley: Procurement Options Appraisal Report – April 2017. Sport and Leisure Consultancy

Nigel Sheehan, Head of Partnership Services.  
01293 438728  
[nigel.sheehan@crawley.gov.uk](mailto:nigel.sheehan@crawley.gov.uk)

## Evaluation of Procurement Options

<b>In House Operation</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<p>An in house operation could enable the Council to benefit from any upturn in market conditions or in the economy during the contract period. (Noted that the reverse, ie a downturn, also applies.</p> <p>There is more direct control of an in house operation (Noted, provisions exist within the contract should there be concerns about particular aspects of contractor performance. Moreover, a procurement process would seek to ensure an appropriate balance between cost and quality so that an appointed operator is delivering services to the Council's required quality standards).</p>	<p>The Council is not able to recover VAT on income or secure Non Domestic Business Rate Relief. The majority of the existing leisure centre management organisations are Charitable Trusts and these financial benefits are available to those Trusts. The VAT and NNDR implications of taking the service in house would increase the cost to the Council by approximately £600,000 per annum.</p> <p>Taking the service in house would include transferring the existing staff employed at K2 Crawley to the Borough Council's terms and conditions of employment. In addition to the VAT and NNDR considerations, these costs, (in particular the employer costs associated with the average salary pension scheme) would add costs, in excess of a further £600,000 per annum to the Council. The total additional direct cost is therefore likely to exceed £1.2 million.</p> <p>There would be further increases in central support costs (HR, Finance, ICT) which would need to be reflected in the cost of the service.</p> <p>As a competitive trading service, leisure centre income is open to market variability. In particular, competition from private sector health and fitness chains can significantly impact leisure centre income. An in house service would increase the broader Budget Strategy risks to the Council.</p>

<b>Establishing an In House Trust Operation</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<p>Potentially the Council could retain greater day to day control of an in house trust. It is noted however that to retain its independent charitable status, the Council could not be seen to exert any significant influence on the trust. Equally, the Council would be bound by the terms of the service specification and contract which it issues as part of the tender process.</p>	<p>To comply with procurement regulations and to support demonstration of Best Value, the Council would be expected to test any in house trust bid against external bidders as part of a competitive process. K2 Crawley is an established prestigious centre of regional significance and discussions with potential bidders indicate there would be strong market interest and the Council is likely to receive high quality and competitive bids. The Council's consultant advisers have indicated they are not aware of examples where an in house trust has been able to effectively compete against an established multi contract organisation. This is largely because the larger established trusts</p> <ul style="list-style-type: none"> <li>(i) Are able to allocate central costs across multiple contracts, typically resulting in central costs lower than single site operations.</li> <li>(ii) Are able to dedicate greater resources and investment in branding, IT and new service developments which can then be rolled out across their Group with greater opportunity to recover investment across multiple sites.</li> <li>(iii) Are able to achieve greater economies of scale in purchasing.</li> </ul> <p>Without a trading history, an in house trust would not achieve the Council's turnover threshold requirement to be able to tender for the K2 Crawley contract.</p> <p>Notwithstanding the improbability of an in house trust 'winning' in a competitive process, the Council's consultant advisers have indicated that it would normally take up to 18 months to set up an in house trust to a position where it could bid in a competitive process. This would necessitate either an extension to the existing contract or a requirements to temporarily bring the service back in house. Either of these options would delay savings envisaged from the new</p>

	<p>contract and could potentially add to revenue costs in the short term.</p> <p>Although in theory an in house trust transfers risk from the Council, in practice, should an in house trust experience financial losses, the absence of reserves or other contracts on which to draw would mean much of the risk is retained by the Council.</p>
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<b>Procurement of an Established Leisure Operator</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<p>K2 Crawley is a respected prestigious regional leisure centre. Informal dialogue with potential bidders indicates there would be a lot of interest in managing K2 Crawley and the Council is likely to receive competitive and favourable bids if managed through a competitive procurement process.</p> <p>A competitive tender process facilitates financial risk transfer and greater stability for the Council's budget strategy.</p> <p>Dependent upon the preferred procurement process, this option enables the Council to enter into a dialogue with bidders and secure experience and expertise from a range of leisure management companies. Drawing on these inputs can help the Council to achieve improved financial and quality outcomes.</p> <p>With consolidation to a smaller number of larger operators, it is likely that the successful bidder would be operating many other local authority contracts across the region if not across the country. Such established operators typically bring Group expertise in areas such as health and fitness, repairs and maintenance, environmental sustainability, customer engagement, sports development and health and wellbeing. Such Group expertise will typically ensure innovation and industry best practice are utilised and deployed at K2 Crawley.</p>	<p>Should there be performance concerns or should the contractor seek to operate in a manner not in keeping with Council policy or expectations, it could be harder to address such concerns (relative to an in house service). Although this potential does exist, the Council will seek to ensure the weighted evaluation criteria support selection of a high quality contractor which minimises this risk.</p> <p>Equally the service specification and contract will contain provisions which enable the Council to take action should performance be a concern.</p>

# Crawley Borough Council



Report to Cabinet  
28 June 2017

## Financial Outturn 2016/2017

Report of the Head of Finance, Revenues & Benefits, **FIN/411**

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### 1. Purpose

- 1.1 The report sets out a summary of the Council's outturn for the year for both revenue and capital spend. At quarter three there was a projected transfer to reserves of £1,408,000 prior to Business rate retentions. The actual transfer to reserves was £2,114,841.

At Quarter 3 there was a projected surplus on the Housing Revenue Account of £182,000. The actual surplus was £799,000. Details of this variance are given below.

In terms of capital spending, £31.1m has been spent in the year 2016/2017 equivalent to 91.4% of the latest budget. Further details are provided in Appendix 2.

It identifies the main variations from the approved spending levels and any potential impact on future budgets.

### 2. Recommendations

- 2.1 The Cabinet is recommended to:

- a) **Note the outturn for the year 2016/2017 as summarised in this report.**
- b) **Approve an allocation of £11,000 from the £0.966m capital programme budget allocated for the Town Centre in 2017/18 to undertake design, style and format proposals for new signs as outlined in paragraph 8.17. A further recommendation to draw down from this budget will be made at a later date to undertake this project.**
- c) **Note the three S106 funded schemes that were added to the capital programme as outlined in Section 9.1.**
- d) **Approve a capital budget of £82,100 to be funded from S106 contributions for the Manor Royal Cycle Path as outlined in Paragraph 9.2.**
- e) **Approve a capital budget of £23,000 which will be funded from S106 contributions for the County Mall Cycle Path as outlined in Paragraph 9.3.**
- f) **Approve a capital budget of £30,000 which will be funded from S106 contributions for High Street Safety Improvements as outlined in Paragraph 9.4.**
- g) **Approve the Play refurbishment schemes as identified in Paragraph 9.5 to be funded from S106 contributions.**

## That Cabinet requests that Full Council

- h) Approve an amended supplementary capital estimate as detailed in section 8.21 below of £3.465m, funded from £2.550m of 1-4-1 receipts and £915,000 from useable capital receipts.

### 3. Reasons for the Recommendations

To report to Members on the outturn for the year compared to the approved Budget for 2016/17.

### 4. Background

- 4.1 As part of the Budget Strategy, the Council has in place robust budget monitoring systems to ensure that unapproved overspends are avoided. The Council also manages and analyses underspending to identify potential savings that could help meet current and future years' priorities.
- 4.2 Budget monitoring is undertaken on a monthly basis with budget holders. There are quarterly budget monitoring reports to Cabinet with the Corporate Management Team receiving monthly update reports on key areas and any other areas of concern. The Overview and Scrutiny Commission also have the opportunity to scrutinise expenditure. Quarterly monitoring information is also included in the Members Information Bulletin.
- 4.3 This report outlines the final outturn for 2016/2017.

### 5. Budget Monitoring Variations

#### 5.1 General Fund

The table below summarises the variances in the relevant Portfolio. The budgeted transfer to reserves was £431,634 there was a surplus of £1,683,207 in the year giving a final transfer to capital reserves of £2,114,841. There are some large variations that were not identified at quarter three, however some were one off windfalls. The Head of Finance, Revenues and Benefits will work with other Heads of Service to review these underspends and identify additional income, efficiencies and savings to help meet future budget gaps.

[F indicates that the variation is favourable, U that it is unfavourable]

Further details of these projected variances are provided in Appendix 1(i & ii) attached to this report.

	Variance projected at Quarter 3	Further Variations	Final Variation	
	£'000	£000	£'000	
Cabinet	(100)	41	(59)	F
Public Protection & Community Engagement	1	(11)	(10)	F
Resources	(231)	(135)	(366)	F
Environmental Services & Sustainability	(99)	(43)	(142)	F
Housing	179	(253)	(74)	F

Wellbeing	(117)	(122)	(239)	F
Planning & Economic Development	(837)	(53)	(890)	F
Investment Interest	121	(125)	(4)	F
Transfer to Tilgate Park investment reserve	107	5	112	
New Homes Bonus / other minor	0	(12)	(12)	F
<b>TOTAL SURPLUS</b>	<b>(976)</b>	<b>(707)</b>	<b>(1,683)</b>	<b>F</b>

## 5.2 Significant variations over £20,000

### 5.2.1 Cabinet

Charges for pension contributions from West Sussex County Council was received late in the financial year in respect of former employees.

### 5.2.2 Public Protection & Community Engagement

There are no significant variations to report this quarter.

### 5.2.3 Resources

The Council recovered legal costs arising from its successful defence of a High Court challenge to the adoption of The Local Plan and following a successful Health and Safety prosecution in the Crown Court.

Mailing costs have reduced as a result of increased electronic communications; these savings will be included in future budgets.

### 5.2.4 Environmental Services & Sustainability Services

The waste management contract contingency for bad weather was not used due to the mild winter resulting in an underspend of £31,000.

### 5.2.5 Housing Services

Temporary accommodation – Despite reduced numbers in temporary accommodation the overspend on the service increased as a result of a contribution to the provision for bad debts in respect of invoices raised for Bed and Breakfast.

Benefit overpayments – Due to the changes in the way that the benefits service work as a result of systems thinking we received more Benefits subsidy from the Government than budgeted. In addition the implementation of HMRC's Real Time Information (RTI) initiative the number of invoices raised and recovered in respect of overpaid benefits where the claimant failed to provide all of their income has increased. Looking forward, measures have been put in place to monitor these overpayments more effectively by undertaking systems reconciliations; as a result budget projections will be more accurate. A provision for recovery will be built into future budgets which will help to meet future budget gaps.



As a result of an unsuccessful recruitment campaign for an Operational Benefits manager the joint post of Benefits and Fraud manager has been created. This resulted in a staffing underspend and will achieve future year's savings.

#### 5.2.6 **Wellbeing**

Tilgate Park & Nature Centre produced a surplus of £112,000 in the year. This surplus was transferred for reinvestment in the park as part of the five year investment plan.

Community Arts – underspend of £86k - Vacancies within the community arts team have been unfilled whilst a review is undertaken of the service. In addition running costs associated with the team underspent.

Community centres – additional income (£35k) – Additional income has been achieved following the systems thinking review of community facilities in 2013, making it simpler and less bureaucratic to book community centres, therefore increasing their use. Future budgets will be adjusted.

#### 5.2.7 **Planning & Economic Development**

Development Management has continued to benefit from an increase in planning application income by a further £42,000 above the £180,000 reported in Quarter 3.

The joint partnership with Horsham for the provision of Building control generated £8,000 more income than projected at Quarter 3. The 2017/18 budget includes a revision of this income target.

Additional income from commercial properties was received in the last quarter as more properties were let than anticipated. There was also a small salary vacancy within the asset team. A full review of this income budget will be undertaken over the coming months.

#### 5.2.8 **Investment Income**

Additional investment income of £125,000 over that reported at Quarter 3 is due to lower bank charges, more income recognised on the shared equity homes due to higher house prices, and additional interest through higher investment balances. The impact of these changes will be built into future projections.

#### 5.2.9 **Business Rates**

At the beginning of the year there was a budgeted transfer to reserves from business rates of £2.032m, the actual transfer was £1.744m.

The distribution of business rates is on a receipts/payments basis. The council budgets at the beginning of the year how much it expects to receive in business rates. There is then a transfer this estimate to our general fund (not the amount received).

We did receive more income than budgeted in year, mainly as a result of lower appeals than anticipated. As a result we have to pay over a levy to the Government of 50% of the additional income received more than budgeted in the year, mainly as a result of lower appeals than anticipated.

Additional income is transferred to the business rate equalisation reserve to reduce the volatility due to the accounting rules. This will be drawn on in future years. For 2016/17, the business rate equalisation was already at its £5m cap as set in the budget strategy. The additional income of £1.744m was therefore transferred to the Capital Programme Reserve.

## 6. Virements

Virements up to £50,000 can be approved by Heads of Service under delegated powers and reported to Cabinet for information.

6.1 There were no virements in the final quarter.

## 7. Council Housing Service – Revenue

7.1 The table below provides details of the 2016/2017 HRA variances. [F indicates that the variation is favourable, U that it is unfavourable]

### Housing Revenue Account 2016/17 Variances

	Variations identified in Q3 Report £000's	Further Variations £000's	Final Variation £000's	
<b>Income</b>				
Rental Income	(292)	(71)	(363)	F
Other Income	181	(7)	174	U
Interest received on Balances	21	(9)	12	U
	<b>(90)</b>	<b>(87)</b>	<b>(177)</b>	F
<b>Expenditure</b>				
Employees	(74)	(47)	(121)	F
Repairs & Maintenance	(12)	(214)	(226)	F
Other running costs	(6)	(269)	(275)	F
Support services	0	0	0	
	<b>(92)</b>	<b>(530)</b>	<b>(622)</b>	F
<b>Net (Surplus) / Deficit</b>	<b>(182)</b>	<b>(617)</b>	<b>(799)</b>	F
Available to fund future investment in housing	182	617	799	

Further details of these projected variances are provided in Appendix 1(iii & iv).

7.2 Rental income is above projections by £77,000 more than anticipated at Quarter 3. This is made up of fewer right to buy properties being sold and more properties being let at target rents.

7.3 The Agency Staff Budget within employees was not fully utilised. In addition there were vacancies in the last quarter of the financial year in the Planned maintenance team.

7.4 Repairs and Maintenance is under-spent by a further £196,000 compared to Quarter 3 projections, mainly due to the mild winter resulting in fewer call outs for responsive repairs and gas servicing. In addition there was some re-profiling of programmed works. There were additional costs of voids works which were offset by reduced costs of external decorations.

- 7.5 Due to the reduced requirement for consultants this financial year the consultancy underspent by £75,000. This budget is being reviewed. Underspends and efficiencies of £66,000 on Office administration expenses and Computer Software/Hardware have been identified and have been incorporated in the 2017/18 budgets.

Due to improved rent collection there was a £44,000 reduction in the provision for bad debts required.

## 8. Capital

- 8.1 The Table below shows the 2016/17 capital outturn and proposed carry forward into 2017/18. Further details on the Capital Programme are provided in Appendix 2 to this report.

	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Outturn 2016/17 £'000	Under/ Overspend £'000	Re-profiled to/(from) future years £'000
Cabinet Resources	7,724	2,030	1,649	1	380
Environmental Services & Sustainability	387	653	561	(14)	106
Planning & Economic Development	3,139	1,359	1,257	50	52
Public Protection & Community Engagement	8,792	7,899	7,941	(42)	
Housing Services	100	89	20		69
Wellbeing	914	1,021	958	1	62
	2,492	3,180	2,437	(17)	760
<b>Total General Fund</b>	<b>23,548</b>	<b>16,231</b>	<b>14,823</b>	<b>(21)</b>	<b>1,429</b>
Council Housing	35,837	17,812	16,294	687	831
<b>Total Capital</b>	<b>59,385</b>	<b>34,043</b>	<b>31,117</b>	<b>666</b>	<b>2,260</b>

- 8.2 There was a reduction of £25.4m between the original and revised budgets. These changes have been previously reported and include flooding works re-profiled, and delays with the house building programme including Forge Wood, Barnfield Road and Woolborough Road and Telford Place.
- 8.3 Delays in getting material approval sign off for the Queens Square project has resulted in a lower than anticipated spend for 2016/17. As a result £79,000 of 2016/17 approved budget has been moved to 2017/18.
- 8.4 Town Hall Refurbishment / Design and maintenance budgets of £270,000 – have been reallocated to 2017/18. No further budgets have been included in the capital programme at this time associated with the Town Hall until the development agreement has been signed.
- 8.5 Due to resource availability and technical challenges delivery of the Online Self Service project has taken longer than anticipated. The remaining budget of £35,000 has been moved to 2017/18 for use on completion of remaining works due to take place by July 2017.

- 8.6 The Enterprise Content Migration budget phasing was set at the very beginning of the project when it was difficult to identify the exact funds required to complete each phase. The EIM phase of the project are mostly complete costing less than originally estimated. Work on the website replacement phase of the project due to start in summer 2017 are expected to cost more than originally estimated. The 2016/17 underspend of £56,000 has been moved to 2017/18 for use on the website.
- 8.7 The expected completion date of the New Cemetery is now the 2<sup>nd</sup> June 2017, seven weeks ahead of the contractual completion date of the 21st July 2017, this has resulted in 2016/17 expenditure being £155,000 higher than predicted. The 2017/18 budget has been reduced from £597,000 to £442,000 to cover 2016/17 higher than predicted spend.
- 8.8 2016/17 COMSIP schemes have been delayed due to contractors experiencing difficulty in the supply of some lighting accessories to be used in the work. There has also been onsite discovery of unforeseen geotechnical problems on some of the site.
- 8.9 Outstanding minor works on Ifield Mill Pond not commissioned through the main construction contract are still to be completed, £41,000 of the remaining £91,000 budget has been moved to 2017/18 to cover the cost of these works. The remaining £50,000 budget is no longer required and will be returned to the capital reserves.
- 8.10 Revisions to the flood alleviation programmed will be confirmed as early as possible within the 2017/18 financial year to enable a final delivery programme to be planned and confirmed, with works being completed within 2017/18 and 2018/19.
- 8.11 The Disabled Facilities Grant service is demand led, partly dependent on the number of grant eligible referrals that are received from the County Council Occupational Therapy service. The cost of completed adaptation in financial year 2016/17 was £654,000. A further £112,000 worth of grant funding was approved for adaptations that are yet to be completed and invoiced, it is expected that these adaptations will be completed in financial year 2017/18. The remaining budget of £62,000 has been moved to 2017/18.
- 8.12 During the construction phase, asbestos removal and work to ensure compliance with planning conditions delayed the New Museum programme, this has resulted in £492,000 being moved to 2017/18.
- 8.13 The capital spend for the Maidenbower Play Refurbishment programme was lower than the approved budget, this was due to Ward Councillors confirming that there were no suitable sites for an additional play area within Maidenbower, there was an identified need for the youth section of the play area to be extended at Maidenbower Park. These improvements needed less investment than the approved budget, resulting in an under spend on this project. The remaining budget of £37,000 was returned to the 2017/18 Play Refurbishment Futures Schemes budget for use on future play refurbishments projects.
- 8.14 Allowing for contract exchange and ordering of materials immobilisation of the K2 Fitness area should take place in the first quarter of 2017/18, with completion due December 2017.
- 8.15 Work on the Year 1 projects for the Tilgate Park & Nature Centre 5 Year Plan experienced some delays toward the end of the financial year 2016/17. In order to maintain the regular hire of facilities a range of electrical, audio/visual and network upgrades as well as ongoing footpath improvement works, had to be postponed until 2017/18.
- 8.16 Works identified in the Tilgate Access Road stage 3 road safety audit report are due to be carried out in 2017/18. The remaining budget of £34,000 has been moved to 2017/18.

8.17 As part of the Town Centre Regeneration programme a project to improve and modernise signage is being undertaken. An initial budget of £11,000 is required to undertake design, style and format proposals for new signs as well as recommending the best locations for new sign posts. Approval is requested to draw down £11,000 from the £966,000 budget for the Town Centre within the Cabinet portfolio in 2017/18. The signage design, style and format proposals and their specific manufacture and installation costs will be known after the completion of this work and a further draw down from the Town Centre budget will be requested once the costs are known.

#### 8.18 **Crawley Homes Capital Programme**

##### Programmed Repairs:

£266,000 of the 2016/17 budget has been moved to 2017/18 to cover work programmes already underway at Milton Mount renovation & refurbishment, various Garage sites upgrades, and external wall Insulation programme works at Northgate & Broadfield.

##### Acquisition & Buy Back of Properties

In the last quarter of 2016/17 an unforeseen opportunity arose to purchase back a property. As a result the Acquisition, Buy Back of Properties went over spend by £60,000. The cost of this can be met by other underspends within the Crawley Homes Capital programme.

##### Gales Place

The construction works relative to the Gales Place project were practically completed on time, there are some residual works and the remaining budget of £80,000 has been moved to 2017/18.

##### Forge Wood

Progress on the construction works relative to the Forge Wood Phase social housing units were slower than originally forecast by the contractor Persimmon. As a result the anticipated expenditure for 2016/17 was lower than projected, this has resulted in the remaining budget of £230,000 being moved to 2017/18.

##### Three Bridges Road

In January 2017 the Planning Application for the Three Bridges Road development was refused by the Planning Committee in. This has led to significant delays to the project, resulting in 2016/17 cost incurred being considerably lower than projected. The remaining budget of £178,000 has been moved to 2017/18.

##### Affordable Housing Programme

Looking forward to the 2017/18 HRA Affordable Housing programme, the budgets have been re profiled to reflect the more detailed programme and cash flow information now available, as a result the total budget has been reduced from £24m to £12m in 2017/18.

8.19 Sixty Council houses were sold in 2016/17; in 2015/16 seventy were sold. The average sale value has increased from £128,375 to £148,559. Sales for the year to March 2017 were £8.9m compared to £9m for the previous year.

8.20 The total cumulative 1-4-1 receipts retained is £20,946,220 which can be used to fund 30% of any expenditure on new affordable housing. It cannot be used on schemes supported by HCA Funding.

8.21 To date, £7,545,588 of 1-4-1 Receipts has been used to partially fund the acquisition or development of affordable housing units in the borough. Any unused RTB 1-4-1 Receipts that are unspent within 3 years of being received are to be returned to the Government with interest, and there is an imminent risk of this happening over the coming months unless Council can find affordable housing schemes to support in the immediate short-term.

An opportunity has arisen where RTB 1-4-1 Receipts could be used instead of HCA grant funding, and as both of these sources of funding are regarded as Government monies, it would simply ensure that Council will not be required to repay any of the RTB 1-4-1 funds back to government with penalty interest.

The reports, SHAPS/58 and SHAPS/58a, which were approved by Cabinet on 22 March 2017 and Full Council on 5 April 2017 allocated £1.5m of capital resources to support the provision of affordable housing on the College Car Park Site. The report at that time was based on the assumption that the RSL would be bringing £1,965,000 of HCA grant funding into the scheme. Since HCA grant funding has not yet been committed into this scheme, this presents Council with a timely opportunity to intervene with RTB 1-4-1 funding instead, to avoid returning any of this funding back to government. The result of this will also be that we will contribute less of our own resources into the scheme.

The total cost of the rental component of the scheme is £8.5m, which had been structured on the basis of £3,465m coming from the public sector, with £1,965,000 from the HCA and £1,500,000 from the Council together with more than £5m coming from the RSL to secure the affordable rental units.

For clarity, the Shared-Ownership units will still utilise HCA grant funding, and it will only be the affordable rental units that will not receive HCA grant funding, but it is being proposed to rather utilise RTB 1-4-1 funding topped-up by capital reserves.

By switching to RTB 1-4-1 Receipts, which may fund up to 30% of scheme costs, the contribution from Crawley capital funding will reduce by £585,000 as outlined in the table below.

	Using HCA Funding £	Using 1-4-1 Receipts £
Contribution from Crawley Capital receipts	1,500,000	915,000
1-4-1 Receipts (30% of scheme)	0	2,550,000
HCA Grant funding	1,965,000	0
<b>Total</b>	<b>£3,465,000</b>	<b>£3,465,000</b>

By using 1-4-1 receipts the direct cost to the council will be less than initially approved, and this will reduce the risk of having to pay back any RTB 1-4-1 Receipts with interest.

Cabinet is therefore recommended to request that Full Council approve a total capital budget of £3,465,000, with £2,550,000 funded from 1-4-1 receipts which is the maximum that these funds can support, together with £915,000 from useable capital receipts, instead of the £1.5m previously approved.

This will enable Council to secure 36 affordable rent units on the College Car Park Scheme, along with a further 66 shared-ownership units that the Council will not be funding, which will deliver a total of 102 affordable units. This scheme is intended to start on-site works in the autumn.

8.22 Appendix 2 of this report shows capital programme for 2017/18 to 2019/20. This excludes the New Town Hall at this stage as the project is still under negotiations. The current programme will be funded from capital receipts and reserves. There is £5m set aside in the Investment acquisition reserve to fund the amount set aside in the capital programme for purchase of an investment property. In addition there was £28.029m of capital receipts available as at 31<sup>st</sup> March 2017. The balance on the capital reserve is given below, as part of a review of reserves as outlined in the budget strategy some transfers have been made to this Capital Programme reserve.

<b>Capital Programme Reserve</b>	<b>£000's</b>
Opening Balance	5,511.2
Surplus on Business Rates see paragraph 5.2.9 above	1,743.8
Transfer from other reserves as part of review of reserves	77.5
Surplus in year on General Fund as identified in 1.1 above	2,114.8
Transfer from restructuring impact reserve as part of review of reserves	537.1
Transfer to investment acquisition reserve – top back up to £5m	-4,165.6
Usage in year to fund capital programme	-554.4
Balance available for future investment	<b>5,264.4</b>

## 9. Capital Programme and S106 funding

- 9.1 Members of the Economic Development and Regeneration team have been working with finance staff to unlock S106 contributions. Three schemes had S106 funds identified in 2016/17 under delegated authority. These were –

Allotment parking improvements in Railey Road Northgate and Ifield Road. The cost of these schemes were £18,600.

Tilgate Park Disabled Toilet Adaptation – the cost of this project was £6,500. The works have been completed.

Tilgate Bus Stop and Pedestrian Crossing – Metrobus started an extended bus service to Tilgate Park in spring 2017. A Bus stop and pedestrian crossing will allow a safe walk way for pedestrians to walk from the hut area, this scheme is projected to cost £13,000 and £5,000 of this was spent in 2016/17. **Cabinet are requested to note these schemes which were included in the capital programme.**

- 9.2 Crawters Brook is a high profile park in Manor Royal, providing an attractive and practical route for walkers and cyclists on eastern side of the Business Improvement District (BID) between Manor Royal and Fleming Way. Each park entrance is a matter of yards from the National Cycle Network (NCN) route 21 – the London to Paris cycle route (Avenue Verte) which extends from/to Gatwick Airport – but doesn't actually join it, with some obstacles to cyclists attempting to do so. As well as deterring use of the routes, these obstacles to cycle access do not reflect well on the area. The scheme will facilitate improved north-south cycle access through Manor Royal for commuters and visitors. **Cabinet is requested to approve a capital budget of £82,100 which will be funded from S106 contributions to join Crawters Brook to the cycle network.**
- 9.3 Member approval is being requested to facilitate improved cycle access to the town centre from the east of the town, particularly Three Bridges, from the south, via Southgate Avenue and from the north, via Northgate Avenue and College path. A request for £23,000 is sought for the County Mall Cycle Path which can be funded from S106 funds. It is the aim of CBC to improve cycle infrastructure as part of sustainable infrastructure improvements to support improved health of Crawley residents through increased exercise and reduced air pollution from vehicles, as well as to improve transport choices, particularly for those on low income, to reduce traffic congestion and improve the physical environment. **Cabinet is requested to approve a capital budget of £23,000 which will be funded from S106 contributions for the County Mall Cycle Path.**
- 9.4 Member approval is being requested for improvement works within the High St area, the scheme would include the installation of additional street furniture consisting of: an additional seat, fixed/ lockable bollards, repair of existing electrical (including internal electrical sockets in one badly damaged one) and a small amount of fencing in keeping

with the character of the High Street (4 lockable bollards, 9 fixed bollards, 10m new fence panels and posts). The proposed scheme will enhance pedestrian safety in the High Street at the weekends and in the evenings and will improve the overall appearance of the area. **Cabinet is requested to approve a capital budget of £30,000 which will be funded from S106 contributions for High Street Safety Improvements.**

- 9.5 A report to Cabinet dated 2 December on Play Facilities – Investment Proposals [CTY/100](#) approved the current capital programme for Play. Recommendation 2.2 (3) was to ‘Note the capital schemes proposed as priorities for the period 2017/18 and 2018/19 will be subject to future capital bids as part of the budget strategy’. Five potential play schemes have been identified that can be funded from S106 contributions. These are

Three Bridges Play area	£61,500
Ditchling Hill Southgate	£65,000
Ewhurst Road, Ifield	£65,000
Gainsborough Road, Tilgate	£65,000
Kilnmead Close, Northgate	£13,000

Details of these proposed schemes are attached at Appendix 3. Cabinet are requested to approve these schemes for inclusion in the capital programme to be funded from S106 contributions.

## 10. **Background Papers**

Budget and Council Tax 2016/17 Cabinet 10 February 2016 Fin/380

Budget Monitoring Quarter 3 Cabinet 8th February 2017 Fin/403

Budget Monitoring Quarter 2 Cabinet 30<sup>th</sup> November 2016 Fin/395

Budget Monitoring Quarter 1 Cabinet 5th October 2016 FIN/392

Council Enabled Affordably Housing SHAPS/58 AND SHAPS/58.5

Contact Officer: - Paul Windust, Corporate Accounting Manager

Direct Line: - 01293 438693



**Appendix 1 (i)**

	Original Estimate £000's	Latest Estimate £000's	Outturn £000's	Variance £000's	
Cabinet	1,437	1,551	1,492	(59)	F
Public Protection & Community Engagement	1,573	1,575	1,565	(10)	F
Resources	1,286	1,604	1,238	(366)	F
Environmental Services & Sustainability	5,984	5,742	5,600	(142)	F
Housing	3,275	3,548	3,474	(74)	F
Wellbeing	6,761	8,643	8,404	(239)	F
Planning & Economic Development	(2,142)	(4,822)	(5,711)	(890)	F
<b>Total Portfolio Variances</b>	<b>18,174</b>	<b>17,841</b>	<b>16,062</b>	<b>(1,779)</b>	<b>F</b>
Depreciation & Capital Financing	(2,984)	(4,145)	(4,145)	0	
Renewals Fund	400	400	400	0	
Interest on Balances	(1,118)	(1,135)	(1,139)	(4)	F
New Homes Bonus	(1,881)	(1,881)	(1,889)	(8)	F
Year-end financing		1,512	1,508	(4)	F
Transfer to Tilgate Park investment reserve			112	112	
<b>Transfer to Capital Reserve</b>	<b>432</b>	<b>432</b>	<b>2,115</b>	<b>1,683</b>	
Sub Total	13,024	13,024	13,024	0	
<b><i>Council Tax and Business Rates</i></b>					
Council Tax	(6,387)	(6,387)	(6,387)	0	
RSG	(1,776)	(1,776)	(1,776)	0	
NNDR	(6,893)	(6,893)	(6,605)	288	U
Transfer to Business Rates Reserve	2,032	2,032	1,744	(288)	
	(13,024)	(13,024)	(13,024)	0	

## Main Variations identified for 2016/17 - General Fund

Appendix 1  
(ii)

	Outturn Variation £000's	Q3 Variation £000's	
<b>1 <u>Cabinet</u></b>			
Corporate Policy - NGDP vacant post	(46)	(40)	one-off
Revenue Collection – vacancies and reduced hours	(43)	(30)	one-off
Communications - vacancies	(20)	(20)	one-off
Chief Executive recruitment costs	27	25	one-off
Corporate Subscriptions	(20)	(20)	ongoing
<b>Added years pension contributions</b>	58		one-off
Minor variations	(15)	(15)	to be reviewed
	<b>(59)</b>	<b>(100)</b>	
<b>2 <u>Public Protection &amp; Community Engagement</u></b>			
Minor variations - various	(10)	1	to be reviewed
	<b>(10)</b>	<b>1</b>	
<b>3 <u>Resources</u></b>			
Contact Centre - Review of management roles with the potential to save one post	(70)	(70)	one-off
Legal & Democratic Services - vacancies	(70)	(70)	one-off
<b>Court costs income recovered</b>	(55)		one-off
Savings in members NI and members training	(41)	(22)	one-off
Additional cost of Individual Electoral Registration	21	18	ongoing
ICT staff vacancies	(30)	(30)	one-off
Data Centre consultancy	56	60	one-off
HR staff vacancies	(20)	(20)	one-off
Town Hall maintenance cost reduction and Civic Hall increased income	(44)	(44)	one-off
Print Services - vacancies	(42)	(37)	one-off
Procurement - vacancy	(12)		one-off
<b>Reduced mailing costs</b>	(27)		ongoing
Minor variations - various	(32)	(16)	to be reviewed
	<b>(366)</b>	<b>(231)</b>	

	Outturn Variation £000's	Q3 Variation £000's	
<b>4 <u>Environmental Services &amp; Sustainability</u></b>			
Community Warden vacancies	(119)	(130)	ongoing
Corporate Support Team - Admin Review	(60)	(60)	ongoing
New stationery contract savings	(20)	(20)	ongoing
Green waste service - additional income.	(20)	(20)	ongoing
<b>Waste service – bad weather contingency not required</b>	(31)		-
Port Health income shortfall net of reduced running costs	36	50	ongoing
Environmental Services Teams System Thinking backfilling of posts	70	60	one-off
Additional car parking income	(12)		ongoing
Minor variations	14	21	to be reviewed
	<b>(142 )</b>	<b>(99 )</b>	
<b>5 <u>Housing</u></b>			
<b>Temporary accommodation</b>	255	220	ongoing
Housing Services - staff vacancies	(30)	(30)	one-off
<b>Benefit overpayments recovered</b>	(245)		ongoing
<b>Staff vacancies – Benefits service</b>	(23)		ongoing
Minor variations	(31)	(11 )	To be reviewed
	<b>(74)</b>	<b>179</b>	
<b>6 <u>Wellbeing</u></b>			
Expected net additional income at Tilgate in line with five-year development plan. (transferred to fund Tilgate investment programme)	(112 )	(107)	ongoing
Community Services Officer vacancies	(26)	(30)	one-off
Community Arts	(86)		to be reviewed
Community Centres – additional income	(35)		to be reviewed
Minor variations	20	20	reviewed
	<b>(239 )</b>	<b>(117)</b>	

**7 Planning & Economic Development**

Forward Planning - Staff savings pending 2016/17 service review

Development Management - agency staff whilst undertaking service restructure. Recruitment underway and staff expected to be in place by the third quarter.

**Development Management - increase in planning application income**

**Commercial property income - increased rent base as a result of new investment property, including Ashdown House.**

Built Environment Team - vacant officer hours

Building Control income

Minor variations

**TOTAL PORTFOLIO VARIANCES**

	Outturn Variation £000's	Q3 Variation £000's	
	(149)	(130)	ongoing
	95	95	one-off
	(222)	(180)	To be reviewed
	(591)	(560)	ongoing
	(20)	(20)	ongoing
	(58)	(50)	ongoing
	17	8	
	(890)	(837)	
	(1,779)	(1,204)	

- 8 Investment interest
- 9 Transfer to Tilgate Park investment reserve
- 10 Other minor and additional new homes bonus

**TRANSFER TO CAPITAL PROGRAMME RESERVE**

	Outturn Variation £000's	Q3 Variation £000's	
	(4)	121	ongoing
	112	107	
	(12)		
	(1,683)	(977)	

<b>HOUSING REVENUE ACCOUNT</b>			
<b>Expenditure Description</b>	<b>Latest Estimate</b>	<b>Outturn</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b>Income</b>			
Rental Income	(45,028)	(45,391)	(363)
Other Income	(2,477)	(2,303)	174
Interest received on balances	(77)	(65)	12
<b>Total income</b>	<b>(47,582)</b>	<b>(47,758)</b>	<b>(176)</b>
<b>Expenditure</b>			
Employees	3,695	3,574	(121)
Repairs & Maintenance	11,342	11,116	(226)
Other running costs	2,331	2,056	(275)
Support services	2,645	2,645	0
	<b>20,013</b>	<b>19,391</b>	<b>(622)</b>
<b>Net (Surplus) / Deficit</b>	<b>(27,569)</b>	<b>(28,368)</b>	<b>(799)</b>
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	11,122	11,119	(3)
Financing of Capital Programme & Transfer to Housing Reserve for future investment	8,138	8,940	802
<b>Total</b>	<b>27,569</b>	<b>28,368</b>	<b>799</b>

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### Main Variations Identified for 2016/17 – Housing Revenue Account

	Q3 Variation £'000s	Further Variation £'000s	Final Variation £'000s
<b>Income</b>			
WSCC Funding reduction for Supporting people from 1st October	61		61
Shortfall in reimbursement from WSCC for recovery of Think Family costs due to Vacant posts	72		72
Kilnmead Car Park lease income – now shows a reduction on the previously reported figure as new operator taken over lease.	(45)	3	(42)
Interest on Balances - interest rates reduction	21	(9)	12
Additional Dwellings Rental income - under review	(226)	(77)	(303)
Minor Variations	27	(4)	23
	<b>(90)</b>	<b>(87)</b>	<b>(177)</b>
<b>Employees</b>			
Leasehold Services – vacancies and re-evaluated posts	(52)		(52)
Sheltered Management back-filling of staff during systems thinking	78	9	87
Housing Management vacant hours	(42)	(6)	(48)
Vacant posts in Think Family (recovered as above)	(53)	(7)	(60)
Planned Maintenance Vacant hours & Agency		(36)	(36)
Minor Variations	(5)	(7)	(12)
	<b>(74)</b>	<b>(47)</b>	<b>(121)</b>
<b>Repairs &amp; Premises Costs</b>			
Cost of Asbestos Surveys increased due to change in legislation	40	9	49
Repairs and Cyclical Planned Servicing underspends	(51)	(65)	(116)
Less breakdown maintenance/winter call outs		(196)	(196)
Minor Variations	(1)	38	37
	<b>(12)</b>	<b>(214)</b>	<b>(226)</b>
<b>Other Running Costs</b>			
Supporting People payments for Customers Eligible for Funding (associated with loss of income as above from WSCC)	(16)	(4)	(20)
Consultancy - due to reduced requirement for consultants this year		(75)	(75)
Provision for Bad Debts		(44)	(44)
DHP Contribution less than anticipated		(22)	(22)
Office admin (Printing, Postage, Stationery, Graphic Design, etc.)		(29)	(29)
Computer Software, Hardware & Maintenance		(37)	(37)
Utility Bills and Council Tax		(29)	(29)
Minor Variations	10	(26)	(18)
	<b>(6)</b>	<b>(269)</b>	<b>(275)</b>
<b>TOTAL VARIANCES</b>	<b>(182)</b>	<b>(617)</b>	<b>(799)</b>

## Play Schemes identified that can be funded from S106 Agreements

### Three Bridges Play Area £61,500

Member approval is being requested for an extension to one of the play areas in Three Bridges neighbourhood (either Pondwood Road or Three Bridges Road play area).

There is an opportunity to expand the current provision and install equipment that will provide additional play value and appeal more to older children.

Three Bridges Forum have approached the Council requesting additional equipment due to the identified need from families in the neighbourhood. The play areas in Three Bridges were not identified for improvement in the December 2013 Report to Cabinet (Play Facilities – Investment Proposals). However, it did state that the play provision in Three Bridges was somewhat below the local space standard. Public consultation would be used to help identify which play area should be extended.

The proposed cost of this project is up to £60,000. It can be fully funded from S106 funding, with £61,585.51 available to be spent solely within Three Bridges neighbourhood on this type of facility. Ward Councillors are fully supportive of this proposal.

### Ditchling Hill £65,000

To improve the Type B playground at Ditchling Hill in Southgate (as detailed in the Report to Cabinet on the 4 December 2013, 'Play Facilities – Investment Proposals').

The existing play equipment and safer surfacing has come to the end of its life.

To remove the current play equipment and safer surfacing. To consult with the local community, schools and stakeholders to create a design brief to ensure that the final design of the playground is right for the community.

The final design and type of equipment (plus safer surfacing) and any necessary groundworks will all be managed by specialist contractors. The resulting playground should therefore be fit for purpose and designed with a focus on the community's needs. It should be an improved amenity for the families across Southgate.

### Ewhurst Road £65,000

To improve the Type B playground at Ewhurst Playing Fields, Ifield The existing play equipment and safer surfacing has come to the end of its life.

To remove the current play equipment and safer surfacing. To consult with the local community, schools and stakeholders to create a design brief to ensure that the final design of the playground is right for the community.

The final design and type of equipment (plus safer surfacing) and any necessary groundworks will all be managed by specialist contractors.

The resulting playground should therefore be fit for purpose and designed with a focus on the community's needs. It should be an improved amenity for the families across Ifield.

#### Gainsborough Road £65,000

To improve the Type B playground at Gainsborough Road, Tilgate (The existing play equipment and safer surfacing has come to the end of its life.

To remove the current play equipment and safer surfacing. To consult with the local community, schools and stakeholders to create a design brief to ensure that the final design of the playground is right for the community.

The final design and type of equipment (plus safer surfacing) and any necessary groundworks will all be managed by specialist contractors.

The resulting playground should therefore be fit for purpose and designed with a focus on the community's needs. It should be an improved amenity for the families across Tilgate.

#### Kilnmead Close £13,000

To improve the Type A playground at Kilnmead Close, Northgate (as detailed in the Report to Cabinet on the 4 December 2013, 'Play Facilities – Investment Proposals').

Some of the existing play equipment and safer surfacing has come to the end of its life.

The local community will be consulted to choose the final design once the procurement process has been completed. It is anticipated that there will be some improvements to at least one piece of play equipment and safer surfacing at the site. This will be managed by specialist contractors.

The resulting playground should therefore be fit for purpose and designed with a focus on the community's needs. It should be an improved amenity for the families living in the surrounding roads to Kilnmead Close



2016/17 Outturn Appendix 4

Portfolio Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Cabinet	7,724	2,030	1,649	1	380	3,149	3,529	2,971	-
Resources	387	653	561	(14)	106	237	327	-	-
Environmental Services & Sustainability	3,139	1,359	1,257	50	52	2,036	1,638	1,984	94
Planning & Economic Development	8,792	7,899	7,941	(42)	-	5,000	5,000	1,700	-
Public Protection & Community Engagement	100	89	20	-	69	50	119	70	-
Housing Services	914	1,021	958	1	62	881	942	1,941	55
Wellbeing	2,492	3,180	2,437	(17)	760	2,547	3,044	720	200
<b>Total General Fund</b>	<b>23,548</b>	<b>16,231</b>	<b>14,823</b>	<b>(21)</b>	<b>1,429</b>	<b>13,901</b>	<b>14,599</b>	<b>9,386</b>	<b>349</b>
<b>Housing Revenue Account</b>	<b>35,837</b>	<b>17,812</b>	<b>16,294</b>	<b>687</b>	<b>831</b>	<b>37,468</b>	<b>26,026</b>	<b>43,255</b>	<b>31,312</b>
<b>Total Capital</b>	<b>59,385</b>	<b>34,043</b>	<b>31,117</b>	<b>666</b>	<b>2,260</b>	<b>51,369</b>	<b>40,625</b>	<b>52,641</b>	<b>31,661</b>

Cabinet Portfolio -Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Town Centre	3,991	5	9	-	(4)	970	966	1,916	-
Queens Square Env Improvements	2,727	1,013	934	-	79	1,899	1,978	-	-
Queensway	-	15	9	-	6	30	36	1,055	-
Broadfield Barton	-	113	108	3	3	-	3	-	-
Solar PV CBC Operational Buildings	400	234	207	-	27	250	277	-	-
Southgate Maisonette Works (PM)	93	93	93	-	-	-	-	-	-
Town Hall Refurbishment / Design	311	345	203	-	142	-	142	-	-
Town Hall - Maintenance (PM)	202	212	86	(1)	128	-	128	-	-
<b>Total</b>	<b>7,724</b>	<b>2,030</b>	<b>1,649</b>	<b>1</b>	<b>380</b>	<b>3,149</b>	<b>3,529</b>	<b>2,971</b>	<b>-</b>

Resources Portfolio - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
ICT Capital - Future Projects	109	-	-	-	-	177	145	-	-
On Line Self Service	73	110	74	-	35	-	35	-	-
FMS Enhancements	5	-	-	-	-	-	-	-	-
Enterprise Content Migration	50	67	11	-	56	60	116	-	-
Relocation Of Data Centre	150	390	380	-	11	-	11	-	-
Town Hall Wi-Fi 2016/17	-	37	52	(15)	-	-	-	-	-
ICT Replacements	-	4	-	-	4	-	4	-	-
Veeam Backup Solution	-	45	44	1	-	-	-	-	-
Windows Server 2003 Upgrade	-	0	-	0	-	-	-	-	-
NAVMAP Replacement	-	-	-	-	-	-	16	-	-
<b>Total</b>	<b>387</b>	<b>653</b>	<b>561</b>	<b>(14)</b>	<b>106</b>	<b>237</b>	<b>327</b>	<b>-</b>	<b>-</b>

Environment Services & Sustainability Portfolio - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
New Cemetery	1,100	644	800	-	(155)	597	442	-	-
K2 Crawley Heat Network (Heat & Power)	650	-	25	-	(25)	400	376	250	-
Cycling Signage	10	15	11	-	3	-	3	-	-
Cycle Paths	58	58	-	-	58	-	58	-	-
Sussex House Cycle Path	-	54	44	-	10	-	10	-	-
Boulevard Cycle Path	-	6	6	-	-	-	-	-	94
A2crawters-B1/14mall Cycle Path	-	2	2	0	(2)	-	-	-	-
Env Imp Future Schemes / Heat Network	500	5	5	(0)	-	25	-	1,272	-
Ifield Drive	-	50	31	-	19	2	21	-	-
Camber Close	-	10	12	-	(2)	67	65	-	-
Lavant Close	-	17	16	-	0	72	86	-	-
Fisher Close	-	16	16	-	(0)	46	46	-	-
Scallows Close	-	12	6	-	5	57	83	-	-
Flooding Emergency Works	10	18	8	-	10	20	30	-	-
Ifield Mill Pond Improvements	224	207	116	50	41	-	41	-	-
Tilgate (Ea Flood Alleviation)	-	28	26	-	2	-	2	-	-
Grattons Park	-	14	-	-	14	-	14	-	-
Creaseys Drive (Flood Works)	110	-	0	(0)	-	112	112	-	-
Operation Watershed	-	5	5	-	-	-	-	-	-
Cheals Broadfield Pond	-	9	6	-	4	-	4	-	-
Titmus Lake	30	20	5	-	15	27	42	-	-
Stafford Bridge H&S Improvements (flood Work)	77	10	11	-	(1)	80	-	79	-
Waterlea (Flood Works)	70	20	18	-	2	50	52	-	-
Billington Drive (Flood Works)	10	0	-	0	-	28	-	28	-
Tilgate Silt Lake (Flood Works)	-	65	30	-	35	-	35	-	-
Leat Stream Flood Alleviation	-	10	-	-	10	39	49	-	-
Park Close (Flood Works)	-	40	38	-	3	36	39	-	-
Balcombe Road (Flood Works)	50	20	15	-	5	30	-	35	-
Broadfield Brook (Flood Works)	-	2	-	-	2	113	-	115	-
River Mole (Flood Works)	-	-	-	-	-	30	-	30	-
Telemetry Measuring Equipment	30	-	-	-	-	30	30	-	-
Northgate Add Flood Atten Wrk	47	5	5	(0)	-	42	-	42	-
Crabbett Prk Add Flood Works	33	-	-	-	-	33	-	33	-
Crawters Brook Flood Wrks	100	-	-	-	-	100	-	100	-
<b>Total</b>	<b>3,139</b>	<b>1,359</b>	<b>1,257</b>	<b>50</b>	<b>52</b>	<b>2,036</b>	<b>1,638</b>	<b>1,984</b>	<b>94</b>

Planning & Economic Development Portfolio - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Investment Property Aquisition	8,792	7,899	7,941	(42)	-	5,000	5,000	-	-
Manor Royal Business Group	-	-	-	-	-	-	-	200	-
Three Bridges Station	-	-	-	-	-	-	-	1,500	-
<b>Total</b>	<b>8,792</b>	<b>7,899</b>	<b>7,941</b>	<b>(42)</b>	<b>-</b>	<b>5,000</b>	<b>5,000</b>	<b>1,700</b>	<b>-</b>

Public Protection & Community Development - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Community Safety Initiatives	100	89	20	-	69	50	119	70	-
<b>Total</b>	<b>100</b>	<b>89</b>	<b>20</b>	<b>-</b>	<b>69</b>	<b>50</b>	<b>119</b>	<b>70</b>	<b>-</b>

Housing Services - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Housing Enabling	20	-	-	-	-	20	20	-	-
Future Schemes	-	-	-	-	-	-	-	1,843	-
Temp Accom Acquisitions	274	-	-	-	-	274	274	-	-
Langley Green Affordable Housing	-	231	231	-	-	-	-	-	-
Disabled Facilities Grants	500	716	654	-	62	537	598	48	-
Home Insulation Grants	60	25	30	(5)	-	-	-	-	-
Improvement/Repair Loans	60	50	44	6	-	50	50	50	55
<b>Total</b>	<b>914</b>	<b>1,021</b>	<b>958</b>	<b>1</b>	<b>62</b>	<b>881</b>	<b>942</b>	<b>1,941</b>	<b>55</b>

Wellbeing Portfolio - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Hawth - Flat Floor	-	-	-	-	-	-	-	-	-
Hawth - Flying Equipment	41	46	49	(3)	-	-	-	-	-
Hawth Air Conditioning Replace	-	-	-	-	-	45	45	-	-
Hawth Chaucer/Elgar Room Works	-	25	25	-	0	-	0	-	-
K2 Crawley Gym Equipment Replacement	17	22	20	2	-	-	-	-	-
K2 Crawley-Crib Wall	-	-	-	-	-	-	-	-	-
K2 Crawley-Door Replace H&F & Poolside	-	4	4	-	-	-	-	-	-
K2 Crawley-Poolside Sauna & Steam Room	40	-	-	-	-	40	40	-	-
K2 Crawley-Poolside Timing Equipment	-	-	-	-	-	85	85	-	-
K2 Crawley-Fxd Plnt Energy Saving (PM)	17	17	18	(1)	-	-	-	-	-
K2 Crawley-Pool Filter Replacemnt (PM)	39	74	72	2	-	-	-	-	-
K2 Crawley-Replaster Sqsh Courts (PM)	23	21	21	(0)	-	-	-	-	-
K2 Crawley-Replace Artificial Turf Pitch	-	-	-	-	-	-	-	185	-
K2 Crawley-Expansion Of Fitness Area	-	80	56	-	24	916	940	-	-
Vehicle Replacement Programme	-	139	154	(15)	-	-	266	-	-
Travellers Prevention Measures	15	-	-	-	-	15	-	15	-
Bewbush HLC - Gym Equipment	55	85	88	(3)	-	-	-	-	-
New Museum Tree (HLF)	900	1,270	777	-	492	250	742	-	-
Ifield Community Facilities	29	-	-	-	-	23	23	-	-
Railey Road Allotments	-	9	7	-	3	-	3	-	-
Ifield Rd West Green Allotments	-	9	7	-	3	-	3	-	-
Refurb Playgrounds Future Schemes	235	3	-	-	3	-	40	-	-
West Green 15/16 Play Refurbishment	-	10	0	4	5	-	5	-	-
Adventure Playgrounds	-	-	-	-	-	400	-	200	200
Broadfield Barton -Play Refurbishment	-	-	-	-	-	57	57	-	-
Cherry Lane Adventure Playground	175	200	202	(2)	-	-	-	-	-
Maidenbower 15/16 play Refurbishment	65	65	28	-	37	-	-	-	-
P/H Wakehams 15/16 play Refurbishment	-	-	-	-	-	65	65	-	-
Skate Park Equipment	-	-	-	-	-	46	-	46	-
Halnaker Walk 15/16 Ply Refurbishment	13	49	45	4	-	-	-	-	-
Play Refurbishment (2016/17 Type A)	-	40	43	(3)	-	-	-	-	-
Furnace Green Play Refurbishment (2016/17)	-	65	61	4	-	-	-	-	-
Lutyens Play Refurbishment (2016/17 Type B)	-	40	50	(10)	-	-	-	-	-
Cherry Lane L/Green 2016/17 Play Refurb	-	90	88	2	-	-	-	-	-
Cherry Lane CC Windows & Doors (PM)	-	10	-	-	10	-	-	10	-
Community Centre Kitchen Refurb (PM)	26	14	14	0	-	-	-	-	-
Hawth Fixed Plant Energy Savng (PM)	10	10	11	(1)	-	-	-	-	-
Maidenbower CC Toilet Refurb (PM)	-	27	17	-	10	-	10	-	-
Southgate West CC Roof Improvement (PM)	46	46	-	-	46	-	-	46	-
Vehicle Workshop Heat Plant Rep (PM)	19	19	-	-	19	-	-	19	-
Worth Park Discovery Trail	40	-	-	-	-	40	40	-	-
Memorial Gardens Improvement	37	-	-	-	-	37	37	-	-
Parks C/Pks Operational Improvements	30	30	32	(2)	-	-	-	-	-
Parks Infrastructure	-	4	3	0	-	-	-	-	-
Parks & Open Spaces Spend To Save	-	-	-	-	-	-	-	-	-
Tilgate Pk&Nc Sustainable Heat	-	-	-	-	-	249	249	-	-
Tilgate Park & Nature Centre Five Year Plan	610	581	507	-	74	280	354	199	-
Tilgate Park Pedestrian Crossing	-	5	5	-	-	-	8	-	-
Tilgate Park Disabled Toilet	-	8	7	1	-	-	-	-	-
Tilgate Park Access Road	-	64	30	-	34	-	34	-	-
<b>Total</b>	<b>2,492</b>	<b>3,180</b>	<b>2,437</b>	<b>(17)</b>	<b>760</b>	<b>2,547</b>	<b>3,044</b>	<b>720</b>	<b>200</b>

<b>Total General Fund</b>	<b>23,548</b>	<b>16,231</b>	<b>14,823</b>	<b>(21)</b>	<b>1,429</b>	<b>13,901</b>	<b>14,599</b>	<b>9,386</b>	<b>349</b>
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HRA - Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Capitalisation Of Repair Work	500	300	-	300	-	-	-	-	-
Rewiring	1,200	1,000	557	-	-	1,200	1,200	1,200	1,200
Roof Structure (I.E Soffits)	500	500	742	-	-	600	600	600	600
Windows	300	300	224	-	-	300	300	300	300
Structural Works	80	120	29	-	-	80	80	80	80
Renovation And Refurbishment	200	200	-	-	-	200	200	200	200
Insulation	750	250	238	-	-	250	200	250	250
Kitchens	850	850	1,681	-	-	850	850	850	850
Bathrooms	550	550	573	-	-	550	550	550	550
Common Areas	100	100	121	-	-	20	20	20	20
Sheltered Major Works	250	250	280	-	-	50	250	100	100
Boilers	1,500	2,000	2,082	-	-	1,800	1,800	1,800	1,800
Legionella	50	150	1	-	-	50	50	50	50
Energy Efficiency- Lighting	80	80	25	-	-	80	80	80	80
Hard Landscape Removal	100	100	87	-	-	100	50	100	100
Intercom Upgrade	50	195	198	-	-	50	50	50	50
Major Insulation Energy Efficy	1,500	1,250	1,142	-	-	2,800	2,800	1,800	1,800
Hostels	100	160	191	-	-	870	600	500	250
Ren Con Studio Flats Blocks	200	200	321	-	80	100	350	100	100
Garages	700	700	199	-	186	200	386	200	200
<b>Programmed Repairs</b>	<b>9,060</b>	<b>8,955</b>	<b>8,689</b>	<b>-</b>	<b>266</b>	<b>10,150</b>	<b>10,416</b>	<b>8,830</b>	<b>8,580</b>
Adaptations For The Disabled	300	300	63	237	-	300	300	300	300
Disabled Adaptations-Major Room	900	900	690	210	-	950	950	950	950
<b>Total HRA Improvements</b>	<b>10,760</b>	<b>10,455</b>	<b>9,442</b>	<b>747</b>	<b>266</b>	<b>11,400</b>	<b>11,666</b>	<b>10,080</b>	<b>9,830</b>

Scheme Description	Original Budget 2016/17 £000's	2016/17 Latest Budget £000's	Outturn 2016/17 £000's	Under/ (Over Spend) £000's	Slippage	Budget Book 2017/18	2017/18 Latest Budget £000's	2018/19 Latest Budget £000's	2019/20 Latest Budget £000's
Breezehurst Drive & Brunel Place	-	6	6	-	-	-	-	-	-
Acquisitions Buy Back Of Dwgs	-	-	60	(60)	-	-	-	-	-
Acquisitions Of Land	500	-	-	-	-	-	-	-	-
Purchase Of Properties	1,000	-	-	-	-	2,000	2,000	1,000	1,000
151 London Road (New Build)	239	-	-	-	-	250	-	250	-
Kilnmead	4,348	20	66	-	(46)	3,628	310	4,507	765
Gales Place	2,000	1,952	1,872	-	80	-	80	-	-
Southern Counties Hsg	2,021	3,105	3,106	-	(1)	2,667	2,667	4,892	-
Telford Place Development	-	30	26	-	4	570	250	6,024	5,667
Woolborough Road Northgate	1,370	26	2	-	24	1,143	543	1,281	-
Goffs Park (Depot Site)	5,836	200	143	-	57	4,000	2,350	4,684	409
83-87 Three Bridges Road	2,124	400	222	-	178	2,399	185	2,392	-
Dobbins Place	794	50	51	-	(1)	1,157	255	1,091	-
Barnfield Road	850	24	-	-	24	850	874	-	-
Forge Wood	3,795	1,529	1,299	-	230	6,809	4,236	5,894	13,641
257/259 Ifield Road	-	10	-	-	10	500	510	760	-
Prelims	200	5	-	-	5	95	100	400	-
<b>Total Other HRA</b>	<b>25,077</b>	<b>7,357</b>	<b>6,852</b>	<b>(60)</b>	<b>565</b>	<b>26,068</b>	<b>14,360</b>	<b>33,175</b>	<b>21,482</b>

<b>Total HRA</b>	<b>35,837</b>	<b>17,812</b>	<b>16,294</b>	<b>687</b>	<b>831</b>	<b>37,468</b>	<b>26,026</b>	<b>43,255</b>	<b>31,312</b>
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<b>Total Capital Programme</b>	<b>59,385</b>	<b>34,043</b>	<b>31,117</b>	<b>666</b>	<b>2,260</b>	<b>51,369</b>	<b>40,625</b>	<b>52,641</b>	<b>31,661</b>
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Funded By									
Capital Receipts	12,292	4,917	3,238	21	1,062	12,551	7,604	9,322	255
Capital Reserve	8,792	7,899	7,941	(42)	-	-	5,000	-	-
Disabled Facilities Grant	378	716	654	-	62	378	440	-	-
Lottery & External Funding	1,830	1,689	1,458	-	290	854	1,202	-	-
1-4-1 Receipts	5,836	3,636	3,495	-	97	5,217	3,025	8,375	4,223
MRR	30,001	14,408	13,009	687	734	32,251	23,001	34,880	27,090
Replacement Fund/Revenue Financing	163	469	1,034	-	-	23	285	64	94
Section 106	93	310	288	-	15	95	69	-	-
<b>TOTAL FUNDING</b>	<b>59,385</b>	<b>34,043</b>	<b>31,117</b>	<b>666</b>	<b>2,260</b>	<b>51,369</b>	<b>40,625</b>	<b>52,641</b>	<b>31,661</b>



# Crawley Borough Council

**Report to Cabinet  
28 June 2017**

## **Crawley Homes Gas Repair Servicing and Renewal, Responsive Repairs, Voids and Planned Works Options for Service Provision**

Report of the Head of Crawley Homes, **CH/173**

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### **1. Purpose**

- 1.1 To provide a report to Cabinet outlining options for the future delivery and management of Crawley Homes repairs services at the expiration of the current contracts in 2019/2020. And to seek direction from members as to the preferred option.

### **2. Recommendations**

The Cabinet is recommended to:

- 2.1 Note the options for the delivery and management of Crawley Homes repair services as set out in the report.
- 2.2 Approve the outsourcing model of service provision for Crawley Homes gas repair servicing and renewal and for the provision of responsive repairs, voids and planned works.
- 2.3 Delegate authority to the Head of Crawley Homes in consultation with the Cabinet Member for Housing to commence an OJEU procurement exercise for gas repairs, servicing and renewal for a contract to commence 1<sup>st</sup> April 2019.
- 2.4 Delegate authority to the Head of Crawley Homes in consultation with the Cabinet Member for Housing to commence an OJEU procurement exercise for responsive repairs, voids and planned works for a contract to commence 1<sup>st</sup> April 2020.
- 2.5 Note that further Cabinet authority will be required for the award of any contract for the provision for gas repair and servicing and the provision of responsive repairs, voids and planned works.
- 2.6 Authorise the Head of Crawley Homes to procure the appointment of Procurement and Specialist Legal Advisors, which will be met from existing budgets as outlined in paragraphs 7.2 and 7.3.
- 2.7 Delegate to the Head of Crawley Homes in consultation with the Cabinet Member for Housing to evaluate the options for alternative provision of a repairs contact centre. To note that the estimated additional cost to the Council for this service is £148,041 outlined in paragraphs 6.6 and Appendix 1, and the aim of the review would be to mitigate the additional costs or find acceptable alternatives.

- 2.8 Subject to a satisfactory review as outlined in 2.7 to delegate authority to the Head of Crawley Homes in consultation with the Cabinet Member for Housing and Head of Finance, Revenues and Benefits, to negotiate with the current contractors Mears and Mitie to put in place an agreed alternative which might include the in-house option with transfer to the Council (TUPE), of call handling staff and for the Council to deliver this aspect of the service in advance of the appointment of a contractor for gas repair and servicing in 2019.
- 2.9 Note that additional ICT support may be required as set out in paragraphs 7.4 of the report to be funded through the current HRA Consultancy Budget with any additional costs for work required to be included within the HRA budget for 2018/19 as outlined in paragraph 7.5.

### **3. Reasons for the Recommendations**

- 3.1 To ensure that the provision of repairs and maintenance continues to be provided to Council tenants and leaseholders.

### **4. Background**

- 4.1 The current Gas Servicing and Repairs contract expires end of March 2019. The current provider of the service is Mitie Property Services. The contract commenced 1 April 2009 on a 5 year term with an option to extend for a further 5 years. We are now in the second phase of the contract and have moved to an open book, cost plus basis. An open book contract is one where the costs associated with the running of that contract are shared with parties to that contract. The cost plus arrangement is one where the costs associated are all paid by the client with specified contractor uplifts which in this case are central office overheads and profit. The current value of the contract is approx. £1.5m per annum.
- 4.2 Responsive Repairs and Voids was let in April 2010 for a 10 year term in two lots; one lot provided by Mears and the other lot provided by Mitie. From the start of the contracts these have operated on an open book, cost plus basis (although procured utilising a schedule of rates). The current contract value for both is approx. £7.8m per annum which includes an element of capital works carried out within the revised approach to voids.
- 4.3 Planned Works was let as one lot within the Responsive Repairs and Voids procurement with a commencement of 2012 but also running to 2020. The current contractor is Mitie and the current contract value is approx. £11m per annum.
- 4.4 In order to meet the timescales for an OJEU procurement exercise, work has been undertaken by Officers to review the options available for the future delivery of the service. These Options are:
- Taking the service in-house to create a Direct Labour Organisation (DLO)
  - Creating an alternative model for delivery which provides the structure similar to creating a DLO – a wholly owned subsidiary (WOS).
  - Creating a vehicle to allow for the incorporation of development and future expansion of services – a Joint Venture Company (JVC)
  - Procurement of contractor/s to deliver the service - Outsourcing

- 4.5 All of the options above can be applied to the whole of the service or to parts. For simplicity the options appraisal assumes the option to be applied to the whole service.
- 4.6 The delivery of these large scale projects requires additional support in the form of both legal advice; project management, procurement and ICT strategic advice. Specialist Procurement and Legal advisors will need to be appointed.

## **5 Description of Issue to be resolved**

- 5.1 The Council's contract for Gas Servicing and Repair, will expire at the end of March 2019 and Responsive Repairs, Voids and planned maintenance at the end of March 2020. Large scale procurement exercises of this nature require significant planning and reasonable time for contract mobilisation/handover.
- 5.2 To ensure a successful contract letting for gas servicing and repair in 2019 work needs to commence over the summer to prepare the contract documentation. This activity will also be carried out for the Responsive Repairs, Voids and Planned services as some documentation will be duplicated.
- 5.3 To assist with this work it is intended to appoint specialist Procurement Advisors who will also draw up a project plan to ensure that tasks are delivered in order to meet the required timescales. The budget for this contract has been included within the HRA Consultancy Budget.
- 5.4 It is also intended to appoint specialist legal advisors to assist with the documentation of the contracts and ensure that timescales are achieved. The Council's legal team do not have capacity nor the specialist skills for a significant procurement of this nature

## **6 Information & Analysis Supporting Recommendation**

- 6.1 The following paragraphs outline the Options that have been considered

### **6.2 CREATION OF A DIRECT LABOUR ORGANISATION (DLO)**

- 6.2.1 There has been a current trend towards housing organisations setting up DLOs, (although these have predominantly been Housing Associations), the reasons are:
- It reduces costs as Value Added Tax (VAT) is then not payable for those organisations that are not able to claim back payment
  - Better management of the risk of contractors under-bidding and creating the problems seen with insolvency of major contractors such as Connaught.
  - Improved control on the levels of service provided leading to better cost management
  - Use of company to provide services externally and generate a profit to invest within housing stock.
- 6.2.2 Against this were concerns regarding the impact of taking on the contractor staffing structure:

- The ability to pay for the expertise of contract managers at the top end and therefore retaining quality staff
  - The limited opportunities for progress within the Council for repairs staff and therefore retention problems
  - Increased costs of running the service with the Council's terms and conditions.
  - Increased costs of managing the service on other services within the council such as HR, Payroll, finance and health and safety expertise.
  - The ability of the Council to develop and maintain a specialist IT system for the operation of repairs and maintenance
- 6.2.3 In order to test the assumptions regarding costs a financial exercise has been undertaken. The costs were broken down for the call handling service and the repairs operatives. The financial summary for the call handling team appears in Appendix 1 with the financial summary for the rest of the staff in Appendix 2 and are based on 2017-18 budget estimates.
- 6.2.4 The current cost of provision through the contractors for the call handling service is £276,903. Some of the CSAs do other duties such as some financial administration for the preparation of the monthly invoice.
- 6.2.5 The additional costs of direct employment on the same terms and conditions, accounting for the increase in National Insurance and Pension, would amount to approx. £60,283 with £6,018 for life/health insurance (which is currently part of the contractors' T&Cs).
- 6.2.6 However, if Employee salaries were brought in line with the Council grading scheme, the extra costs would increase to £70,881 plus the £6,018 for life/health insurance.
- 6.2.7 In addition, supervision is provided to the contractor CSAs through the existing contractor structure, and direct delivery requires two team leaders at a cost of up to £58,131 each. The call handling additional costs are covered in Appendix 1.
- 6.2.8 For remaining staff the financial impact of employing people directly is covered in Appendix 2
- For Mears, the additional costs of employing the operatives would amount to £226,986 with the remaining office staff at £29,598, a total of £256,584.
  - For Mitie, the additional costs of employing the operatives would amount to £296,454 with the remaining office staff at £60,756, a total of £357,210.
  - The total additional costs of employing operative staff directly is therefore assessed as being £613,794. This does not take in to account any change in working hours/overtime.
- 6.2.9 Currently the contractor staff work 45 hours (Mears) and 42 hours (Mitie) per week and reducing this to the Council's standard working week of 37 hours would have a significant impact in capacity to do the work.



- 6.2.10 Mitigating the additional employment costs would be the savings for the contractors' central office overheads and profit, which totals approximately £1,494,423 (2017/18 estimates) per year. Central office overheads covers the costs of IT provision (both contractors have bespoke repairs systems); HR; supply chain management; procurement; financial management and access to shared learning and knowledge within large specific companies.
- 6.2.11 There would still be a requirement to outsource the out of hours telephone service as the Council does not have the capacity to operate such a service.
- 6.2.12 Operating a large scale DLO would mean a significant amount of risk for the Council in directly operating high risk service areas such as gas servicing and would require a significant increase in support services covered by the contractor overheads. It was therefore felt that the disadvantages of a DLO outweighed any advantage from directly running such a service.

### 6.3 **WHOLLY OWNED SUBSIDIARY (WOS)**

- 6.3.1 In the WOS model the contractor staff would transfer in to the WOS and an EU procurement undertaken to procure contractor/s who would manage the workforce. More than one contractor could be appointed with an alliancing framework put in place to ensure co-operative working.
- 6.3.2 The key advantages of operating this type of model are:
- Maintains full contractor warranty for the work carried out
  - Provides significant control over service and strategic approach to delivery of supply chain & sustainability
  - Provides contractors with a commercial incentive to improve performance and productivity
  - Mitigates staff concerns regarding TUPE
  - Mitigates risk of contractor default/insolvency
  - Residents could be involved in the management of the WOS
- 6.3.3 The disadvantages are:
- Would still require a significant HR resource
  - Would require commercial incentives, possibly over and above what would be expected through procurement
  - Requires separate legal structure, financial structure and management
  - Will require registration with Companies House and may involve the payment of corporation tax
- 6.3.4 The WOS model mitigates a number of the risks associated with operating a DLO. However, there are complications with operating the separate legal structure and the model didn't offer significant advantages over the outsourcing model.

## 6.4 **JOINT VENTURE COMPANY (JVC)**

6.4.1 An EU procurement would be required to appoint a JVC partner, with current contractor staff being TUPEd to the JVC.

6.4.2 The advantages of a JVC are:

- Provides contractors with a commercial incentive to improve performance and productivity
- Mitigates staff concerns regarding ongoing TUPE
- Mitigates risk of contractor default/insolvency
- Provides significant control over service and strategic approach to delivery of supply chain, sustainability etc.
- Provides opportunity for third party business and for development opportunities

6.4.3 The disadvantages are:

- Requires separate legal structure and management of the JVC.
- Requires significant legal input to dismantle the JVC even when re-procuring.
- There is a significant management expertise required by both Council and contractor in running a separate business.
- Requires a significant HR, finance, health and safety resource which could come from either party to the JVC.
- Requires registration with Companies House and may involve the payment of corporation tax.

6.4.4 It was also considered whether a JVC could assist with bringing forward some of the smaller development sites. The complexities of setting up a JVC for repairs and development would limit the number of contractors. The HRA has limited capacity for further development to 2021/22, and the small number of available development sites will be difficult and not necessarily attractive to a contractor. As such we felt that this would complicate the procurement of repairs.

6.4.5 Without the additional benefits of either bidding for additional work or development the JVC model did not offer advantages over the outsourcing model.

## 6.5 **OUTSOURCING**

6.5.1 The current method of service delivery has enabled significant improvements for the customer since the contracts started in 2010. Both contractors have embraced the systems thinking methodology and the data has provided a good understanding of the services provided and the basis for ongoing improvements.

6.5.2 The open book cost plus approach has also enabled the Council as a client to fully understand the costs of providing the service and we would be in a strong position through the procurement process to evaluate the financial returns.

- 6.5.3 The other points which offer strong delivery of services is the joint location and true partnering arrangements with both the client and both contractors who have co-operated very successfully to share both resources and knowledge.
- 6.5.4 Outsourcing has provided the basis for the delivery of strong customer services, and a retendering process would enable some aspects of contract management to be improved through the contract documentation such as best utilisation of the local supply chain; firming up the status of the budget management and driving for increased efficiencies.
- 6.5.5 The key advantages of the outsourcing model are:
- Full contractor warranty of work (single point of responsibility)
  - Commercial incentives for contractor to improve performance/productivity
  - Commercial motivation and potential for supply chain savings/efficiencies – compatible with open-book pricing approach
  - Investment/commitment of contractors to large-scale contracts
  - Access to contractor ICT packages; corporate health and safety regime and expertise of delivery of services.
- 6.5.6 The key concerns for the model are:
- Alignment of contractor values with those of Crawley Homes especially in maintaining the systems thinking approach
  - Capacity/capability of contractors to undertake large-scale contracts and deliver promises
- 6.5.7 These aspects can be mitigated through the procurement process.
- 6.5.8 In considering how to package an outsourcing approach the options considered were:
- The ability to do one procurement exercise to enable the possibility of one contractor taking on all works; through either extending the gas contract for a further year or bringing forward the repairs procurement to run with the gas contract, with the effective date of 2020.
  - Running two separate procurement exercises for Gas in 2019 and Repairs in 2020.
- 6.5.9 The drivers for looking at one procurement exercise were the complexities and cost of running large scale procurements and the advantages of having one contractor running the contact centre. However, the different work streams involved would require separate specifications and if run as separate lots would still require separate evaluations.
- 6.5.10 The benefits of having one contractor were not found sufficiently compelling to overcome the advantages of enabling a specialist gas contractor to bid and also having the repairs contracts split in to two so that the risk of a contractor failing were mitigated by having another contractor already working within Crawley. There have

been other benefits of having two contractors delivering repairs as benchmarking has been possible between the two as well as comparisons regarding approach, commercial overviews and organisational culture.

6.5.11 If the repairs package is split for the benefit of having two contractors covering this work then the two lots would cover all repairs, voids and planned works within the geographical area. This better facilitates the approach to the repairs team purpose of “doing the correct work at the right time” and not handing off to a different contractor for larger or more complex work.

6.5.12 As we have a very good understanding of the cost of delivering the service, one model under consideration is for price evaluation is the Optimum Price Model which would state how much we would expect to pay for the service. Utilising this model would require a significant shift away from the usual pricing of tenders to a 75/25 ratio in favour of quality. This percentage ensures that the decision on appointment is not solely determined by price.

## **6.6 LIMITED INSOURCING**

6.6.1 There is an opportunity to provide better service options for customers by having all call handling operated by the Council. Customers would be able to access the repairs team through one direct line and it would also provide better cover arrangements and offer the flexibility of organising different contractors around the provision of this central team.

6.6.2 This option would not need to wait until the contracts were re-procured but could be done ahead of the procurement by negotiation with the current contractors. This would enable an easier transition of work to any new gas servicing contractor coming in. The additional cost of directly employing the call handling team is estimated to be £76,899 with an additional cost of employing team leaders (x2) being £71,142. Total additional cost £148041.

6.6.3 Some additional costs may also be required within the contractors’ structure as there will still be a requirement for some call handling to operatives and administrative work.

6.6.4 TUPE would apply for those staff currently employed by the contractors in their call handling teams.

6.6.5 The proposal is to review this option in more detail to see if the additional costs of this proposal can be mitigated by reduction of waste within the system and the evaluation of an improved customer service. Crawley Homes staff will be undertaking a service wide systems thinking review starting summer 2017 which will provide the opportunity of following the customer experience.

6.6.6 The options under consideration would be whether the WOS are JVC could be utilised to provide one repairs contact centre.

## **7 Consultancy Support**

7.1 Professional support is required to assist in developing a timeline of required activity, project management to ensure completion of relevant tasks, support in preparing documentation, serving notices, developing questions and evaluation to ensure a rigorous procurement exercise that delivers the best contractor for our needs.

- 7.2 This can be achieved with the appointment of Procurement Advisor who will also act as a critical friend to challenge the strategic approach to ensure all aspects of procurement and future methods of working are considered. A budget of £35000 has been included within the HRA consultancy budget for this task which will cover both procurements.
- 7.3 In addition, the preparation of the contract documents, serving of specific notices, and ensuring all legal aspects of the process are rigorously adhered to requires additional legal support. A budget of £35000 has been included with the HRA consultancy budget for this work.
- 7.4 Prior to the new contracts starting there is a requirement to review the number of IT systems and interfaces currently operating, to enable a smooth transition to any new contractor IT systems. This will require additional consultancy support which initially will be within the existing consultancy budget.
- 7.5 Through the mobilisation period there is also a significant IT resource required to ensure the new contractor systems are successfully integrated with the housing databases. As this will be happening when the current programme for the new town hall will also be reaching a critical point there may be a need for additional ICT support. When the outcome of the ICT review is known and an assessment made of the internal capacity to carry out this work additional HRA resources may be required. This would form part of the HRA budget for 2018/19.

## **8 Implications**

### **8.1 Legal Implications**

- 8.1.1 The options for the delivery and future management of Crawley Homes repairs services comprising of gas repair and servicing, responsive repairs, voids and planned works have various legal implications.
- 8.1.2 The preferred option is to continue to outsource Crawley Homes repair services. The value of these contracts will require Notice in the Official Journal of the European Union and a tender procedure that complies with the Public Contracts Regulations 2015. The procurement must also comply with the Council's Procurement Code.
- 8.1.3 External legal advisors will be appointed to advise the Council on this significant procurement project.
- 8.1.4 The Transfer to the Council of call handling staff from Mitie and Mears will be subject to and in compliance of The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended (TUPE)

### **8.2 Equality Implications**

- 8.2.1 The Council is required to have due regard to its Equality Duties and in particular those set out in section 149 of the Equality Act 2010 to eliminate discrimination, harassment, victimisation and eliminate any other conduct that is prohibited by or under the Act, advance equality of opportunity between persons who share a protected characteristic and persons who do not share it and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Subject to approval of the recommendations, the Council's equality duty

will be assessed at various stages of the procurement exercise, the Equality Impact Assessment (EIA) will be updated as the project moves forward.

### 8.3 Consultation

- 8.3.1 Under Section 105 of the Housing Act 1985 the Council, as it considers appropriate, should consult tenants to enable those individuals who are likely to be significantly affected by a matter of housing management and delivery of housing services to which Section 105 applies to be informed of the Council's proposals about it, and to make their views known to the Council within a specified period.
- 8.3.2 The recommendation is retaining the status quo for the delivery and management of repair services. Although it is recommended consultation takes place with tenants and leaseholders to seek their views on options and views generally so as to assist and contribute to the procurement exercise.
- 8.3.3 An all member seminar was held on 13 June 2017 to enable Members to be consulted on the proposals. Members were broadly in favour of the recommendation to outsource the delivery.

### 8.4 Financial Implications

- 8.4.1 The costs of procurement will be met from within existing set aside budgets and that the outcome of the tendering process will be reported back as outlined in paragraph 2.7 above.

## **9. Background Papers**

None

Report author and contact officer: Karen Dodds Head of Crawley Homes x 8256

## Additional Costs of Direct Provision of Call Handling

## Customer Service Advisor Cost Comparison

Mitie (10 x CSA)	2017-18 Budget Estimate				
	Contractor	TUPE	Variance to Contractor	CBC T&Cs	Variance to Contractor
	£	£	£	£	£
Basic Salary	185,237	193,906	8,669	201,596	16,359
NI	14,454	22,687	8,233	23,587	9,133
Pension	3,060	40,914	37,854	42,537	39,477
Sub Total	202,751	257,507	54,756	267,720	64,969
Life / Health	6,018	6,018	0	6,018	0
<b>Gross</b>	<b>208,769</b>	<b>263,525</b>	<b>54,756</b>	<b>273,738</b>	<b>64,969</b>

Mears (3 x CSA)	2017-18 Budget Estimate				
	Contractor	TUPE	Variance to Contractor	CBC T&Cs	Variance to Contractor
	£	£	£	£	£
Basic Salary	59,700	59,999	299	60,289	589
NI	8,141	7,020	(1,121)	7,054	(1,087)
Pension	293	12,660	12,367	12,721	12,428
Sub Total	68,134	79,679	11,545	80,064	11,930
Life / Health			0		0
<b>Gross</b>	<b>68,134</b>	<b>79,679</b>	<b>11,545</b>	<b>80,064</b>	<b>11,930</b>

<b>TOTAL</b>	<b>276,903</b>	<b>343,204</b>	<b>66,301</b>	<b>353,802</b>	<b>76,899</b>
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## Supervision salary estimates on CBC pay grading

\*Grades based on similar CBC roles

	Budgeted on Top Scale	Pro-Rata Salary		
		Salary	On-costs	Total
CSA Team Leader - G (Scale 26 to 29)	29	£ 28,473	£ 3,331	£ 31,804
CSA Team Leader - H (Scale 30 to 33)	33	31,845	3,726	35,571
CSA - D (Scale 14 to 17)	17	20,559	2,405	22,964
CSA - E (Scale 18 to 21)	21	22,925	2,682	25,607

Summary costing estimate of a Team Leader:

	Grade G29	Grade H33
	£	£
Gross Salary	31,804	35,571
Employee insurance	523	523
Central Support*	22,037	22,037
<b>TOTAL</b>	<b>54,365</b>	<b>58,131</b>

\*Current cost per HRA staff

Summary total for delivery of Contact centre

*Estimates based on the recommendation of 12 - 13 x CSA's and 2 x CSA Team leaders*

	TUPE	CBC T&Cs
	£	£
Additional cost of CSA Salaries	66301	76899
2 x CSA Team Leaders	71,142	71,142
Employee insurance	7,845	7,845
Central Support	44074	44074
<b>Total Estimated cost</b>	<b>189362</b>	<b>199960</b>



**Additional Costs of Direct Provision of Operative Repairs Staff**Comparison of costs for remaining contractor staff**Mears**

## Mears Operatives

	Mears Cost £	CBC Estimate £	Variance £
Salaries	1,129,639	1,129,639	-
NI	108,852	132,168	23,315
Pension	34,683	238,354	203,671
<b>Gross</b>	<b>1,273,174</b>	<b>1,500,160</b>	<b>226,986</b>

## Mears Office staff excluding CSA

	Mears Cost £	CBC Estimate £	Variance £
Salaries	175,987	175,987	-
NI	23,998	20,590	(3,408)
Pension	4,127	37,133	33,006
<b>Gross</b>	<b>204,112</b>	<b>233,710</b>	<b>29,598</b>

<b>TOTAL MEARS</b>	<b>1,477,286</b>	<b>1,733,870</b>	<b>256,584</b>
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## Mitie

### Mitie Operatives

	Mitie Cost £	CBC Estimate £	Variance £
Salaries	2,144,373	2,115,527	(28,846)
Health/Life	27,603	27,603	0
NI	190,857	204,846	13,989
Pension	58,113	369,424	311,311
<b>Gross</b>	<b>2,420,946</b>	<b>2,717,400</b>	<b>296,454</b>

### Mitie Office staff excluding CSA

	Mitie Cost £	CBC Estimate £	Variance £
Salaries	487,777	487,777	0
Health/Life	10,245	10,245	0
NI	52,960	57,070	4,110
Pension	46,275	102,921	56,646
<b>Gross</b>	<b>597,258</b>	<b>658,013</b>	<b>60,756</b>

<b>TOTAL MITIE</b>	<b>3,018,203</b>	<b>3,375,413</b>	<b>357,210</b>
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<b>TOTAL</b>	<b>4,495,489</b>	<b>5,109,283</b>	<b>613,794</b>
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**Terms of Reference and Group Nominations 2017/ 2018**  
**Advisory and Working Groups and Member Development Executive Support Group**

LDS/131



Notes

- 1) Lead Officers to be appointed to each Working Group
- 2) Administration to be undertaken by service department.

<b>Working Groups</b>	<b>Terms of reference</b>	<b>Group Nominations 2017/18</b>
<b>Budget Advisory Group (BAG)</b>	<p>To advise the Cabinet on the allocation of resources within the General Fund and Capital Programme (including the community infrastructure levy – CIL), taking account of the Budget Strategy, Corporate Plan and other relevant information.</p> <p>Chair and Vice Chair of the Cabinet to attend Budget Advisory Group, to present a strategic perspective only.</p> <p><i>Lead Officer:- Head of Finance, Revenues and Benefits</i></p>	<p><u>Councillors (currently 9 Members = 5:4)</u></p> <p>C A Cheshire  T Lunnon (Chair)  B A Smith  J Stanley  K Sudan</p> <p>R G Burgess  R D Burrett  D Peck  A Pendlington</p>
<b>Local Plan Working Group (LPWG)</b>	<p>To consider and provide guidance on the process for reviewing the Local Plan and support the Local Plan Review to examination, if/when this is progressed.</p> <p><i>Lead Officer:- Head of Strategic Housing and Planning Services</i></p>	<p><u>Councillors (currently 13 Members = 7:6)</u></p> <p>TBC</p> <p>N J Boxall  D Crow  K Jaggard  R A Lanzer  K McCarthy  M A Stone</p>
<b>Economic Regeneration Working Group (ERWG)</b>	<ol style="list-style-type: none"> <li>1. To receive and consider updates on economic regeneration initiatives and actions across the Borough, including delivery of the Town Centre Regeneration programme, the delivery of individual economic regeneration schemes and partnership activities within the Manor Royal Business District.</li> <li>2. To receive and consider reports on economic regeneration activities in Crawley and to make recommendations, as necessary, to the Cabinet on the:-</li> </ol>	<p><u>Councillors (currently 11 Members = 6:5)</u></p> <p>M L Ayling  C A Cheshire  B J Quinn  B A Smith  P C Smith (Chair)  G Thomas</p>

Working Groups	Terms of reference	Group Nominations 2017/18
	<ul style="list-style-type: none"> <li>• proposals to regenerate sites identified in the Local Plan, the Town Centre Supplementary Planning Document and the Manor Royal Supplementary Planning Document &amp; Design Guide.</li> <li>• identification and promotion of other economic regeneration opportunities to enhance the physical appearance and social, economic and educational attributes</li> <li>• communications with all interested parties to maintain confidence in the wider economic regeneration of Crawley.</li> </ul> <p><i>Lead Officer:- Head of Economic &amp; Environmental Services</i></p>	D Crow F Guidera K Jaggard R A Lanzer M A Stone
<b>Member Development Executive Support Group (MDESG)</b>	<ol style="list-style-type: none"> <li>1. To provide all party support for a coordinated approach to Member development and training across the Council.</li> <li>2. To identify individual and Group training needs and to prioritise them accordingly.</li> <li>3. To develop, monitor and evaluate all member development activities.</li> <li>4. To promote learning and development opportunities amongst all members of the Council encouraging the highest level of participation by members to organised training and development events.</li> <li>5. To ensure that a comprehensive induction programme is made available to all newly elected Councillors.</li> </ol> <p><i>Lead Officer:- Head of Legal &amp; Democratic Services</i></p>	<u>Councillors (currently 5 Members = 3:2)</u> A C Skudder (Chair) J Stanley G Thomas  D Crow K McCarthy
<b>Town Hall Project Members Working Group (THPMWG)</b>	<p>Focus on the Town Hall element of the proposed development and within this primarily, although not exclusively, the requirements for members' facilities and the civic areas of the new building.</p> <p>Co-Lead Officers:- Head of People and Technology and Head of Partnership Services</p>	<u>Councillors (currently 7 Members = 4:3)</u> A C Skudder (Chair) R Fiveash C J Mullins B A Smith  T G Belben K McCarthy M Stone