

Crawley Borough Council

Overview and Scrutiny Commission

Agenda for the **Overview and Scrutiny Commission** which will be held in **Committee Rooms A & B**, Town Hall, Crawley, on **Monday 6 February 2017** at **7.00p.m.**

PLEASE BRING THE CABINET/OSC REPORTS BOOKLET AND FORWARD PLAN TO THIS MEETING

Nightline Telephone No. 07881 500 227



Head of Legal and Democratic Services

Membership:

Councillors: B A Smith (Chair), R G Burgess (Vice-Chair), M L Ayling, T G Belben, Dr H S Bloom, C A Cheshire, I T Irvine, R A Lanzer, T Rana, K Sudan and L Vitler

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The order of business may change at the Chair's discretion

Part A Business – (Open to the Public)

1. Apologies for Absence

2. Members' Disclosures of Interest and Whipping Declarations

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.

Members must also declare if they are subject to their party group whip in relation to any items under consideration.

3. Minutes

To approve as a correct record the minutes of the meeting of the Overview and Scrutiny Commission held on 9 January 2017 (**Enclosure A**) and consider any matters arising.

4. Public Question Time

To answer any questions or hear brief statements from the public which are relevant to the items on this agenda. The period will end after **15 minutes** or later at the Chair's discretion.

5. 2017/18 Budget and Council Tax

To consider Report FIN/401 of the Head of Finance, Revenues and Benefits. This is **Enclosure 1** in the OSC/Cabinet joint reports booklet for this meeting.

6. Treasury Management Strategy 2017/2018

To consider Report FIN/404 of the Head of Finance, Revenues and Benefits. This is **Enclosure 2** in the OSC/Cabinet joint reports booklet for this meeting

7. Safeguarding Children, Young People and Adults at Risk Policy 2017

To consider Report HCS/03 of the Head of Community Services. This is **Enclosure 3** in the OSC/Cabinet joint reports booklet for this meeting

8. Health and Adult Social Care Select Committee (HASC)

To receive a brief update on the Health and Adult Social Care Select Committee (HASC).

9. Forward Plan – 1 January and Provisional List of Reports for the Commission’s following Meetings

To consider any requests for items to be referred to the Commission.

10. Fostering Interest in Local Government

The All Member Workshop ‘Fostering Interest in Local Government’ is currently scheduled for 15 February 2017.

11. Supplemental Agenda

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

12. Exempt Information – Exclusion of the Public

The Commission 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)

13. Crawley Town Hall

(Exempt Paragraphs 3 & 5)

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

Information in respect of which a claim to legal privilege could be maintained in legal proceedings).

To consider Report DCE/02 of the Deputy Chief Executive.

This is **Enclosure X (to follow as per agreement with the Chair)**.

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: democratic.services@crawley.gov.uk

Crawley Borough Council



Minutes of the Overview and Scrutiny Commission Monday 9 January 2017 at 7.00pm

Present:

Councillor B A Smith (Chair)
Councillor R G Burgess (Vice-Chair)
Councillors M L Ayling, T G Belben, Dr H S Bloom, C A Cheshire, I T Irvine, R A Lanzer,
T Rana, K Sudan and L Vitler

Also in Attendance:

Councillors S J Joyce and P C Smith

Apologies for Absence: None

Officers Present:

Karen Dodds Head of Crawley Homes
Heather Girling Democratic Services Officer
Jean McPherson Group Manager (Development Management)
Susan Mills Transformation Officer
Becky Pearce Sheltered Housing and Telecare Manager
Clem Smith Head of Economic and Environmental Services

65. Members' Disclosure of Interests and Whipping Declarations

The following disclosures of interests were made by Members:-

| Member | Minute Number | Subject | Type and Nature of Disclosure |
|--------------------------|---------------|--|------------------------------------|
| Councillor R A Lanzer | 69 | Transformation Update – Sheltered Housing Redesign | Personal Interest – Member of WSCC |

66. Minutes and Matters Arising

The minutes of the meeting of the Commission held on [28 November 2016](#) were approved as a correct record and signed by the Chair.

67. Public Question Time

No questions from the public were asked.

68. Transformation Update – Planning Redesign

The Commission received an update from Jean McPherson, Group Manager (Development Management) on the Planning System Thinking Review.

The key conclusions from the 'check phase' were:

- There were multiple "hand offs" meaning that work was passed between several departments which caused delays and duplication.
- There was a lack of 'measures' and it was important to fully understand the current problems within the system.

As a result of the 'redesign' several changes had been made to the system:

- Experimentation had first taken place with the tree service and tree preservation orders and then progressed to site and planning applications.
- There were now individual officers allocated to customers, involved in the process "end to end" ensuring one contact for the entire process, resulting in a reduction in process time.
- Customer information was being enhanced as a result of improved technology.
- The team regularly reviewed ways of working in order to share knowledge and improve learning, ensuring the correct 'skill set' for dealing with applications.
- There was recognition that Systems Thinking had changed the team's thinking, behaviour and as a result improved performance.

During the discussion, the following points were expressed:

- There was recognition that assigning individual officers was helpful to customers and this had also increased staff morale and improved customer relations.
- It was considered beneficial that information and communication had been simplified.
- Acknowledgement that the Enforcement Service still needed to be reviewed and the need to continually review processes was of paramount importance.

RESOLVED

That the Chair thanked the Group Manager (Development Management) for their contribution and attendance at the Commission. The presentation had been very interesting and informative.

69. Transformation Update – Sheltered Housing Redesign

The Commission received an update from Becky Pearce, Sheltered Housing and Telecare Manager on the Sheltered Housing System Thinking Review.

The main conclusions from the 'check phase' were:

- There was an assumption that people in Sheltered Housing were vulnerable together with the perception of sheltered accommodation being for older people, when in fact many were able to manage well themselves and had little contact with the Scheme Manager.
- There was limited demand for the sheltered service but significant demand for accommodation. The most popular property type was 2 bed bungalows, but this was the property type with least availability. Similarly those wishing to downsize in some cases had very limited desire to move, and no requirement for sheltered housing.
- Some of the existing sheltered properties were not popular and were difficult to let as considered too small.

As a result of the 'redesign' several changes had been made to the system:

- The service would change from accommodation based support to a needs based service for all elderly tenants (including those in general needs accommodation).

- The team of scheme managers would provide a support service to tenants based on needs criteria working with individuals to ensure they had the correct support services in place.
- The scheme managers would work in a team from a hub and be less isolated in their working practices, based at the Integral Schemes providing a daily presence.
- In view of the lack of demand for sheltered properties there would be a de-designation of remaining schemes on a rolling programme. Where the property would be due to be de-designated the alarm system would be removed and a tenant given a lifeline if there was requirement. The community rooms in these schemes could be changed back to housing enabling a rental income to be provided.
- Restructure for the team was currently planned including the out of hours service. This incorporated the facility to deal with any emergency access and tenant lock outs.

During the discussion, the following points were expressed:

- Consultation with WSCC Adult Services was planned regarding providing care within the general needs stock.
- There was an acknowledgement that circumstances change and it was challenging to identify individual health needs. It would be necessary for partnership working and the need to maintain regular contact to ensure people were living well and accessing services.
- Questions were raised regarding right to buy if properties were re-designated.
- There would be a requirement to respond as a flexible, needs based service.

RESOLVED

That the Commission welcomed the presentation. The Chair thanked officers for their contribution and attendance at the Commission.

70. Cabinet Member Discussion with the Cabinet Member for Housing

The Commission noted the update given by Councillor Joyce on his portfolio and questioned him on a variety of other issues relating to his [portfolio](#).

The following topics were discussed:

- Homelessness was highlighted, with particular reference to the increase across the town and the potential cost incurred to the council. It was felt that whilst there was a duty of care to provide housing, there was a cost to the service. It was considered that the 'right to buy' scheme and the increasing private sector market had affected the current position.
- With reference to bed and breakfast accommodation provided by the council there was an aim to minimise the use of temporary accommodation where possible.
- Homes in Multiple Occupation (HMOs) was discussed with reference to the potential option of councils having discretionary powers to extend licensing to other HMOs, which were not subject to mandatory licensing. It was commented that the council did not currently propose to introduce additional licensing. However there were approximately 40 HMOs registered and standards for HMOs of two floors and those of three floors or more that had to be met and assessed.
- Concern was expressed in relation to the changes to the New Homes Bonus.
- Clarity was sought on the numbers transferring between properties. It was confirmed that the Under Occupation Incentive Policy was still in place and it was felt the council was still working to fulfil the housing needs of the town. However it was acknowledged that there was a current housing gap.

- The Passivhaus development at Gales Place was felt to achieve energy efficiency and internal comfort for the occupants through good design. It may be considered for other developments providing costs and need could be justified.

RESOLVED

That the Overview and Scrutiny Commission thanked Councillor Joyce for attending and for the informative discussion that had ensued.

71. Health and Adult Social Care Select Committee (HASC)

The next meeting of the HASC would take place on 18 January 2017. An update would be provided at the next meeting of the Commission.

72. Forward Plan – February 2017 and Provisional List of Reports for the following meetings of the Commission

The Commission confirmed the following reports for its February meeting:

- Budget & Council Tax 2017-2018
- Treasury Management Strategy 2017-2018
- Safeguarding Children, Young People and Adults at Risk Policy
- Sheltered Housing Service Review
- Crawley Town Hall

73. Closure of Meeting

The meeting ended at 9.05pm.

B A Smith
Chair

Crawley Borough Council

Report to Overview & Scrutiny Commission 6 February 2017

Report to Cabinet 8 February 2017

2017/18 Budget and Council Tax

Report of the Head of Finance, Revenues and Benefits, **FIN/401**

1. Purpose

- 1.1 The Council has a statutory responsibility to set a Council Tax and Budget in advance of the commencement of the new financial year (1 April to 31 March). The Council Tax has to be set by 11 March, each year. During 2016 the Council continued to review its spending plans and considered options to amend spending to meet new priorities. This report presents the Revenue, Capital and Housing Revenue Account (The Budget) and sets the level of Council Tax for the Financial Year 2017-2018 taking into account these factors.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet

The Cabinet is requested to recommend to the Full Council the approval of the following items regarding the 2017/18 Budget:

- (a) **to approve the proposed 2017/18 General Fund Budget including savings and growth as set out in section 6 and Appendix 1 and Appendix 2 of the report,**
- (b) **to approve the proposed 2017/18 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) **to approve the 2016/17 to 2019/20 Capital Programme and funding as set out in paragraph 11.5 of the report,**
- (d) **to agree that the Council's share of Council Tax for 2017/18 be increased by 2.52% from £189.27 to £194.04 for a band D property as set out in paragraphs 5.5.1 and 13.3,**
- (e) **to approve the Pay Policy Statement for 2017/2018 as outlined in paragraph 16.3 and Appendix 6 of the report.**

3. Reasons for the Recommendations

- 3.1 To provide adequate funding for the proposed level of services and to fulfil the statutory requirement to set a Budget and Council Tax and report on the robustness of estimates.

4. Background

- 4.1 The 2017/18 General Fund and Housing Revenue Account Budgets and the 2019/20 Capital Programme will be set by Council in February 2017. This will be informed by the recommendations of the Budget Advisory Group, and take into account the savings and income generation achieved through the transformation programme led by the Corporate Management Team with increased focus on looking at income generation. This report excludes any implications of the Town Hall report elsewhere on this agenda.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are council tax, rents, Government grants, retained business rates, investment income and fees and charges. The majority of the Council's services are funded from the General Fund. The main exception is the management and maintenance of the Council's housing stock, which is funded through a Housing Revenue Account (HRA).
- 4.3 There have been a number of major financial pressures on the General Fund since the start of the financial crisis in 2008/09. In common with all authorities there have been significant reductions in Government grant, reductions that will continue in the coming years with no Revenue Support Grant being received from the financial year 2020/21. Income from investments has fallen due to low interest rates. At the same time the costs of demand led services, such as homelessness and benefits payments, have increased.
- 4.4 The Council's approach has been to seek to maintain or enhance levels of service whilst keeping council tax increases to a minimum. This has been achieved in a number of ways, including redesigning services, delivering efficiency savings and generating new sources of income.
- 4.5 The 2017/18–2021/22 [Budget Strategy](#) was approved by the Cabinet in June 2016. The Strategy was based on a number of key assumptions:
- Annual Government grant reductions based on the four year settlement offer.
 - Work to keep Council Tax increases low without compromising local services,
 - An average investment rate of 1.65% for 2017/18 increasing to 2.15% for 2018/19, 2.40% for 2019/20, 2.45% for 2020/21 and 2.50% for 2021/22 (these figures were produced before the Referendum decision to leave the EU),
 - A 1% pay award for the financial years 2017/18 to 2019/20, increasing to 1.5% in 2020/21 and 2.0% in 2021/22,
 - An inflation provision of 1.3% for contract expenditure in 2017/18, 2.0% in 2018/19 and 2.5% for the following years with no inflation allowance for general running expenses,
 - An assumed increase in business rates income of 2.5% in 2017/18 to 2019/20 decreasing to 2% for the following years,
 - An overall increase in fees and charges of 2%.
- 4.6 The Budget Strategy approved working towards balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus. This methodology was included in the Council's [Efficiency Plan](#) which has been approved

by the Department of Communities and Local Government (DCLG) see paragraph 5.1 below.

A budget gap of £465,000 was identified in the Budget Strategy. This assumed no increase in Council tax and the report showed the impact of different council tax increases on the gap. This reduced to £295,000 with a £5 increase which is the maximum increase. The Budget Strategy report included over £1m of efficiencies, increased income and savings and these are shown in Appendix 1(iii). Without these the budget gap would have been £1.472m for 2017/18.

4.7 There have been some significant changes since the Budget Strategy was approved including:

- Impact on interest rates as a result of the Referendum decision to leave the EU
- Increased cost of inflation (September ONS figures)
- Changes to New Homes Bonus, both positive and negative
- Increase in Pension Fund contributions is less than anticipated
- Additional efficiencies, savings and income identified
- Additional Council Tax income

4.8 The Table below summarises the changes between the approved Budget Strategy and the proposed 2017/18 Budget. Further details are provided in section 5 of the report.

| | £'000s | Paragraph |
|--|----------|-----------|
| June Cabinet Budget Gap | (465) | 4.6 |
| Council Tax increase | 162 | 5.5.1 |
| Council Tax Base/Surplus – less than anticipated | (52) | 5.5.1 |
| | | |
| New Homes Bonus more properties built | 267 | 5.5.2 |
| New Homes Bonus – Adult Social care top slice | (79) | 5.5.2 |
| Reduced Investment income | (806) | 5.5.3 |
| Additional cost of inflation | (40) | 5.5.4 |
| Pension costs less than anticipated | 58 | 5.5.5 |
| Additional income from capital investment | 31 | 5.5.6 |
| Review of budgets as part of budget setting | 177 | 5.5.7 |
| Anticipated restructure within the Enforcement and technical team Community Services | 65 | 5.5.8 |
| Immigration and Asylum coordinator contribution | (10) | 5.5.9 |
| 2017/18 Savings | 702 | See |
| 2017/18 Growth | (10) | Section |
| | | 6.4 |
| Gap | 0 | |

5. Analysis

- 5.1 The Government announced its Spending Review in November 2015. A Statement to House of Commons on 17 Dec 2015 said “a guaranteed budget to every council which desires one and which can demonstrate efficiency savings – for next year, and for every year of this Parliament.”

The only condition attached to the four-year offer is for authorities to publish an annual [Efficiency Statement](#) ‘which should be as simple and straightforward as possible’. The Council accepted the 4 year Grant Settlement from 1/4/2016 until 31/3/2020 by submission of its Efficiency Statement with the time frames which has been accepted.

The four year Settlement figures provided by the DCLG are shown below, this however does not guarantee the future of specific grants including housing benefits and New Homes Bonus.

The four year settlement shows grant reductions as below.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------------|---------|---------|---------|---------|
| Revenue Support Grant | £1.76m | £1.04m | £0.57m | £0.06m |
| Percentage reduction | -32.35% | -41.64% | -44.54% | -89.72% |

In 2019/20 the Council will receive £59,107 in Revenue Support Grant with the assumption of no further grant in the following years.

The Government determines the amount of grant it will provide to the Council and the basis on which the estimated amount of business rates the Council will retain are determined. The following Table sets this out in terms of the ‘Settlement Funding Assessment Elements’ for 2017/18, these figures are the draft Settlement details. The percentage change relates to the change compared with 2016/17.

| | Revenue Support Grant | Business Rates | Total |
|---|-----------------------|----------------|-----------------|
| | £ | £ | £ |
| Start Up Assessment 2016/17 | 1,775,734 | 3,333,946 | 5,109,680 |
| Provisional Start Up Assessment 2017/18 | 1,036,391 | 3,402,011 | 4,438,402 |
| Change in year | -739,343 | 291,935 | -447,408 |
| Percentage Change | - 41.64% | | |

Business rates figures have been recalculated in 2017/18 to reflect the adjustment for the 2017/18 business rates revaluation as outlined in paragraph 5.2 below.

There is a **6.44% reduction in ‘spending power’**, this is the largest reduction of all West Sussex councils.

5.2 Retained Business Rates

Every non domestic property in the country has been revalued, these valuations will be based on non-domestic properties’ rateable value at April 2015. This new

valuation list for all non-domestic properties takes effect from April 2017. The amount Businesses pay is based on the property valuation multiplied by a 'national rate multiplier'; there are two multipliers, one for small and another for standard businesses.

The Valuation Office Agency has published details of individual properties' draft rateable values for the new list, providing ratepayers with an estimate of their business rates bill from April 2017.

The revaluation is designed to be nationally 'fiscally-neutral', meaning the overall income from business rate receipts will remain constant in real terms at the start of the new list. In order to achieve this, given an overall national increase in rateable values, the multiplier will be reduced.

DCLG have indicated that 'the small business multiplier is estimated to fall, from April 2017, from 48.4p by 1.8p to 46.6p; and the standard multiplier is also estimated to fall from 49.7p by 1.9p to 47.9p to ensure business rate receipts remain constant in real terms'. These multipliers will be confirmed after either the Local Government Finance report for 2017/18 has been approved or 1 March 2017, whichever is earlier.

- 5.3 The impact on Crawley is that the overall Rateable Value has increased by 4.53% to almost £269 million; however nationally the increase is 9.1% (in London the average increase is 22.8%). After applying the new multiplier we will receive less income than the current financial year. This should be adjusted through the 'tariff' that the Council has to pay back to the Government.

In order to manage the impact of the revaluation on ratepayers, a transitional relief scheme will operate, as in previous years. The transitional relief arrangements are designed to be self-funding, with the cost of the relief for those ratepayers facing increases funded from other ratepayers.

Although the Council will collect in excess of £116 million in business rates, the amount it retains is much smaller. One of the main reasons for this is that the Government retain 50% of the rates collected and West Sussex County Council retain 10%. The second main reason is that the Council also has to pay a significant tariff to the Government. There are further complications in that the Council's retained share can be added to by a safety net payment or suffer a further levy. These are applied if a Council's retained share is more than 7.5% below a Government set figure (safety net) or above it (a levy of 50%).

| | |
|--|--------------------|
| Projected non-domestic rates income | £116,436,243 |
| Government share | -£58,218,121 |
| West Sussex County Council share | -£11,643,624 |
| Crawley Borough Council share (before tariff & levy) | <u>£46,574,497</u> |

The projected retained rates amount for 2017/18 is set out in the table below. A levy will apply if the forecast is correct.

| | £ |
|--|-------------------------|
| Council's share of non-domestic rates income | 46,574,497 |
| Tariff | (40,108,455) |
| Levy | (1,683,787) |
| Safety net | 0 |
| Sub total | <u>4,782,255</u> |
| | |
| Additional rates due to renewable energy at K2 Crawley | 4,660 |
| S31 Grants | 401,144 |
| Sub Total | <u>5,188,059</u> |
| Deficit in current financial year | (2,352,822) |
| Transfer from the Business Rates Equalisation reserve | 2,147,333 |
| Total | <u>4,982,571</u> |

There is budgeted income of £401,144 in respect of Section 31 Grants, this is to reimburse the Council for business rate reliefs, including small business rate relief given by the Government which have reduced the retained rates that the Council would otherwise have received. Section 31 of the Local Government Act 2003 allows a Minister of the Crown to pay a grant to a local authority of England towards expenditure incurred by it.

5.4 It should be noted that there is significant potential volatility in business rates income, for economic, practical and technical reasons. It is possible that the final amount retained by the Council in 2017/18 will vary by several hundred thousand pounds from the current estimate, a business rates equalisation reserve has been established to assist in the management of these swings. There is a budgeted transfer to reserves in the current financial year of £2,031,564 in respect of business rates.

5.5 The following paragraphs identify changes since the Budget Strategy report.

5.5.1 Council Tax

The Budget Advisory Group agreed to recommend to Cabinet an increase in Council Tax of **£4.77** per annum for a Band D property, this is an increase of 2.52%. The Department of Communities and Local Government (DCLG) gave capping guidance of the increase of 2% or £5 on a Band D, whichever is the highest.

The Budget Strategy gave different options on increases and the aim was to keep Council Tax increases low without compromising local services. Appendix 4 gives the proposed Council Tax per band including this 2.52% increase.

In the past, Council tax freezes had been compensated through a Government freeze grant, however this has resulted in future council tax income being eroded as the council lost out on the incremental effect of the increase in the annual Council tax.

The Table below shows the impact on the proposed increase in Council tax per year and per week, it also shows the change in the number of properties in each band since last year, this shows the largest increase are in bands A – C, Appendix 4 gives the total number of properties in each Council Tax band.

| Council Tax Band | Change in the number of properties from last year | Proposed Council Tax (Crawley element) | Proposed Increase per year | Proposed Increase per week |
|------------------|---|--|----------------------------|----------------------------|
| | | £ | £ | £ |
| A | 223 | 126.18 | 3.18 | 0.06 |
| B | 95 | 147.21 | 3.71 | 0.07 |
| C | 209 | 168.24 | 4.24 | 0.08 |
| D | 114 | 189.27 | 4.77 | 0.09 |
| E | -8 | 231.33 | 5.83 | 0.11 |
| F | 9 | 273.39 | 6.89 | 0.13 |
| G | 4 | 315.45 | 7.95 | 0.15 |
| H | 0 | 378.54 | 9.54 | 0.18 |
| | 646 | | | |

As a result of net increases in the number of properties in Crawley, the 2017/18 Council Tax base has changed. The number of properties has increased by 646, however the majority of these properties are in Council Tax Band A-C; this has resulted in £28,000 less Council Tax income than projected in the June Budget Strategy report.

The Council will receive a share of the Collection Fund surplus in 2017/18 of £47,413 (see paragraph 14.1 - £60,000 of which was previously estimated).

5.5.2 New Homes Bonus

The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. It rewards local councils for additional homes added to the council tax base, including newly built properties and conversions as well as long term empty properties brought back into use, after deducting demolitions.

The Council receives direct payment from the DCLG for the number of new properties we report to the Valuation Office. For each dwelling the total payment is £1,529 (of which West Sussex County (WSSC) receives £306 and Crawley Borough Council £1,223) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSSC receives £70.

The Government consultation ["sharpening the incentive"](#) on NHB was launched in December 2015 with a closing date of 10th March 2016.

The options floated included: withholding the Bonus from areas where an authority does not have a Local Plan in place; abating the Bonus in circumstances where

planning permission for a new development has only been granted on appeal; and adjusting the Bonus to reflect estimates of 'deadweight'; this is where building would have taken place even if there had not been an incentive.

It was announced by the Minister for Communities and Local Government on the 16th December 2016 that the Government will implement reforms to the scheme that sharpen the incentive for housing growth. This means New Homes Bonus payments will be reduced in duration from 6 years to 5 years in 2017-18 and 4 years from 2018-19. This had been included in our assumptions in the budget strategy.

From 2017-18 the Government will also introduce a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid reflecting a percentage of housing that would have been built anyway (deadweight).

The original consultation suggested 0.25% for the 'deadweight'. The actual deadweight was set at 0.40%, which suggests (though it doesn't say that in the response) that 0.15% is going towards adult social care. This was a very late announcement. We had assumed 0.25% and as a result we will receive £79,471 less per annum for five years than anticipated, a loss over the period of £397,355. This represents a 24.29% reduction which is the second highest reduction in West Sussex.

The New Homes Bonus that Crawley Borough Council received in 2016/17 was £1,880,562. This is made up of agreed annual sums based on housing growth in year. The New Homes Bonus for 2017/18 is £1,431,861 a reduction of £448,701 (23.86%) from 2016/17.

The numbers of new properties completed were higher than originally estimated in the Budget Strategy. The New Homes Bonus calculation is based on the increase in the Band D average, as the majority of the housing growth is Bands A-C we receive less New Homes Bonus as a result.

The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. The increase in this deadweight has been included in future years' projections and has resulted in an increased budget gap as outlined in section 7.2 below.

5.5.3 Reduced Investment Interest

Interest projections have reduced as a result of the Bank of England reducing the base rate to 0.25% as a result of the Referendum decision to leave the EU.

5.5.4 Increased costs of inflation

At the end of September 2016 RPI was 2.0% which is the general allowance for contracts inflation; when the Budget Strategy was set in June 2016 the figure assumed was 1.3%. Inflation increased over the summer period.

5.5.5 Reduced cost of employers pension contributions

The actuarial revaluation of the pension fund managed by West Sussex County Council has resulted in a 0.5% increase in contributions annually from 2017/18 to 2019/20. The Budget Strategy assumed 1% per annum.

5.5.6 Additional income from capital investments

As a result of capital investment and spend to save / spend to earn there will be additional income over and above what was budgeted for in the June Budget Strategy report.

5.5.7 **Review of budgets as part of the budget setting process**

With the introduction of the new financial management software Collaborative Planning, managers now have more management information and control over their budgets. As a result they have been able to identify savings and increased income as part of the budget setting process. This includes additional commercial property income and reduced operational costs.

5.5.8 There will be a restructure within the Enforcement and Technical team within the Community services area in 2017/18, this will result in anticipated savings of £65,000.

5.5.9 It is proposed to establish a single countywide team to co-ordinate our increasing workload on immigration and asylum seekers. This will be funded on a 60/40 basis between West Sussex County Council and the Districts and Boroughs and was felt to be the best way forward by County, Borough and District Leaders. Each District and Borough will contribute £10,000 towards the cost of a small team based at the County. The progress and success of this will be reviewed on an annual basis by the Leaders of County, Boroughs and Districts.

6. **2017/18 General Fund Budget**

6.1 Details of the proposed 2017/18 Budget are set out in Appendix 2 and is summarised in the Table below:

| 2017/18 General Fund Budget | | £'000s |
|---|--------------|---------------|
| Net Cost of Services (see table below 6.2) | | 14,720 |
| Investment Income | | (645) |
| Transfer to/from Reserves | | 0 |
| Net Expenditure | | 14,075 |
| Funded by | | |
| Revenue Support Grant | | 1,036 |
| New Homes Bonus | | 1,432 |
| Council Tax | | 6,577 |
| Collection Fund surplus – Council Tax | | 47 |
| Total Retained Business Rates (5.3) | 5,188 | |
| Deficit in current year (5.3) | (2,353) | |
| Transfer from Business Rates Equalisation Reserve | <u>2,147</u> | 4,983 |
| Total | | 14,075 |

6.2 Estimated service expenditure is summarised in the table below:

| 2017/18 Budget – Service Expenditure | |
|---|---------------|
| Portfolio | £'000s |
| Cabinet | 1,435 |
| Public Protection and Community Engagement | 1,595 |
| Resources | 1,129 |
| Environmental Services & Sustainability | 5,917 |
| Housing Services | 3,131 |
| Wellbeing | 7,098 |
| Planning & Economic Development | -2,560 |
| Depreciation | -3,425 |
| Contribution to Renewals Funds | 400 |
| Net Cost of Services | 14,720 |

6.3 The report of the Budget Advisory Group (BAG) Chair is attached at Appendix 1.

6.4 The table below summarises the efficiencies, savings and additional income included in the 2017/18 Budget with £1.951m identified:

| Efficiencies, additional income and savings | 2017/18 £'000s |
|--|---------------------------|
| Identified in Budget Strategy (Appendix 1 (iii)) | 1,007 |
| Reported to the Budget Advisory Group (Appendix 1) | 702 |
| Identified as part of budget setting (5.5.7 and 5.5.8) | 242 |
| Total identified | 1,951 |

6.5 The BAG are recommending to Cabinet the approval of a growth item of £10,000 per annum for the financial years 2017/18 for the extension of Unison facility time. In 2012 The Council made a Budget decision to reduce the facility time for the Unison Branch Secretary from 37 hours per week to 14.4 hours per week.

This was agreed on the basis that the Branch Secretary would develop stewards to take on more representation duties in order for him to manage on the reduced facility time. This has not been possible and the Branch Secretary is no longer able to cope with the responsibilities of the role in the 14.4 hours per week that is available.

Unison requested an extension of the facility time to 21.6 hours per week in order to meet the need from members of the union and management of the organisation. This has been agreed by the Cabinet Member for Resources and endorsed by the Cabinet at the meeting of the Employees Joint Consultative Committee on the 13th July 2016 on a 6 month trial basis.

This trial started in August 2016. At the moment the additional day is being provided by the Deputy Branch Secretary and being funded from his substantive post. This is not sustainable going forward and it is therefore proposed that the

budget for facility time is extended by £9,700 per annum to allow for the facility time to be extended permanently.

Recommendation 2.2 (a): to approve the proposed 2017/18 General Fund Budget including the savings and growth proposals as set out above and Appendix 1 and 2.

7. 2018/19 Budget Projections

7.1 The Budget Strategy for 2018/19 to 2022/23 is scheduled to be considered at the June 2017 Cabinet. The table below summarises the 2018/19 Budget projections based on the following headline assumptions:

- An inflationary increase in Council Tax.
- Average investment rate of 0.5%
- An inflation provision of 2.0% for contract expenditure with no allowance for general running expenses.
- A pay award of 1.0%.
- An overall increase in fees and charges of 2%.

| | 2018/19 £'000s |
|------------------------------|-------------------|
| Base Budget | 15,140 |
| Investment interest | (564) |
| Net Budget | 14,576 |
| Funded by: | |
| Council Tax | 6,854 |
| Retained Business Rates | 5,107 |
| Formula Grant | 575 |
| New Homes Bonus | 1,370 |
| Indicative Budget Gap | 670 |

The main changes between years are itemised below

| | 2017/18 £000's | 2018/19 £000's | Change £000's |
|-----------------------|-------------------|-------------------|------------------|
| New Homes Bonus | 1,432 | 1,370 | 62 |
| Revenue Support Grant | 1,036 | 575 | 461 |
| Interest projections | 645 | 564 | 81 |
| Inflation provision | | | 83 |

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income.

8. Fees & Charges

- 8.1 The Budget Strategy assumes a general increase in fees and charges of 2%. In some cases a lower increase has been assumed; for example when a service is required by statute to be self-financing. In other cases, a higher increase has been assumed. The overall objective was to increase income by 2%. This has not been possible in some cases due to having to set commercially attractive prices. A schedule of all fees and charges is available on the website and a copy has been left in the Members' Room.

9. Investment Income

- 9.1 Interest on investments provides a significant source of funding for the Council. For the 2017/18 Budget, it represents 4.8% of the Net Cost of Services. The following paragraphs provide details of the key factors and assumptions that affect the calculation of this Budget.
- 9.2 The average yield from investments in 2017/18 is projected at 0.50%. Most of the longer term investments at higher interest rates have now matured, so the projection now more closely matches the lower interest rates available in the market.
- 9.3 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2017/18 Budget is based on the following assumptions:
- Average yield of 0.35% for new internal investments.
 - Cash flows have been calculated from the revenue and capital budgets reported in this report.
 - Cash flows relating to the capital programme are spread evenly through the year.
 - Cash flows relating to revenue are based on the timings of previous year's income and expenditure.
- 9.4 It is believed that these assumptions are realistic and not over-cautious. However, it is likely that there will be variances due to the number of external factors that can affect investment performance and the size of the sums available for investment. The investment interest budget will be monitored closely throughout 2017/18 and any projected variances will be highlighted in budget monitoring reports.
- 9.5 Further information on the investments can be found in the Treasury Management Strategy 2017/18 which can be found elsewhere on the agenda.
- 9.6 Appendix 5 identifies that the volatility of interest rates is a key risk associated with the 2017/18 budget and the medium term Budget strategy.

10. Spending Plans – Council House Service – Revenue

- 10.1 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2016/17 budget and 2017/18 budget are as follows.
- 10.2 The Portfolio holder for housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. However, in the Housing and Planning Act, the Government has required social housing providers to reduce their rents by at least 1% and the Cabinet member has therefore opted for a 1%

reduction which equates to nearly £400,000 reduction in income which is partly offset by additional income from new dwellings giving a net reduction in income of £320,000.

- 10.3 The responsive repairs budget includes an allowance for inflation on the contract of £221,000, together with an increase of £280,000 in base works for void properties.
- 10.4 The major variance within the cyclical and planned budget is due to the reduced requirement for external painting now that the five year programme of £1 million has been completed.
- 10.5 The Other income and Managed services variance refer to the effects of the withdrawal of support from West Sussex for the sheltered housing service, this service is being reviewed.
- 10.6 The capital programme as outlined in section 11 below and in Appendix 3 (i) is funded from HRA resources, HRA capital reserves and 1-4-1 Right to Buy receipts.

Recommendation 2.2 (b) to approve the proposed 2017/18 Housing Revenue Account Budget as set out above and Appendix 3 of the report.

11. Capital Programme

- 11.1 The June 2016 Budget Strategy report approved that future bids for capital should be based on expenditure required to maintain the Council's assets, for environmental obligations such as flood prevention and for disabled facilities grants. In addition bids will be for spend to save projects or spend to earn investment income. Appendix 1 sets out the recommendations of the Budget Advisory Group.

The recommended Capital programme is shown in the following Table.

| | £'000s |
|--|------------|
| IT Future Projects Fund | 145 |
| Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save' | 249 |
| Total | 394 |

- 11.2 The proposed programme of £0.394m is incorporated into the financial projections contained in other sections in this report.
- 11.3 The table below sets out the proposed capital programme and funding for 2016/17 to 2019/20 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report. It is proposed to bring these two schemes to 2017/18.
- 11.4 The approved HRA Budget is included as amended in the report to the Budget Advisory Group at its meeting on 24th November 2016. The impact on the HRA from the 1% rent reduction would be a £148m loss in income over a 30 year period based on current forecasts. As a result mitigating measures are being put into place to ensure that the housing delivery programme stays on track, this includes reviewing

the existing capital programme. The major repairs programme is constantly reviewed in light of works on site, surveys, customer and stakeholder demand. The ongoing review has shown areas where expenditure could be reduced over the next three years made up of reduction of budget including external decorating programme. It is based on more up to date housing repairs needs. A schedule of the Crawley Homes capital programme is given in Appendix 3 (i). The HRA Investment priorities were approved at Cabinet on 10 October 2012, together with the Affordable Housing delivery programme budget approvals which was approved by Cabinet on 2nd December 2015 CH/167.

11.5 2016/17 to 2019/20 Capital Programme

| | 2016/17 £'000s | 2017/18 £'000s | 2018/19 £'000s | 2019/20 £'000s | Total £'000s |
|---|-------------------|-------------------|-------------------|-------------------|-----------------|
| Existing Programme (agrees with Q3 elsewhere on this Agenda) | 30,904 | 53,225 | 46,693 | 5,761 | 136,583 |
| | | | | | |
| HRA Adjustment to the Budget Required (Appendix 3(i)) | | (2,250) | (1,500) | 10,830 | 7,080 |
| Forge Wood (paragraph 11.4 above) | | | 2,780 | 9,435 | 12,215 |
| | | | | | |
| <u>New Schemes</u> | | | | | |
| IT Future Projects Fund | | 145 | | | 145 |
| Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save' | | 249 | | | 249 |
| TOTAL | 30,904 | 51,369 | 47,973 | 26,026 | 156,272 |

| Funded by - | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Capital Receipts | 4,919 | 12,551 | 8,419 | | 25,889 |
| Capital Reserve | 7,899 | | | | 7,899 |
| Replacement Funds | 453 | 23 | 87 | | 563 |
| 1-4-1 Receipts | 1,339 | 5,217 | 8,773 | 4,531 | 19,860 |
| HRA revenue contribution | 13,599 | 32,251 | 30,694 | 21,401 | 97,945 |
| Section 106 contributions | 301 | 95 | | 94 | 490 |
| Lottery/external funding | 1,678 | 854 | | | 2,532 |
| Better care fund (formally DFG's)* | 716 | 378 | | | 1,094 |
| TOTAL | 30,904 | 51,369 | 47,973 | 26,026 | 156,272 |

* Disabled Facilities Grant budget will be adjusted once notification of the Better Care Fund allocations are known.

Recommendation 2.2 (c): to approve the 2016/17 to 2019/20 capital programme and funding as set out above.

12. Robustness of Estimates and Adequacy of Reserves

- 12.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Chief Finance Officer) to report to their authority on the robustness of estimates and the adequacy of reserves provided for within the Budget. Authorities are required to take into account the Section 151 Officer's report when setting their Budget requirement.
- 12.2 The Budget Strategy 2017/18-2021/22 was approved by the Cabinet on 29th June 2016. Key objectives of the Strategy are:
- Work towards a balanced Budget over a three year period including putting back to reserves when the Budget is in surplus.
 - Aim to keep Council Tax low without compromising local services.
 - Instruct Corporate Management Team to take action to address the long term budget gap and to identify policy options for consideration by Cabinet Members and the Budget Advisory Group.
 - That items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations, and schemes will be also considered that are spend to save and spend to earn.
 - That the Council apply to accept the four year grant settlement from 1st April 2016 to 31st March 2020.
- 12.3 These objectives have been met. To date the Council has responded well to the financial challenges of recent years. It has produced balanced Budgets, with transfers to reserves in both 2015/16 and 2016/17 in respect of general fund services, and maintained front-line services. The challenges will become more demanding in future years. Despite the healthy level of reserves, it is less likely that it will be able to continue to achieve a balanced Budget and maintain current service levels.
- 12.4 In compiling the 2017/18 Budget, a review of all departmental budgets has been undertaken to ensure that existing budget provision is adequate and that additional provision has been made for known service pressures, this review has resulted in efficiencies, savings and additional income as identified in paragraph 5.5.7 above.
- 12.5 There are a number of services where budgets are susceptible to changes outside the direct control of the Council. These tend to be demand-led services such as homelessness, benefits payments, development control fees and Council Tax Reduction payments. There is also volatility in income streams that are affected by external factors such as investment and business rates income. For such budgets, the latest information has been used to calculate the Budget.
- 12.6 There is a risk that the economic outlook will continue to be depressed in the public sector which could have a significant effect on demand-led expenditure budgets and some income budgets, there will also be adverse impacts upon budgets due to the impacts of welfare reforms and the unknown impacts of the decision to leave the EU. Budgets are monitored by officers on a monthly basis and the Corporate Management Team receives an update on key issues, while a quarterly revenue and capital Budget monitoring report is considered by the Cabinet and included in the Members information bulletin. This should ensure that any projected variances are identified at an early stage.

12.7 A review of reserves has been undertaken as part of the 2017/18 Budget preparation. The Table below summarises the estimated level of reserves available for 2017/18:

| | Estimated Available Balance at 31/3/17 £'000s | Paragraph |
|--|--|-----------|
| General Fund Reserves | | |
| General Fund Reserve / Balance | 4,000 | 12.7.2 |
| Business Rates Equalisation reserve | 5,000 | 12.7.2 |
| Usable Capital Receipts | 29,182 | 12.7.3 |
| Capital Reserve | 2,795 | 12.7.4 |
| Acquisition reserve | 5,000 | 12.7.4 |
| 1-4-1 Receipts | 12,165 | 12.7.4 |
| Development of Facilities for Young People | 160 | 12.7.4 |
| Restructuring Impact | 870 | 12.7.5 |
| Housing & Planning Delivery Grant/LDF | 300 | 12.7.6 |
| Vehicles & Plant | 166 | 12.7.7 |
| ICT Replacement | 58 | 12.7.7 |
| Specialist Equipment – Hawth & K2 Crawley | 17 | 12.7.7 |
| Town Centre Regeneration | 250 | 12.7.8 |
| Other | 1,194 | 12.7.9 |
| Total General Fund | 61,635 | |
| HRA Reserves | | |
| Housing Revenue Account | 3,321 | 12.7.10 |
| Housing Capital Investment reserve (committed) | 31,373 | 12.7.11 |
| Total HRA | 34,694 | |
| Total | 96,329 | |

12.7.1 The General Fund reserve and balance provides a source of funds to deal with: -

- Potential cash flow problems; and
- Unanticipated adverse financial impacts.

The balance on the reserve provides investment interest that is used to support the Revenue Budget.

12.7.2 In line with the Budget Strategy report the balance on this reserve will be £4m at 31 March 2017. The Head of Finance Revenues and Benefits is satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term. This may result in using reserves as the Council is continuing to review service provision through the transformation programme at the same time looking at

maximising income generating opportunities. In addition a £5m reserve for business rates equalisation will be available to absorb the volatility of business rates income.

- 12.7.3 The projected balance of usable capital receipts at the end of March is £29,182m. Usable capital receipts can only be used for capital spending.
- 12.7.4 The capital reserve was created by transferring balances from the revenue reserve and the general fund balance. The estimated balance at the end of March is £2.795m. A separate reserve for Investment acquisitions has been established of £5m. In addition to this there is £0.160m in the Developing Facilities for Young People reserve and an estimated £12,165m of 1-4-1 receipts from right to buy. There are restrictions on these 1-4-1 receipts, including that they can only make a 30% contribution towards affordable housing capital expenditure. This sum is committed on schemes such as Forge Wood.
- 12.7.5 The Restructuring Impact reserve was created as part of the 2008/09 Budget in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs associated with restructuring.
- 12.7.6 The balance of the Local Development Framework has commitments and will be fully reviewed as part of the closure of accounts 2016/17 as the Local Plan has now been approved.
- 12.7.7 There are three replacement funds; these are ICT Replacement, Specialist Equipment – Hawth & K2 Crawley, and Vehicles & Plant. The use of these funds is determined by the appropriate Cabinet member under delegated powers.
- 12.7.8 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration and economic development schemes - this reserve is almost fully committed.
- 12.7.9 There are a number of reserves which are earmarked for a specific purpose, e.g. Risk Management and Insurance. These reserves are not available to support the revenue Budget. Investment interest on these reserves is credited to the General Fund.
- 12.7.10 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year, this is an acceptable balance.
- 12.7.11 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used on future housing development programmes - this is fully committed.

13. Council Tax

- 13.1 The 2017/18 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the advice of the Budget Advisory Group It is proposed to increase the Council tax by £4.77 per annum for a Band D property which is an increase of 2.52%, this is an increase of less than 9p per week.
- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2017/18 by 3.95%, this will equate to an estimated increase of £47.70 per band D property. This includes an increase of 2% for Adult Social care responsibilities.

- 13.3 It is understood that the Police and Crime Commissioner will be increasing their share of the Council Tax by 3.36% which is an increase of £5.00 per annum. This will be confirmed at the Council meeting on 22 February. A breakdown of the Crawley Borough Council charge per Council Tax band is given at Appendix 4.

Recommendation 2.2(d): to agree that the Council's share of Council Tax for 2017/18 be increased by 2.52% to £194.04 for a band D property.

14. Collection Fund

14.1 Council Tax

Each year, a forecast is made of the amount of Council Tax to be collected in the following financial year. The surplus or deficit on the Collection fund is the difference between the actual amounts collected from the forecast at the beginning of the year. This year's surplus position is £387,304 of which £47,413 is the Council's share.

14.2 Business Rates

In a similar manner, the overall estimated deficit in relation to Business Rates is £5,906,904 of which £2,352,822 is the Council's share (this sum will form part of the sum to be transferred from the Business Rates Equalisation reserve).

15. National Non Domestic Rates (NNDR)

- 15.1 The Department for Communities and Local Government has advised the provisional business rate multiplier for 2017/18 as follows (see section 5.2 above):-

- i) Standard Multiplier – 47.9p per £ (49.7p in 2016/17)
- ii) Small Business Multiplier – 46.6p per £ (48.4p in 2016/17)

- 15.2 Copies of this report have been circulated to representatives of the business community for their comments.

16. Implications

- 16.1 The high level risks to the 2017/18 Budget and how they will be managed are shown in the Appendix 5. Risks are highlighted throughout the report including interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years. In some cases these can be mitigated by a stringent approach to financial control and planning and a rigorous approach to reviewing current levels of expenditure and procurement methods.

- 16.2 It is anticipated that the Budget measures set out in this report will reduce the Council's staffing establishment by 2.2 Full time equivalent (FTE's) posts most of which are vacant or relate to changes already implemented. All reorganisations are carried out in accordance with the Council's agreed Management of Organisational Change procedure which includes full staff consultation so the exact number may change as detailed proposals are drawn up. The redeployment process is designed to maximise the opportunity for those at risk of redundancy to find alternative employment within the Council.

- 16.3 The Council is required to produce a Pay Policy Statement in accordance with Section 38(1) of the Localism Act 2011 and statutory guidance and this will be updated annually from April each year. The policy statement for 2017/18 is attached at Appendix 6.

This pay policy statement sets out the council's policies relating to the pay of its workforce for the financial year 2017/18, in particular

- a) The remuneration of its Chief Officers
- b) The remuneration of its "lowest paid employees"
- c) The relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

Recommendation 2.2(e): to approve the Pay Policy statement for 2017/2018 as outlined above and appendix 6 of the report.

- 16.4 Financial implications are addressed throughout this report.
- 16.5 The Council Tax in England and Wales is provided for and governed by the provisions of the Local Government Finance Act 1992. Within this Act, the Council is designated as a "Billing Authority", responsible for the billing, collection and enforcement of Council Tax. The Chair of the Cabinet, under delegated powers, has approved the calculation of the Council Tax base for the year 2017/18 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, made under Section 33(5) of the Local Government Finance Act 1992.
- 16.6 The Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority, by 31 January in the preceding year, to:
- (a) Calculate its non-domestic rates income for the relevant year;
 - (b) Calculate the amount of the central share of its non-domestic rating income for the relevant year;
 - (c) Calculate the amount of each relevant precepting authority's share of its non-domestic rating income for the relevant year; and
 - (d) Notify the Secretary of State and any relevant precepting authorities of the amounts calculated.

The Chair of the Cabinet, under delegated powers, has approved the calculation of the Non-Domestic Rating for the year 2017/18.

17. Other implications

The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a "protected characteristic and those who do not share that protected characteristic". When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take account of the Equality Duty and any particular impact on the protected group. There are no specific equality implications arising from the Budget that the Council is proposing.

18. Background Papers

Budget Strategy 29 June 2016 Fin/386

Budget Strategy 2016/17 - 2020/21 (FIN/368) OSC / Cabinet September 2015

HRA Investment priorities CH/104 OSC 8 October 2012 & Cabinet 10 October 2012

Quarterly Budget Monitoring Quarter 3 (FIN/403) – Cabinet 8 February 2017

Treasury Management Strategy 2017/18 (FIN/404) – Cabinet 8 February 2017

2016/2017 Budget Monitoring Quarter 1 (FIN/392)

2016/2017 Budget Monitoring - Quarter 2 Fin/395

Efficiency Statement

Contact Officer: - Karen Hayes
Direct Line: - 01293 438263

Report of the Budget Advisory Group

The Group has had two meetings, the first to update on the financial position, the second considered growth and the capital programme proposals put forward by Portfolio Holders and officers. It has been able to raise questions on these proposals and receive further information where requested.

Revenue Savings

A number of savings have already been identified mainly as a result of the Transformation programme. These have been or will be implemented. These savings are shown in the Table below.

| | £ | |
|--|---------|---|
| Items identified as part of the budget monitoring process | | |
| Finance vacancies and reduced hours | 90,000 | Vacant posts will be deleted and there will be one voluntary redundancy following a restructure that will take place within the finance team |
| Revenue collection | 26,000 | A vacant post will not be filled within the Council Tax collection team |
| Contact Centre (reduced from £48,000) | 20,000 | Review of management roles as a result of vacancies |
| Community Wardens | 103,000 | The Community Wardens Service are holding four posts vacant giving an under spend of £130,000 while going through a review of the service. A saving on a permanent basis of £103,000 can be made, allowing for overtime |
| Corporate Support | 49,000 | The Corporate Support Team had an admin review which has resulted in savings |
| Stationery contract | 10,000 | The contract will save £20,000, £10,000 had already been identified in the budget strategy and are shown in the table above |
| Forward Planning | 120,000 | The Forward Planning Service has staff savings from vacancies being held pending a Systems Thinking Review. |
| Corporate Subscriptions | 20,000 | The cost of the subscription to Gatwick Diamond is being paid by the West Sussex business rates pool, in addition subscriptions have been cancelled as no longer needed |
| Built Environment | 20,000 | Reduced running costs |
| Member National Insurance and training | 20,000 | There are savings in Council Members National Insurance contributions which are variable due to the make-up of the Members each year, together with a training budget underspend totalling £22,000. |
| K2 Crawley Gym extension | 35,000 | Additional income as a result of the extension will be £51,000pa. Proposals for the new design of the K2 Crawley fitness area expansion have led to changes to the Fire Strategy (building escape plan |

| | | |
|--|---------|--|
| | | etc.). This has resulted in specialist engineers having to review the drawings and prepare a revised design proposal. This delay has led to the initial start date being moved back to avoid January which is always the busiest time of year for the health & fitness area so the income in 2017/18 will be £35,000 |
| Review of running costs as part of the budget monitoring process | 54,000 | Savings have been identified across different services as part of a review of budgets, this includes finance, people and technology and forward planning and the vehicle workshop |
| Environmental Health | 80,000 | A review of the service and its running costs will result in savings of approximately £80,000 Figure presented by Clem and Tony says achievable |
| Streetscene | 25,000 | A saving of £25,000 on temporary staffing will be made as a result of reduction in waste due to the systems thinking review of Streetscene |
| Grants to the voluntary and community sector | 30,000 | The budget for GTVO is £628,620 in the current financial year. There was an underspend in the last financial year and there is also a reserve of £84,792 for grants contingency. |
| Total | 702,000 | |

The Group was asked to note these savings

Proposed Council Tax increase

The Group was asked to consider what level of Council Tax increase they may want to recommend that Cabinet consider for 2017/18. As discussed at the last Budget Advisory Group Districts and Boroughs have been given the option to increase to as much as £5 for a Band D property. The table below shows the impact of different changes in the Council Tax increase on the gap.

| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|---------------------|------------------|------------------|------------------|
| 1% £1.89 per year | 271 | 904 | 1,264 |
| 1.5% £2.84 per year | 239 | 838 | 1,161 |
| 2% £3.78 a year | 206 | 772 | 1,058 |
| 2.5% £4.77 a year | 173 | 702 | 950 |
| £5 per year | 166 | 690 | 938 |

The group agreed to recommend to Cabinet an increase of 2.5% which is a £4.77 increase per annum (9p per week)

General Fund Revenue Growth Item

The group considered a growth item for the extension of Unison facility time. There was concern expressed that this role had been reduced in 2012 due to a reducing workforce.

The majority of the Group supported the bid and recommended that Cabinet considered this growth bid.

Crawley Homes Capital programme

The Group considered the 3 year capital budgets for Crawley Homes which had been revised as a result of the impact of the 1% rent reduction for each of four years which had previously been approved by Government.

The Group noted these revisions.

General Fund Capital Programme

The Group considered two capital bids totalling £394,000. This is less than previous years, a review of the existing capital programme showed that there are sufficient resources for the cyclical schemes.

The BAG are recommending that Cabinet approves both of the bids including option 1(b) a water source heat pump with Americas Zone included for Tilgate Park.

HRA Major Works Capital Programme

| Key Elements | Current 3 Year Plan | | | Proposed 3 Year Plan | | |
|----------------------------------|---------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| | 2016/17 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2019/20 |
| | £ | £ | £ | £ | £ | £ |
| Capitalisation Of Repair Work | 300,000 | 500,000 | 500,000 | | | |
| Rewiring | 1,000,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Roof Structure (I.E Soffits) | 500,000 | 500,000 | 500,000 | 600,000 | 600,000 | 600,000 |
| Windows | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Structural Works | 120,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Renovation And Refurbishment | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Insulation | 250,000 | 750,000 | 750,000 | 250,000 | 250,000 | 250,000 |
| Kitchens | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 | 850,000 |
| Bathrooms | 550,000 | 550,000 | 550,000 | 550,000 | 550,000 | 550,000 |
| Common Areas | 100,000 | 120,000 | 120,000 | 20,000 | 20,000 | 20,000 |
| Sheltered Major Works | 250,000 | 250,000 | 250,000 | 50,000 | 100,000 | 100,000 |
| Boilers | 2,000,000 | 1,500,000 | 1,500,000 | 1,800,000 | 1,800,000 | 1,800,000 |
| Legionella | 150,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| 151 London Road (New Build) | 50,000 | 200,000 | | 200,000 | | |
| Energy Efficiency- Lighting | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| External Environmental Work | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Intercom Upgrade | 195,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Major Insulation Energy Efficcy | 1,250,000 | 2,800,000 | 1,800,000 | 2,800,000 | 1,800,000 | 1,800,000 |
| Hostels | 280,000 | 500,000 | 50,000 | 750,000 | 500,000 | 250,000 |
| Ren Con Studio Flats Blocks | 200,000 | 200,000 | 200,000 | 100,000 | 100,000 | 100,000 |
| Garages | 700,000 | 750,000 | 750,000 | 200,000 | 200,000 | 200,000 |
| Adaptations For The Disabled | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Disabled Adaptations-Mjr Room | 900,000 | 900,000 | 900,000 | 950,000 | 950,000 | 950,000 |
| Total HRA Improvements | 10,625,000 | 12,730,000 | 11,080,000 | 11,480,000 | 10,080,000 | 9,830,000 |
| Acquisitions Of Land | | 1,000,000 | 500,000 | | | |
| Purchase Of Properties | | 2,000,000 | 1,000,000 | 2,000,000 | 1,000,000 | 1,000,000 |
| Total Investment Needed | 10,625,000 | 15,730,000 | 12,580,000 | 13,480,000 | 11,080,000 | 10,830,000 |
| Revenue - External Decorations | 2,000,000 | 600,000 | 600,000 | 1,000,000 | 200,000 | 2,000,000 |
| Revised Investment Needed | 12,625,000 | 13,330,000 | 11,680,000 | 12,480,000 | 10,280,000 | 11,830,000 |

CAPITAL BIDS

| Ref | | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Future Years | Total £'000 |
|-----|---|------------------|------------------|------------------|-----------------|----------------|
| A | IT Future Projects Fund | 145 | | | | 145 |
| B | Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save' | 249 | | | | 249 |
| | Total value of bids | 394 | | | | 394 |

Criteria as agreed in the Budget Strategy

The need for upkeep of the Council's assets,
be spend to save or spend to earn,
to meet the Council's environmental obligations.

Savings already identified in Budget Strategy.

| | 2017/18 £'000 |
|---|------------------|
| <u>Savings / Efficiencies</u> | £'000 |
| Investment property | -507 |
| Members Allowances | -10 |
| Green Garden Waste additional income | -20 |
| Recycling support | -30 |
| Building control | -40 |
| Property rental – town hall | -30 |
| Benefits restructure – systems thinking review | -100 |
| Recycling education officer | -14 |
| Democratic Services admin | -5 |
| Interest receivable of shared equity properties | -96 |
| Mobile phone contract savings | -30 |
| Stationery contract savings | -10 |
| Commercial property income | -75 |
| Feed-in Tariff income | -40 |
| Total identified in the Budget Strategy | -1,007 |

Appendix 2

GENERAL FUND REVENUE BUDGET 2017/2018 Summary of Service Requirements

| 2016/17 | | 2017/18 | |
|------------------------|--|------------------------|------------------|
| Original Estimate £ | | Original Estimate £ | Variation £ |
| 1,436,740 | Cabinet | 1,434,962 | (1,778) |
| 1,573,400 | Public Protection & Community Engagement | 1,594,651 | 21,251 |
| 1,286,490 | Resources | 1,129,277 | (157,213) |
| 5,983,520 | Environmental Services & Sustainability | 5,917,429 | (66,091) |
| 3,275,020 | Housing Services | 3,131,165 | (143,855) |
| 6,761,160 | Wellbeing | 7,098,263 | 337,103 |
| (2,142,000) | Planning & Economic Development | (2,560,645) | (418,645) |
| (2,984,110) | Depreciation | (3,425,160) | (441,050) |
| 400,000 | Contribution to Renewals Fund | 400,000 | 0 |
| 15,590,220 | NET COST OF SERVICES | 14,719,942 | (870,278) |
| (1,117,520) | Interest on Balances | (645,012) | 472,508 |
| 14,472,700 | | 14,074,930 | (397,770) |
| 431,634 | Transfer to / from () reserves | 0 | (431,634) |
| 14,904,334 | NET EXPENDITURE | 14,074,930 | (829,404) |
| | External Support | | |
| (1,775,734) | Revenue Support Grant | (1,036,391) | 739,343 |
| (1,880,562) | New Homes Bonus | (1,431,861) | 448,701 |
| | Internal Resources | | |
| (4,861,045) | Total Retained Business Rates | (4,983,571) | (122,526) |
| (6,315,656) | Council Tax | (6,576,695) | (261,039) |
| (71,337) | Collection Fund Surplus | (47,413) | 23,924 |
| (14,904,334) | | (14,074,930) | 828,404 |

| | | |
|------------------------------|----------|----------|
| | 2016/17 | 2017/18 |
| Number of Band D Equivalents | 33,368.5 | 33,893.5 |
| Number of properties | 43,505 | 44,151 |

Appendix 3

HOUSING REVENUE ACCOUNT

| | Original Budget 2016/17 | Budget 2017/18 | Variation |
|--|--|---------------------------|------------------|
| | £'000s | £'000s | £'000s |
| <u>Income</u> | | | |
| Rental Income | (45,028) | (44,708) | 320 |
| Other Income | (2,456) | (2,113) | 343 |
| Interest | (77) | (79) | (2) |
| Total Income (a) | (47,561) | (46,900) | 661 |
| <u>Expenditure</u> | | | |
| Employees | 3,618 | 3,510 | (108) |
| Responsive Repairs | 7,581 | 8,083 | 501 |
| Cyclical and Planned | 3,761 | 2,800 | (961) |
| Other running Costs | 1,904 | 1,898 | (6) |
| Managed services | 448 | 328 | (120) |
| Support Services | 2,645 | 2,650 | 5 |
| Interest payable on Self Financing Debt | 8,309 | 8,309 | 0 |
| Total Expenditure (b) | 28,266 | 27,577 | (689) |
| Balance available to fund existing and future HRA capital programme (a - b) * | 19,296 | 19,323 | 27 |
| Total | 47,561 | 46,900 | (661) |

*Transferred to Housing capital investment reserve

Appendix 3 (i)

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

| | 2017/18 | 2018/19 | 2019/20 |
|---|----------------|----------------|------------------|
| | £000's | £000's | £000's |
| Total Investment needed excluding Future Developments as appendix 1 (i) | 13,480 | 11,080 | 10,830 |
| Other HRA investment schemes | | | |
| Kilnmead | 3,628 | 2,000 | |
| Southern Counties housing | 2,667 | 7,998 | |
| Telford Place Development | 570 | 5,700 | 5,667 |
| Woolborough Road Northgate | 1,143 | 657 | |
| Goffs Park (Depot Site) | 4,000 | 3,386 | |
| 83-87 Three Bridges Road | 2,399 | | |
| Dobbins Place | 1,157 | 189 | |
| Barnfield Road | 850 | | |
| Forge Wood | 6,809 | 4,517 | |
| 257/259 Ifield Road | 500 | 760 | |
| Prelims | 95 | 400 | |
| Total Future Developments | 23,818 | 25,607 | 6,372,000 |
| HRA Improvements Slippage identified at Q3 | 170 | | |
| Total Investment Required including Future Developments | 37,468 | 36,687 | 16,497 |
| HRA Existing Programme (as per Q3 report) | 39,718 | 38,187 | 5,667 |
| Adjustment in Budget Required (see paragraph 11.5) | (2,250) | (1,500) | 10,830 |

Appendix 4

| COUNCIL TAX 2017/18 PER BAND CRAWLEY ELEMENT | | | | | |
|---|------------|----------------------------|-------------------------------|---------------------------|---------|
| PROPERTY BAND | BAND RATIO | PROPERTY VALUATION IN 1991 | NUMBER OF PROPERTIES IN RANGE | AMOUNTS PER BAND PROPOSED | |
| | | | | 2017/18 | 2016/17 |
| | | | | £ | £ |
| A | 6/9 | Under £40,000 | 1,091 | 129.36 | 126.18 |
| B | 7/9 | £40,000 - £52,000 | 6,813 | 150.92 | 147.21 |
| C | 8/9 | £52,000 - £68,000 | 21,305 | 172.48 | 168.24 |
| D | 9/9 | £68,000 - £88,000 | 8,532 | 194.04 | 189.27 |
| E | 11/9 | £88,000 - £120,000 | 3,740 | 237.16 | 231.33 |
| F | 13/9 | £120,000 - £160,000 | 2,196 | 280.28 | 273.39 |
| G | 15/9 | £160,000 - £320,000 | 465 | 323.40 | 315.45 |
| H | 18/9 | above £320,000 | 9 | 388.08 | 378.54 |
| TOTAL | | | 44,151 | | |

Risks

| Risk and Potential Impact | How Risk Will Be Managed including Probability of Occurrence |
|--|--|
| <p>1. Budget Gap future years As outlined in the report, a budget gap of £0.7m has been projected for 2018/19. This is an early projection and the actual gap could be larger. Unless this gap is addressed it could threaten the medium-term financial strategy.</p> | <p>CMT and Members will be determining an approach to dealing with this gap which will be continued to be addressed through the transformation programme. There is an adequate General Fund reserve to be able to cover a shortfall in the short term.</p> |
| <p>2. Continued low interest rates (section 9 refers). Investment income less than the budget could result in a significant budget shortfall.</p> | <p>Investment rates are monitored daily to ensure that the Council obtains the best returns whilst achieving its objective of maintaining an appropriate balance between security, liquidity and yield and ethical. The investment income budget is monitored monthly.</p> |
| <p>3. New Homes Bonus consultation</p> | <p>The impact of moving from 6 years to 4 has been included in future projections. The Government is retaining the right to adjust the baseline in future should there be a housing boom, this could impact upon the accuracy of future projections.</p> |
| <p>4. New Business Rates valuation list due from 1 April 2017. There will be no history of appeals to calculate a provision, so there is a risk that this is over/under provided for causing a volatility in the business rates retained over the lifetime of the valuation list.</p> | <p>There is a high probability of occurrence which can be managed through the use of the business rates equalisation reserve.</p> |
| <p>5. Increase in net costs to the Council as a result of changes to demand-led budgets. Provision in the 2017/18 Budget has been based on the latest available information. For example, an economic slowdown, changes in housing policy and welfare reform could mean that there are changes in demand</p> | <p>Provision in the 2017/18 Budget has been based on the latest available information but there could still be a significant change in demand as a result of external factors outside the control of the Council. This could affect either expenditure or income budgets; budgets such as Commercial Properties, Housing Benefits, Council Tax Reductions, Homelessness, Car Parking and Planning Fees will be monitored closely. The Council has sufficient reserves to cover unexpected overspendings.</p> |
| <p>6. Reduction in availability of capital resources in future years.</p> | <p>A review of available capital resources will be undertaken as part of the July</p> |

| | |
|--|---|
| <p>This would lead to a reduced capital programme and the likelihood of reduced investment income.</p> | <p>Budget Strategy report; the report will also consider the required level of investment income to support the revenue budget. It will be important to generate new capital receipts to fund future capital programmes. There is a report elsewhere in this Agenda that considers borrowing in order to invest in future projects which will realise additional income to the council.</p> |
| <p>7. Failure to collect income. The Council is responsible for collecting annual income totalling almost £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.</p> | <p>There will be regular monitoring of debts and performance levels. The Council has good collection rates for Council Tax, NNDR and Housing Rents; these are the most significant areas of income. The welfare reforms will have an impact on Crawley Homes' rental income. This has been reflected in the HRA budgets</p> |
| <p>8. Failure to maintain budgetary and financial control.</p> | <p>Variances between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, the Cabinet and through the Members Information Bulletin. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet.</p> |
| <p>9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget</p> | <p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2017/18 with future budgets adjusted to mitigate the impact. There is an adequate General Fund reserve to be able to cover a shortfall in the short term.</p> |
| <p>10. Impact of Housing and Planning Act on the HRA 30 year plan</p> | <p>High value assets sale – the detail is not yet available as this has been postponed to 2018/19. There is uncertainty as to when this will happen, there are pilots taking place for Right to Buy for tenants with Registered Social Landlords, these are being funded by the Government. Future investment plans will be adjusted to take the impact into consideration the impact once we know the details.</p> |
| <p>11. The Impact of the decision to leave the EU; there are lots of unknowns around demands on services and income budgets, also Government priorities beyond 2020 once the four year Settlement Financial is over .</p> | <p>The impact of the implications of the decision will be closely monitored and changes will be made to forecasts which will be reported to CMT and to Members through Cabinet and the Members Information Bulletin.</p> |

Crawley Borough Council Pay Policy Statement for 2017/18

Introduction

The Council is committed to a fair, equitable and transparent pay policy which recognises and rewards good performance at all levels in the organisation. The terms and conditions of Council employees are in accordance with the relevant national negotiating bodies which are:

| | |
|-----------------|--|
| Chief Executive | Joint Negotiating Committee for Local Authority Chief Executives |
| Chief Officers | Joint Negotiating Committee for Chief Officers of Local Authorities (this covers Deputy Chief Executive & Heads of Service) |
| All other staff | National Joint Council for Local Government Services |

Key Elements of the Pay Package

The most significant element of the pay and benefit package is basic pay. A substantial pay review was undertaken in 2001/2, and the national scheme for job evaluation was adopted for all posts. This was undertaken in partnership with the trade unions, and was implemented successfully. Incremental pay scales were established for all posts, including Chief Officers, as part of this process. Progress within the scales occurs annually, subject to satisfactory performance. Annual cost of living increases are negotiated nationally.

In addition to basic pay there is a local flat rate payment entitled Crawley Allowance which is paid to all staff and is increased each year in line with RPI.

Enhanced rates for scales A-E were also agreed locally in 2011/12 following the Chancellor of the Exchequer's commitment to low paid staff in the 2010 Autumn Budget Statement.

A local pay agreement was implemented in October 2013 for all Community Services staff to ensure consistent payment of allowances for evening, weekend and bank holiday working.

A review of senior management took place at the end of 2014/15 which led to the deletion of Director posts. The salary scales for these roles were deleted. A new post of Deputy Chief Executive was created and a locally agreed grade was created for this role. The details are shown in the attached salary scales.

A review of the Job Evaluation Scheme was carried out in 2016 in consultation with the trade union. A further grade was created at the top of the staff salary scale. This was agreed in recognition of the increased level of responsibility at third tier management level following the review of senior management in 2014/15.

New employees will normally be appointed to the first point of the salary scale for their grade. There is discretion to increase this within the scale where the candidate is currently earning a higher salary or operating at a level commensurate with a higher salary.

The Section 151 Officer, the Monitoring Officer and their deputies are also paid locally agreed allowances which are increased in line with national pay awards.

All salary scales and the Local Pay Agreement are attached.

- Chief Officers salary scale
- Staff salary scale
- Local Pay Agreement
- Apprenticeships salary scale

Other Financial Benefits

- Discretionary reimbursement of a proportion of relocation expenses (including contribution to professional and removal fees, disturbance allowance and interim arrangements up to a maximum of £8,000.)
- Recruitment Incentive Scheme for hard to recruit posts
- Payment of professional fees where they are an essential requirement of the job
- Essential and casual car user allowances at NJC rates but subject to local criteria
- Loans for car purchase and public transport season tickets
- Free parking at the Town Hall for essential car users
- Salary sacrifice schemes for child care vouchers and bike to work available
- Salary sacrifice scheme for parking is in place but will cease for new applications from 6.4.17. The scheme will close on 31.3.18 in line with new HMRC rules
- Voluntary Benefits scheme allowing access to a range of retail discounts for all staff
- Access to the Local Government Pension Scheme including local discretions
- Redundancy compensation at the rate of 2 weeks actual salary for each year of service up to a maximum of 104 weeks plus access to pension for staff over the age of 55. This will be reviewed in order to comply with the Government's proposed further reforms to exit payments when these are introduced.
- In exceptional circumstances other severance arrangements may be agreed. Any such payments will be subject to the agreement of the Chief Executive, Leader, Cabinet Member for Resources and Head of Legal and Democratic Services. The payment will take into account the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee. In the event of the Chief Executive being the subject of the payment then the Section 151 Officer would replace the Chief Executive in the authorisation process.
- All exit payments will be subject to compliance with the proposed Public Sector Exit Payment Regulations when these are introduced.

Chief Officers are subject to the same pay arrangements as all other staff and do not receive bonuses or performance related pay. The Chief Executive is appointed as Returning Officer for Crawley. The pay for this role is determined nationally for national elections, and for local elections the scale is set jointly by the West Sussex local authorities. The Chief Executive may appoint a Deputy Returning Officer to assist with this process whose pay will be determined in the same way.

Lowest Paid Employees

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column point 6 for which the annual salary inclusive of Crawley Allowance is £17,278. There is a pay ratio of 1/6.6 between these posts and the top point of the scale for the Chief Executive. The Council feels that this is acceptable and is well within the Government's recommended pay ratio which is 1/20. There are a small number of apprentices who spend a significant amount of their time in training and are employed on a training contract at a locally agreed rate of 60% of Scale A.

The Council recognises the importance of the living wage and is accredited by the Living Wage Foundation. All staff, apart from apprentices, are paid above the living wage rate of £8.45 per hour.

Re-employment

Where an employee has left the authority on the grounds of redundancy and then seeks to be re-employed on a new contract, a period of 3 months must elapse before their application will be considered. They will have lost their entitlement to continuous service and abatement rules will apply if they are in receipt of a pension as a result of that redundancy.

Relationship between remuneration of Chief Executive and other employees

The median average salary of employees is £24665 per annum. The pay ratio between this and the Chief Executive's salary is 1:4.6

Any changes to the pay policy will be subject to agreement by Cabinet and Council. An updated pay policy statement will be issued each year.

Gender Pay Gap

The government are introducing a requirement for all employers of 250 employees or more to report on the gender pay gap. The first report must be published before 30th April 2018. The Council already reports on this data and our pay gap for all staff in 2015/16 was 2.5%. The national figure for full time workers is 13.9%.

Lucasta Grayson
Head of People & Technology
13th January 2017

**CMT Pay scales
W.E.F 01/04/16**

| CATERGORY | TOTAL |
|--|--|
| CHIEF EXECUTIVE | £113,350 £110,839 £108,330 £105,816 £103,298 |
| DEPUTY CHIEF EXECUTIVE | £98,603 £96,426 £94,252 £92,071 £89,889 |
| HEAD OF SERVICE A FINANCE, REVS & BENS LEGAL & DEMOCRATIC SERVICES | £65,564 £64,122 £62,691 £61,247 £59,810 |
| HEAD OF SERVICE B ECONOMIC & ENVIRONMENTAL SERVICES COMMUNITY SERVICES STRATEGIC HOUSING & PLANNING SERVICES CRAWLEY HOMES PARTNERSHIP SERVICES PEOPLE & TECHNOLOGY | £69,888 £68,353 £66,822 £65,286 £63,756 |

STATUTORY RESPONSIBILITY ALLOWANCE

| | |
|----------------------------|-----------|
| SECTION 151 OFFICER | £3,217.45 |
| MONITORING OFFICER | £3,217.45 |
| DEPUTY MONITORING OFFICER | £1,608.72 |
| DEPUTY SECTION 151 OFFICER | £1,608.72 |

SCALES FROM 1ST DEC 2016

| Scale | Spinal point | Annual salary |
|-------|--------------|---------------|
| B | 6 | £17,278 |
| | 7 | £17,375 |
| | 8 | £17,524 |
| | 9 | £17,724 |
| C | 10 | £17,986 |
| | 11 | £18,244 |
| | 12 | £18,560 |
| | 13 | £18,927 |
| D | 14 | £19,217 |
| | 15 | £19,507 |
| | 16 | £19,904 |
| | 17 | £20,282 |
| E | 18 | £20,626 |
| | 19 | £21,295 |
| | 20 | £21,973 |
| | 21 | £22,674 |
| F | 22 | £22,929 |
| | 23 | £23,530 |
| | 24 | £24,218 |
| | 25 | £24,907 |
| G | 26 | £25,639 |
| | 27 | £26,408 |
| | 28 | £27,190 |
| | 29 | £28,167 |
| H | 30 | £29,029 |
| | 31 | £29,867 |
| | 32 | £30,676 |
| | 33 | £31,506 |
| I | 34 | £32,327 |
| | 35 | £32,953 |
| | 36 | £33,761 |
| | 37 | £34,637 |
| J | 38 | £35,579 |
| | 39 | £36,669 |
| | 40 | £37,566 |
| | 41 | £38,492 |
| K | 42 | £39,410 |
| | 43 | £40,331 |
| | 44 | £41,262 |
| | 45 | £42,133 |
| L | 46 | £43,092 |
| | 47 | £44,024 |
| | 48 | £44,947 |
| | 49 | £45,860 |
| M | 50 | £46,783 |
| | 51 | £47,718 |
| | 52 | £48,653 |
| | 53 | £49,598 |
| N | 54 | £50,541 |
| | 55 | £51,502 |
| | 56 | £52,483 |
| | 57 | £53,483 |

Apprenticeship scheme salary W.E.F. 1.10.2016

| Percentage of spinal point 6 | Annual Salary |
|------------------------------|---------------|
| 60% | £10,366.80 |
| 65% | £11,230.70 |
| 70% | £12,094.60 |
| 75% | £12958.50 |
| NMW | £13408.52 |
| National Living wage | £13,890.84 |

Crawley Borough Council

Report to Overview and Scrutiny Commission 6 February 2017

2

Report to Cabinet 8 February 2017

Treasury Management Strategy 2017/2018

Report of the Head of Finance, Revenues and Benefits, **FIN/404**

1. Purpose

1.1 The Strategy for 2017/18 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

1.2 In respect of non-Housing Revenue Account activities, the Council's current policy is to remain debt free and invest according to the principles of security, liquidity and yield.

1.3 There are no material changes to the Investment Strategy in section 7 and Appendix 3 compared with the 2016/2017 Strategy, as amended by the 2016/2017 [Treasury Management Mid-Year Review](#).

2. Recommendations

2.1 To the Overview and Scrutiny Commission:

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

2.2 To the Cabinet

The Cabinet is requested to recommend to Council the approval of:-

- a) the Treasury Prudential Indicators and the Minimum Revenue Provision (MRP) Statement contained within Section 5;
- b) the Treasury Management Strategy contained within Section 6;
- c) the Investment Strategy contained within Section 7, and the detailed criteria included in Appendix 3;

3. Reasons for the Recommendations

- 3.1 The Council's financial regulations, in accordance with the CIPFA Code of Practice for Treasury Management, requires a Treasury Management Strategy to be approved for the forthcoming financial year. This report complies with these requirements.

4. Background

- 4.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

- 4.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

- 4.3 CIPFA defines treasury management as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 4.3 This report takes into account the revenue and capital implications arising in the 2017/18 Budget and Council Tax report (FIN/401). This report excludes any implications of the Town Hall report elsewhere on this agenda, the implications of this report will be reported in a future Treasury Management report.

5. The Capital Prudential Indicators 2017/18 – 2019/20

5.1 The Capital Expenditure Plans

- 5.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
- 5.1.2 **Capital expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

| Capital Expenditure £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cabinet | 757 | 2,033 | 3,149 | 2,971 | |
| Resources | 368 | 637 | 237 | | |
| Environment Services & Sustainability | 1,761 | 1,349 | 2,036 | 1,497 | 94 |
| Planning & Economic Development | 16 | 7,899 | 5,000 | 1,700 | |
| Public Protection & Community Engagement | 42 | 89 | 50 | 70 | |
| Housing Services | 2,314 | 1,022 | 881 | 1,996 | |
| Wellbeing | 2,948 | 3,168 | 2,548 | 272 | |
| General Fund | 8,206 | 16,197 | 13,901 | 8,506 | 94 |
| HRA | 20,788 | 14,707 | 37,468 | 39,467 | 25,932 |
| Total | 28,994 | 30,904 | 51,369 | 47,973 | 26,026 |

5.1.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

| Capital Expenditure £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | 8,206 | 16,197 | 13,901 | 8,506 | 94 |
| HRA | 20,788 | 14,707 | 37,468 | 39,467 | 25,932 |
| Total | 28,994 | 30,904 | 51,369 | 47,973 | 26,026 |
| Financed by: | | | | | |
| Capital receipts | 3,309 | 4,919 | 12,551 | 8,419 | |
| Capital reserves | 198 | 7,899 | | | |
| 1-4-1 receipts | 3,160 | 1,339 | 5,217 | 8,773 | 4,531 |
| Replacement funds | 728 | 453 | 23 | 87 | |
| Capital grants | 2,732 | 2,695 | 1,327 | | 94 |
| Major Repairs Reserve | 18,482 | 13,599 | 32,251 | 30,694 | 21,401 |
| Net financing need for the year | 385 | 0 | 0 | 0 | 0 |

5.2 The Council's borrowing need (the Capital Financing Requirement).

5.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

5.2.2 The Council is asked to approve the CFR projections below:

| £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|--------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Financing Requirement | | | | | |
| CFR – General Fund | 0 | 0 | 0 | 0 | 0 |
| CFR - HRA | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| Total CFR | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| Movement in CFR | 385 | 0 | 0 | 0 | 0 |

| Movement in CFR represented by | | | | | |
|--|------------|----------|----------|----------|----------|
| Net financing need for the year (above) | 0 | 0 | 0 | 0 | 0 |
| Less MRP/VRP and other financing movements | 385 | 0 | 0 | 0 | 0 |
| Movement in CFR | 385 | 0 | 0 | 0 | 0 |

5.2.3 The large CFR on the HRA is due to the self-financing settlement in 2011/12.

5.3 Minimum revenue provision (MRP) policy statement

5.3.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

5.3.2 Government regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

5.3.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1)

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

5.3.4 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)

This option provides for a reduction in the borrowing need over approximately the asset's life.

5.3.5 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

5.4 Core funds and expected investment balances

5.4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

| Year End Resources £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|-------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fund balances / reserves | 58,108 | 54,982 | 42,031 | 30,637 | 28,536 |
| Capital receipts* | 39,689 | 41,347 | 31,079 | 20,887 | 20,856 |
| Total core funds | 97,797 | 96,329 | 73,110 | 51,524 | 49,392 |
| Working capital | 20,166 | 11,730 | 10,000 | 10,000 | 10,000 |
| Under/over borrowing | 0 | 0 | 0 | 0 | 0 |
| Expected investments | 117,963 | 108,059 | 83,110 | 62,524 | 59,392 |

* includes 1-4-1 receipts

5.5 Affordability prudential indicators

5.5.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

5.5.2 **Ratio of financing costs to 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.

| % | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|--------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | -4.51% | -3.97% | -5.27% |
| HRA | 17.59% | 17.36% | 17.26% |

The estimates of financing costs include current commitments and the proposals in this budget report.

5.5.3 **Incremental impact of capital investment decisions on council tax.** This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

| £ | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Council tax - band D | nil | nil | nil |

5.5.4 **Estimates of the incremental impact of capital investment decisions on housing rent levels.** Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

| £ | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Weekly housing rent levels | nil | nil | nil |

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

5.5.5 HRA ratios

| | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| HRA debt £'000 | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| HRA revenues £'000 | 48,571 | 47,651 | 46,900 | 47,747 | 48,052 |
| Ratio of debt to revenues % | 536 | 546 | 555 | 545 | 542 |

| | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| HRA debt £'000 | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| Number of HRA dwellings | 7,854 | 7,840 | 7,866 | 8,073 | 8,078 |
| Debt per dwelling £ | 33,145 | 33,205 | 33,095 | 32,246 | 32,226 |

6. Borrowing

6.1 The capital expenditure plans set out in Section 5 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

6.2 Current portfolio position

6.2.1 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt | | | | | |
| Debt at 1 April | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| Expected change in Debt | 0 | 0 | 0 | 0 | 0 |
| Other long-term liabilities (OLTL) | 0 | 0 | 0 | 0 | 0 |
| Expected change in OLTL | 0 | 0 | 0 | 0 | 0 |
| Actual debt at 31 March (A) | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| The Capital Financing Requirement | 260,325 | 260,325 | 260,325 | 260,325 | 260,325 |
| Under / (over) borrowing | 0 | 0 | 0 | 0 | 0 |

6.2.2 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the

Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

6.2.3 The Head of Finance, Revenues and Benefits reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

6.3 Treasury Indicators: Limits to Borrowing Activity

6.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

| Operational boundary £'000 | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 260,325 | 260,325 | 260,325 | 260,325 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 260,325 | 260,325 | 260,325 | 260,325 |

6.3.2 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

6.3.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific council, although this power has not yet been exercised.

6.3.4 The Council is asked to approve the following Authorised Limit:

| Authorised limit £'000 | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 270,325 | 270,325 | 270,325 | 270,325 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 270,325 | 270,325 | 270,325 | 270,325 |

6.3.5 Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

| HRA Debt Limit £'000 | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| HRA debt cap | 263,902 | 263,902 | 263,902 | 263,902 |
| HRA CFR | 260,325 | 260,325 | 260,325 | 260,325 |
| HRA headroom | 3,577 | 3,577 | 3,577 | 3,577 |

6.4 Prospects for Interest Rates

6.4.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita's central view.

| | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bank rate | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.50% | 0.50% | 0.75% | 0.75% |
| 5yr PWLB rate | 1.60% | 1.60% | 1.60% | 1.60% | 1.60% | 1.70% | 1.70% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.00% |
| 10yr PWLB rate | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.40% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% |
| 25yr PWLB rate | 2.90% | 2.90% | 2.90% | 2.90% | 3.00% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% |
| 50yr PWLB rate | 2.70% | 2.70% | 2.70% | 2.70% | 2.80% | 2.80% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% |

6.4.2 Investment returns are likely to remain relatively low during 2017/18 and beyond.

6.4.3 There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

6.5 Borrowing Strategy

6.5.1 The Council borrowed £260.325m in 2011/12 for the HRA self-financing settlement. The General Fund remains debt free, and this position is not expected to change during 2017/18.

6.5.2 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

6.5.3 The Council is asked to approve the following treasury indicators and limits:

| £'000 | 2017/18 | 2018/19 | 2019/20 |
|--|--------------|--------------|--------------|
| Interest rate Exposures | | | |
| | Upper | Upper | Upper |
| Limits on fixed interest rates: | | | |
| • Debt only | 270,325 | 270,325 | 270,325 |
| • Investments only | 140,000 | 140,000 | 140,000 |
| Limits on variable interest rates | | | |
| • Debt only | 10,000 | 10,000 | 10,000 |
| • Investments only | 40,000 | 40,000 | 40,000 |

| Maturity Structure of fixed interest rate borrowing 2017/18 | | |
|--|--------------|--------------|
| | Lower | Upper |
| Under 12 months | 0% | 10% |
| 12 months to 2 years | 0% | 10% |
| 2 years to 5 years | 0% | 10% |
| 5 years to 10 years | 0% | 30% |
| 10 years to 20 years | 0% | 80% |
| 20 years to 30 years | 0% | 15% |
| 30 years to 40 years | 0% | 10% |
| 40 years to 50 years | 0% | 10% |

6.6 Policy on borrowing in advance of need

6.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

6.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

6.7 Debt rescheduling

6.7.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

6.7.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

6.7.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

6.7.4 All rescheduling will be reported to the Cabinet, at the earliest meeting following its action.

7. Annual Investment Strategy

7.1 Investment Policy

7.1.1 The Council's investment policy has regard to the Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

7.1.2 In accordance with the above guidance from the Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit

criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

7.1.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

7.1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

7.1.5 Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

7.2 Creditworthiness policy

7.2.1 This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

7.2.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

| | | | | | | | | |
|------------|------------|------------|------------|-----------|-----------|-------------|---------------|-----------|
| Y | Pi1 | Pi2 | P | B | O | R | G | N/C |
| 1 | 1.25 | 1.5 | 2 | 3 | 4 | 5 | 6 | 7 |
| Up to 5yrs | Up to 5yrs | Up to 5yrs | Up to 2yrs | Up to 1yr | Up to 1yr | Up to 6mths | Up to 100days | No Colour |

| | Colour (and long term rating where applicable) | Money Limit | Time Limit |
|---|--|----------------|------------|
| Banks * | yellow | unlimited | 5 yrs |
| Banks | purple | £15m | 2 yrs |
| Banks – part nationalised | blue | £15m | 1 yr |
| Banks | orange | £10m | 1 yr |
| Banks | red | £10m | 6 mths |
| Banks | green | £10m | 100 days |
| Banks | No colour | Not to be used | |
| Limit 3 category – Council's banker (not meeting Banks 1) | n/a | £1m | 1 day |
| Corporate Bonds | AA- | £5m | 2 yrs |
| | A- | £2m | 1 yr |
| Repurchase agreements | AA | £5m | 5 yrs |
| DMADF | AAA | unlimited | 6 months |
| Local authorities | n/a | £15m | 5 yrs |
| Housing Associations | AA- | £2m | 1 yr |
| Money market funds | AAA | £15m | liquid |
| Enhanced money market funds with a credit score of 1.25 | Dark pink / AAA | £10m | liquid |
| Enhanced money market funds with a credit score of 1.5 | Light pink / AAA | £10m | liquid |

** Please note: the yellow colour category is for UK Government debt, or its equivalent, constant NAV money market funds and collateralised deposits where the collateral is UK Government debt.*

7.2.3 Capita's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

7.2.4 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

7.2.5 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of Capita's creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

7.2.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

7.3 Ethical Investment Policy

7.3.1 The Council will not undertake direct investment or borrowing activities with organisations whose core activities include:

- Armaments – weapon systems
- Gambling
- Pornography
- Tobacco
- Pay-day loans

7.3.2 In order to comply with treasury management guidance, the Council's investments will prioritise security, liquidity and yield in that order. The Ethical Investment Policy thereby becomes a fourth consideration in the decision making process.

7.3.3 The core activities in the Ethical Investment Policy above has been chosen after careful consideration of the Policy direction of the administration, the officer time in implementing the policy, the cost of external resources, and the timeliness of investment decisions.

7.4 Country limits

7.4.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

7.5 Investment strategy

7.5.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

7.5.2 **Investment returns expectations.** Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

7.5.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

| | |
|-------------|-------|
| 2017/18 | 0.25% |
| 2018/19 | 0.25% |
| 2019/20 | 0.50% |
| 2020/21 | 0.75% |
| 2021/22 | 1.00% |
| 2022/23 | 1.50% |
| 2023/24 | 1.75% |
| Later years | 2.75% |

7.5.4 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

7.5.5 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

| Maximum principal sums invested > 364 days | | | |
|--|----------------|----------------|----------------|
| £m | 2017/18 | 2018/19 | 2019/20 |
| Principal sums invested > 364 days | £50m | £50m | £50m |

7.5.6 **Investment Risk Benchmarking.** These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

7.5.7 Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.15% historic risk of default when compared to the whole portfolio.**

7.5.8 Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.1m
- Liquid short term deposits of at least £2m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.7 years, with a maximum of 1.20 years.

7.5.9 Yield - local measures of yield benchmarks are:

- Investments – internal returns 0.2% above the 7 day LIBID rate

7.5.10 And in addition that the security benchmark for each individual year is:

| | 1 year | 2 years | 3 years | 4 years | 5 years |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Maximum | 0.03% | 0.22% | 0.40% | 0.56% | 0.74% |

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

7.5.11 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

7.6 Treasury management consultants

7.6.1 The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

7.6.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

7.6.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8. Implications

8.1 There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the public services, the Local Government Investment Guidance provides that the council's investments are and will continue to be, within its legal powers conferred under the Local Government Act 2003.

9. Background Papers

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

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

2017/2018 Budget and Council Tax – Cabinet, 8 February 2017 [report FIN/401 refers].

“Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes”, 2011 Edition – Chartered Institute of Public Finance and Accountancy.

“The Prudential Code for Capital Finance in Local Authorities”, 2011 Edition – Chartered Institute of Public Finance and Accountancy.

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Appendix 1: Interest Rate Forecasts 2017 – 2020

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

| Capita Asset Services Interest Rate View | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
| Bank Rate View | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.50% | 0.50% | 0.75% | 0.75% |
| 3 Month LIBID | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 0.40% | 0.50% | 0.60% | 0.70% | 0.80% | 0.90% |
| 6 Month LIBID | 0.40% | 0.40% | 0.40% | 0.40% | 0.40% | 0.40% | 0.40% | 0.50% | 0.60% | 0.70% | 0.80% | 0.90% | 1.00% |
| 12 Month LIBID | 0.70% | 0.70% | 0.70% | 0.70% | 0.70% | 0.80% | 0.80% | 0.90% | 1.00% | 1.10% | 1.20% | 1.30% | 1.40% |
| 5yr PWLB Rate | 1.60% | 1.60% | 1.60% | 1.60% | 1.70% | 1.70% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.00% |
| 10yr PWLB Rate | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.40% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% |
| 25yr PWLB Rate | 2.90% | 2.90% | 2.90% | 3.00% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% |
| 50yr PWLB Rate | 2.70% | 2.70% | 2.70% | 2.80% | 2.80% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% |
| Bank Rate | | | | | | | | | | | | | |
| Capita Asset Services | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.50% | 0.50% | 0.75% | 0.75% |
| Capital Economics | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.50% | 0.50% | 0.50% |
| 5yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 1.60% | 1.60% | 1.60% | 1.60% | 1.70% | 1.70% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.00% |
| Capital Economics | 1.60% | 1.70% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% | 2.50% | 2.70% | 2.80% | 2.90% | 3.00% |
| 10yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.40% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% |
| Capital Economics | 2.40% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 3.10% | 3.20% | 3.30% | 3.40% |
| 25yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.90% | 2.90% | 2.90% | 3.00% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% |
| Capital Economics | 2.95% | 3.05% | 3.05% | 3.15% | 3.25% | 3.25% | 3.35% | 3.45% | 3.55% | 3.65% | 3.75% | 3.95% | 4.05% |
| 50yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.70% | 2.70% | 2.70% | 2.80% | 2.80% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% |
| Capital Economics | 2.80% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.60% | 3.70% | 3.80% | 3.90% |

APPENDIX 2: Economic Background

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in

November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of 3.2% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16). This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PwLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects

the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to

inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election**; first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if

interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

APPENDIX 3: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high’ quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 70% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

| Specified investments | Minimum credit criteria / colour band | £ limit per institution | Max. maturity period |
|---|---------------------------------------|------------------------------|----------------------|
| DMADF – UK Government | N/A | unlimited | 6 months |
| UK Government gilts | UK sovereign rating | unlimited | 1 year |
| UK Government Treasury bills | UK sovereign rating | unlimited | 1 year |
| Bonds issued by multilateral development banks | UK sovereign rating | unlimited | 1 year |
| Money market funds | AAA | £15m | Liquid |
| Enhanced money market funds with a credit score of 1.25 | AAA | £10m | Liquid |
| Enhanced money market funds with a credit score of 1.5 | AAA | £10m | Liquid |
| Local authorities | N/A | £15m | 1 year |
| CDs or term deposits with banks and building societies | Yellow Purple Blue Orange | £15m £15m £15m £10m | 1 year |

| Non-specified investments | Minimum credit criteria / colour band | £ limit per institution | Max. maturity period |
|---|---|---|---|
| UK Government gilts | UK sovereign rating | unlimited | 5 years |
| Bonds issued by multilateral development banks | UK sovereign rating | unlimited | 5 years |
| Money market funds | AAA | £15m | Liquid |
| Enhanced money market funds with a credit score of 1.25 | AAA | £10m | Liquid |
| Enhanced money market funds with a credit score of 1.5 | AAA | £10m | Liquid |
| Local authorities | N/A | £15m | 5 years |
| Housing Associations | AA- | £2m | 1 year |
| CDs or Term deposits with banks and building societies | Yellow Purple Blue Orange Red Green No Colour | unlimited £15m £15m £10m £10m £10m | Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use |
| Corporate bonds | AA- A- | £5m £2m | 1 year |
| Repurchase agreements | AA | £5m | 5 years |

APPENDIX 4: Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher and also have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

AA-

- Belgium

Crawley Borough Council

Report to Overview and Scrutiny Commission 6 February 2017



Report to Cabinet 8 February 2017

Safeguarding Children, Young People and Adults at Risk Policy 2017

Report of the Head of Community Services, **HCS/03**

1. Purpose

- 1.1 The Council has a legal responsibility to safeguard, protect and promote the wellbeing of children, young people and adults at risk. The Safeguarding Policy provides a framework for safeguarding and articulates the Council's commitment to safeguarding children, young people and adults at risk.
- 1.2 The report details the updates to the Safeguarding Policy. These are due to changes in legislation, statutory guidance, updates to the Pan Sussex safeguarding policies and procedures as well as developments in best practice.

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:

- 2.2.1 The Cabinet is recommended to approve the revised Crawley Borough Council Safeguarding Children, Young People and Adults at Risk Policy 2017 (attached as Appendix 1).
- 2.2.2 That delegated authority be given to the Head of Community Services, in consultation with the Cabinet Member for Public Protection and Community Engagement, to revise and update the Safeguarding Policy in future as further changes to legislation and statutory guidance are introduced.

3. Reasons for the Recommendations

- 3.1 The recommendations are made to ensure that all staff, volunteers and elected members are equipped with the knowledge, skills and information to enable them to undertake their safeguarding responsibilities for Crawley Borough Council.

4. Background

4.1 The current Safeguarding Policy was last approved in January 2007. Since then, various changes to legislation have taken place. These include:

- The Equality Act (2010)
- The Care Act (2014)
- The Modern Slavery Act (2015)
- The Counter Terrorism and Security Act (2015)

4.2 Along with statutory guidance:

- Safeguarding children and young people from sexual exploitation (2009)
- Working together to safeguard children (2015)
- What to do if you're worried a child is being abused (2015)
- Information sharing guidance (2015)
- FGM mandatory reporting duty (2015)
- Prevent Duty Guidance for England and Wales (2015)
- The Prevent Duty> Departmental advice for schools and childcare providers (2015)

4.3 The Sussex Children's and Adults' safeguarding procedures are also regularly updated to reflect the changes in legislation and statutory guidance.

- The Pan Sussex Child Protection and Safeguarding procedures:
<http://sussex.procedures.org.uk/>
- Sussex Safeguarding Adults' Policy and Procedures:
<http://sussexsafeguardingadults.procedures.org.uk/>

5. Description of Issue to be resolved

5.1 A range of services provided by, or on behalf of, the Council has the potential to impact upon the lives of children, young people and adults at risk. All staff have a duty to report allegations, disclosures and suspicions of abuse or neglect.

5.2 There are three parts to safeguarding children, young people and adults at risk:

- A duty to *protect* children, young people and adults at risk from maltreatment.
- A duty to *prevent* impairment.
- A duty to safeguard adults at risk in accordance with the Care Act (2014).

5.3 The Policy also aims to protect staff, volunteers and elected members from potential false allegations.

5.4 The Crawley Borough Council Safeguarding Policy has been updated to take into account the revised legislation and statutory guidance. It is also in-line with the Sussex Policy and Procedures (detailed above in section 4).

5.5 The Policy affects all staff (permanent, casual and temporary), volunteers and elected members. Consultants and contractors would be covered through procurement arrangements.

6. Information & Analysis Supporting Recommendation

- 6.1 The updated Safeguarding Policy reflects changes in legislation and statutory guidance, as referred to in section 4 of this report.
- 6.2 The Lead Safeguarding Officer is a member of the Local Children's Safeguarding Board. The Lead Designated Safeguarding Officer regularly meets with West Sussex District and Borough Council safeguarding officers to share knowledge and information. These links ensure that Crawley Borough Council works consistently with other councils throughout Sussex. This updated Policy is also in-line with other West Sussex District and Borough Safeguarding Policies.
- 6.3 Ward members have not been consulted as this policy affects all members of the council.

7. Equality implications

- 7.1 Under section 149 of the Equality Act 2010, when making decisions, the Council must have regard to the Public Sector Equality Duty, i.e. have regard to:
- eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.

The characteristics protected by the Equality Act are:

- Age
- Disability
- Gender reassignment
- Marriage/civil partnership
- Pregnancy/maternity
- Race
- Religion/belief
- Gender and sexual orientation

- 7.2 An equality impact assessment has been carried out and this is attached as Appendix 2 for consideration and shows some positive impact on protected groups. It also shows that the Safeguarding Policy is fit for purpose.

8. Legal implications

- 8.1 The revised Safeguarding Policy, at Appendix 1, sets out the legal requirements and duty placed on the Council to ensure the safeguarding of all children, young people and adults at risk. Key legislation and statutory guidance is referred to in the Policy.
- 8.2 Key staff throughout the Council have already received tailored safeguarding awareness training throughout 2015 and 2016. As learning from serious case reviews is published and guidance is updated in the future, additional ongoing training for staff will be necessary.

- 8.3 Members have also been updated on key changes in legislation and statutory guidance at a seminar in October 2015.
- 8.4 It is recommended that an internal communications campaign will be undertaken once the new Policy is in place, to ensure all staff, volunteers and elected members are fully aware of their safeguarding responsibilities.

9. Background Papers

Sussex safeguarding policies and procedures:

Pan Sussex child protection and safeguarding procedures:

<http://sussex.procedures.org.uk/>

Sussex safeguarding adults' policy and procedures:

<http://sussexsafeguardingadults.procedures.org.uk/>

Sussex Safeguarding Boards:

West Sussex Local Children's Safeguarding Board:

<http://www.westsussexscb.org.uk/>

West Sussex Local Adult's Safeguarding Board:

<https://www.westsussex.gov.uk/social-care-and-health/keeping-children-and-adults-safe/adults/west-sussex-safeguarding-adults-board/>

Legislation:

The Equality Act, 2010

<http://www.legislation.gov.uk/ukpga/2010/15/contents>

The Care Act, 2014

<http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted/data.htm>

The Modern Slavery Act, 2015

<http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

The Counter Terrorism and Security Act, 2015

<http://www.legislation.gov.uk/ukpga/2015/6/contents/enacted>

Statutory guidance:

Safeguarding children and young people from sexual exploitation, 2009

<https://www.gov.uk/government/publications/safeguarding-children-and-young-people-from-sexual-exploitation-supplementary-guidance>

Working together to safeguard children, 2015

<https://www.gov.uk/government/publications/working-together-to-secure-children-2>

What to do if you're worried a child is being abused, 2015

<https://www.gov.uk/government/publications/what-to-do-if-youre-worried-a-child-is-being-abused--2>

Information sharing guidance, 2015

<https://www.gov.uk/government/publications/safeguarding-practitioners-information-sharing-advice>

FGM mandatory reporting guidance, 2015

<https://www.gov.uk/government/publications/mandatory-reporting-of-female-genital-mutilation-procedural-information>

Prevent Duty Guidance, 2015

<https://www.gov.uk/government/publications/prevent-duty-guidance>

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SAFEGUARDING CHILDREN, YOUNG PEOPLE AND ADULTS AT RISK POLICY 2017

Crawley Borough Council

Introduction and policy aims

This policy applies to all staff (permanent, casual and temporary), volunteers and elected members who may come into contact with children, young people and adults at risk in the course of their work, whether in someone's home, on Crawley Borough Council premises, or in the community.

It informs staff, volunteers and elected members about:

- **What actions to take if you have concerns about the safety or welfare of a child, young person or adult at risk (see 'Quick Reference Summary' on page 15).**
- **What will happen once you have taken these actions.**
- **What actions to take if you have concerns about the behaviour of a member of staff, volunteer or elected member relating to the safety of a child, young person or adult at risk.**
- **Behavioural expectations – reducing the risk of false allegations.**

It is designed to ensure that all staff, volunteers and elected members are equipped with the knowledge, skills and information to enable them to undertake their safeguarding responsibilities for Crawley Borough Council.

Why Safeguard?

Everyone, including children, young people and adults at risk, have the right not to be abused.

Crawley Borough Council recognises the need to ensure the welfare of children, young people and adults at risk when they come into contact with services provided by the Council and the staff responsible for delivering those services. This also applies to organisations using our premises.

Many staff have regular contact with people within these groups and are in a position to observe signs which might indicate that a person is at risk. If signs which cause concern are observed, council staff, volunteers and elected members have a responsibility to refer suspected cases of abuse to an appropriate agency or person.

There are also staff, volunteers and elected members who may not have direct contact with some of these groups, but who have access to sensitive information or who work in public places, develop policy and plan services for children, young people and adults at risk. It is equally important that these staff, volunteers and elected members have regard to the importance of safeguarding.

What does the Policy say?

Crawley Borough Council will promote the safeguarding of children, young people and adults at risk through all services it delivers and will consult them, so that they may help shape the Council's services.

All staff (casual, temporary and permanent), volunteers and elected members have a duty to report allegations, disclosures and suspicions of abuse or neglect. Consultants and contractors are covered through procurement arrangements.

Crawley Borough Council's safeguarding policy and procedures are in-line with both the Adults and Children's Sussex safeguarding procedures, which are available online at:

- **Pan Sussex Child Protection and Safeguarding Procedures:**
<http://sussex.procedures.org.uk/>
- **Sussex Safeguarding Adults' Policy and Procedures:**
<http://sussexsafeguardingadults.procedures.org.uk>

It is not the Council's role to establish whether or not abuse is taking place but it is the Council's responsibility to record and report any concerns over the welfare of children, young people or adults at risk. This duty extends to the identification of abuse, poor practice by staff, volunteers and elected members of the Council, as well as allegations brought to the attention of the Council by a member of the public/community. It is also the Council's responsibility to ensure that the services we provide and the staff that we employ are suitable for children, young people and adults at risk.

Scope

A range of services provided by or on behalf of the Council has the potential to impact upon the lives of children, young people and adults at risk.

This Safeguarding Policy outlines the Council's commitment to safeguard and promote the welfare of children, young people and adults at risk. It covers:

1. What is safeguarding?
2. Key legislation and statutory guidance
3. Accountability
4. Our commitment
5. Responsibilities
6. Recruitment
7. Training and development
8. Procurement
9. Funding agreements
10. Information sharing and partnerships
11. Referral procedures
12. Allegations procedures
13. Responding, recording and reporting allegations, disclosures and suspicions
14. Quick reference summary
15. Support for reporter of alleged abuse
16. Behavioural expectations
17. Preventing radicalisation, terrorism and non-violent extremism
18. E-safety
19. Designated safeguarding officers
20. Associated policies

The policy applies to all staff, volunteers and elected members. The term "staff" refers to casual, temporary, and permanent staff. Consultants and contractors are covered through the Procurement code.

1. What is safeguarding?

The Council aims to safeguard and promote the welfare of all children, young people and adults at risk irrespective of their age, culture, disability, gender, language, racial origin, socio-economic status, religious belief and sexual orientation. They all have the right to protection from abuse.

The term 'children and young people' is used to refer to anyone under the age of 18 years.

The term 'adult at risk' refers to any person aged 18 years or over who meets the following criteria:

- Has needs for care and support (whether or not the local authority is meeting any of those needs) and;
- Is experiencing, or at risk of, abuse or neglect; and
- As a result of those care and support needs is unable to protect themselves from either the risk of, or the experience of, abuse and neglect.

Carers are also included and are entitled to an assessment of their needs, where they meet the tests set out above.

There are three parts to safeguarding children, young people and adults at risk:

- **a duty to *protect* children, young people and adults at risk from maltreatment**
- **a duty to *prevent* impairment**
- **a duty to safeguard adults at risk in accordance with the Care Act (2014)**

The Council intends to safeguard children, young people and adults at risk from the following types of abuse:

- Physical Abuse
- Sexual Abuse
- Emotional Abuse
- Child Sexual Exploitation (CSE)
- Female Genital Mutilation (FGM)
- Financial or Material Abuse
- Domestic Abuse
- Psychological Abuse
- Discriminatory Abuse
- Organisational Abuse
- Modern Slavery
- Neglect
- Self-Neglect
- Radicalisation, terrorism and non-violent extremism
- Risk of Injury
- Cyber/internet Abuse

Abuse and neglect are forms of maltreatment. Somebody may abuse or neglect a child, young person or adult at risk by inflicting harm, or by failing to act to prevent harm. Individuals may be abused in a family or in an institutional or community setting, by those known to them or, more rarely, by a stranger. They may be abused by an adult or adults, or another child or children.

Promoting welfare refers to creating opportunities to enable children and young people to have optimum life chances in adulthood, namely:

- Physical and mental health and emotional well-being
- Protection from harm and neglect
- Education training and recreation
- The contribution made by them to society
- Social and economic well-being.

The emphasis in the Council's work with adults at risk is to promote the empowerment and wellbeing of adults at risk through the services it provides. To also act in a way which supports the rights of individuals to lead a life based on self-determination and personal choice as well as recognise people who are unable to take their own decisions and/or protect themselves and their assets.

Crawley Borough Council is committed to safeguarding and protecting children, young people and adults at risk in all its services. The Council aims to consult with children, young people and adults at risk in policy and service delivery matters which affect them, so that they may help shape the Council's services.

2. Key legislation and statutory guidance

This policy has been produced to meet the Council's legal obligations in relation to following legislation and statutory guidance for safeguarding of children, young people and adults at risk.

Legislation

- The Housing Act (1996)
- The Human Rights Act (1998)
- The Terrorism Act (2000)
- The Licensing Act (2003)
- The Children Act (1989 and 2004)
- The Safeguarding Vulnerable Groups Act (2006)
- The Child Care Act (2006)
- The Equality Act (2010)
- The Care Act (2014)
- The Modern Slavery Act (2015)
- The Counter Terrorism and Security Act (2015)

Statutory guidance

- United Nations Convention on the Rights of the Child (1991)
- Department of Health 'No Secrets' (2000)
- Safeguarding children and young people from sexual exploitation (2009)
- Working Together to Safeguard Children (2015)
- What to do if you're worried a child is being abused (2015)
- FGM Mandatory Reporting Duty (2015)
- Information Sharing Guidance (2015)
- Prevent Duty Guidance for England and Wales (2015)
- The Prevent Duty. Departmental advice for schools and childcare providers (2015)

From April 2015, the Care Act (2014) ensures a statutory duty in regards to adult safeguarding. This is to ensure an adult at risk and/or carer can live safely, comfortably and free from abuse.

3. Accountability

Ultimately, accountability for safeguarding and protecting children, young people and adults at risk under this policy falls to the Chief Executive as detailed in the Children Act 2004 and the Care Act 2014. The Council has delegated this responsibility to Head of Community Services, Chris Harris (Lead Safeguarding Officer (LSO)).

The Elected Member responsible for safeguarding children, young people and adults at risk is the Cabinet Member with responsibility for Public Protection and Community Engagement.

The Council's Designated Safeguarding Officers are responsible for ensuring that all safeguarding and welfare concerns are reported to the relevant investigating agencies in accordance with the Council's Safeguarding Policy and ensuring that information is recorded appropriately. They also provide an important communication link between the Council's Lead Safeguarding Officer (LSO) and other staff within the Council.

In addition to the above, the Council's Lead Designated Safeguarding Officer (LDSO), Community Services Manager, Victoria Wise, is responsible for:

- Monitoring referrals,
- Supporting the Council's Designated Safeguarding Officers,
- Co-ordinating and delivering training,
- Facilitating an internal Safeguarding working group,
- Liaising with Lead Designated Safeguarding Officers from other boroughs and districts.

All staff, volunteers and elected members:

- Have a duty to report allegations, disclosures and suspicions of abuse or neglect.
- Are responsible for ensuring that the activities in which they are involved during the course of their work are carried out in accordance with this policy.

Managers and Heads of Service are responsible for ensuring that staff and volunteers understand, adhere to and implement this Policy.

4. Our commitment

Crawley Borough Council will seek to meet its safeguarding responsibilities by:

- Undertaking its 'duty to co-operate' under the Children Act 2004 and the Care Act 2014.
- Being a 'champion', influencing other organisations to improve children's, young people's and adults at risk's lives.
- Not employing people or recruiting volunteers who are a risk.
- Providing some services which could resolve children, young people and adults at risk's safety issues (e.g. anti-social behaviour investigations).
- Identifying potential risks to children, young people and adults at risk and directly influencing children's, young people's and adults at risk' lives through the services it provides.

- Learning from lessons of high profile serious case reviews (for example, cases such as, Victoria Climbié, Baby Peter and Child Sexual Exploitation (CSE) in Rotherham). This may include coordinating additional training for licensed operators and partner organisations.
- Working with organisations to help combat other national safeguarding concerns, such as Female Genital Mutilation (FGM), Child Sexual Exploitation (CSE) and Modern Slavery.
- Not placing staff, volunteers or elected members in situations where they may be accused of inappropriate behaviour towards children, young people or adults at risk.
- Continuously reviewing its actions via. Section 11 self-assessments and reports to the Children's and Adults' Local Safeguarding Boards.

Crawley Borough Council accepts its moral and legal responsibility to:

- Implement safeguarding procedures.
- Provide a duty of care for children, young people and adults at risk.
- Safeguard the well-being of children, young people and adults at risk.
- Protect individuals from abuse when they are engaged in services organised and provided by the Council.
- Listen to and respect the views of children, young people and adults at risk.

Crawley Borough Council will achieve this by:

- Respecting and promoting the rights, wishes and feelings of children, young people and adults at risk.
- Raising the awareness of the duty of care responsibilities relating to children, young people and adults at risk throughout the Council.
- Promoting and implementing appropriate procedures to safeguard the well-being of children, young people and adults at risk to protect them from harm.
- Ensuring where services are provided by third parties that these organisations have appropriate policies and procedures in place to comply with their safeguarding duties.
- Creating a safe and healthy environment within all our services, avoiding situations where abuse or allegations of abuse may occur.
- Recruiting, training, developing, supporting, managing and supervising staff, elected members and volunteers to adopt best practice to safeguard and protect children, young people and adults at risk from abuse, and minimise risk to them.
- Responding to any allegations of misconduct or abuse of children, young people or adults at risk in-line with this policy and the Adults' and Children's Local Safeguarding Boards procedures, as well as implementing, where appropriate, the relevant disciplinary and appeals procedures.
- Having a formal process for recording and notifying concerns to other agencies about potential child, young person or adult at risk abuse.
- Having (and promoting to staff, volunteers and elected members) clear communication channels in case of suspicions about child, young person or adults at risk abuse, or other risks.
- Requiring staff, elected members and volunteers to adopt and abide by the Council's Safeguarding Policy and associated procedures.
- Reviewing and evaluating the effectiveness of this policy and associated procedures documents on an annual basis via the Section 11 Audit and reports to both the Local Children's and Local Adults' Safeguarding Boards.

5. Responsibilities

Under this policy, all staff, volunteers and elected members have a responsibility to:

Prevent abuse or harm of children, young people and adults at risk. i.e. endeavour to ensure that all children, young people and adults at risk using the Council's services do so safely and appropriately, and are treated with respect and understanding.

Protect children, young people and adults at risk from abuse or harm. i.e. take all reasonable steps to safeguard and protect the rights, health and wellbeing of children, young people and adults at risk who take part in activities organised by the Council and within its facilities. As well as those of children, young people and adults at risk, whom staff may come into contact with, within the course of their work.

Support children, young people and adults at risk. i.e. promote the welfare of children, young people and adults at risk.

For children and young people, promoting welfare refers to creating opportunities to enable children and young people to have optimum life chances in adulthood.

For adults at risk, promoting welfare refers to the empowerment and wellbeing of adults at risk through the services it provides. To act in a way which supports the rights of individuals to lead a life based on self-determination and personal choice as well as recognise people who are unable to take their own decisions and/or protect themselves and their assets.

6. Recruitment

All staff and volunteers will be appointed in accordance with the Council's Recruitment and Selection Procedures and will be subject to Disclosure and Barring Service (DBS) clearance where appropriate. These are designed to provide a rigorous and thorough selection process and to carry out all necessary checks, particularly on individuals seeking to work with children, young people and adults at risk.

In accordance with DBS procedures, we will report to the DBS individuals who come to our attention through the recruitment process who have caused harm to a child, young person or adult at risk.

7. Training and development

Training, development and continuous review is key to ensuring that this Safeguarding Policy is implemented effectively.

Staff, volunteers and elected members will receive safeguarding training (including e-safety and CSE) or information regarding safeguarding and are expected to apply these principles as part of their day-to-day working practice. The training and/or information will be at a level appropriate to their role, depending on the degree to which they are in contact with, have sensitive information about and/or plan services for children, young people and adults at risk.

Designated Safeguarding Officers (DSOs) will receive additional higher-level training to enable them to support and advise staff, volunteers and elected members.

Staff training and development needs and opportunities relating to safeguarding and protection issues will be identified and addressed in an ongoing manner and in response to any changes in legislation. Training may include internal courses/workshops, externally accredited courses/seminars or workshops organised by child protection/adult at risk safeguarding agencies.

Elected Members' training and development will be identified and addressed through their induction as well as seminars when appropriate.

Co-ordination of training may also be extended to others, such as private hire or taxi drivers and B&B owners, where there are specific local concerns e.g. related to CSE.

8. Procurement

Partners or contractors working for, with, and on-behalf of the Council in areas where workers are likely to come into contact with children, young people or adults at risk will be required to comply with the requirements of this Policy and should reference e-safety, safeguarding and safer-recruitment where necessary.

All new contracts let by the Council which involve services for those who are likely to encounter children, young people and adults at risk will include appropriate reference to complying with this Policy. Evidence of this will be requested at the point of tender and then subsequently checked at periodic intervals or through contract management.

9. Funding agreements

Groups and organisations that receive funding from the Council for services and projects that affect children, young people and/or adults at risk will be required to prove that they discharge their safeguarding responsibilities in-line with Crawley Borough Council's statutory safeguarding responsibilities.

This will include evidence of appropriate and proportionate safeguarding policies, recruitment and vetting procedures and training and development for staff, volunteers, trustees etc.

10. Information sharing and partnerships

The Council supports the principle of sharing information with other agencies and will document information where appropriate to support this process. Data Protection should not be used as an excuse not to pass on important safeguarding information to relevant partner organisations. The Council is committed to close working with partners in all matters relating to safeguarding and protecting children, young people and adults at risk as well as to the relevant partnerships.

11. Referral procedures

This Safeguarding Policy informs all staff, volunteers and elected members of what actions they should take if they have concerns or encounter a case of alleged, disclosed or suspected child, young person or adult at risk abuse or neglect.

Staff, volunteers and elected members may come across cases of suspected abuse either through direct contact with children, young people and adults at risk, for example, running a holiday activity or for key staff (e.g. Housing Officers, Environmental Health, Benefit Officers) through visiting homes as part of their day to day work.

The primary responsibility of staff, volunteers and elected members is to ensure that any relevant information is passed to one of the Council's Designated Safeguarding Officers (DSO's) without delay (all DSO's contact details are listed on the Crawley Borough Council intranet), who will then discuss any action or referral to the relevant authority or authorities. These include the Police, West Sussex County Council Children's Social Care and Adults' Social Care. In addition to this, if a staff member receives a CSE disclosure, Sussex Police (Operation Kite) will be notified. If a DSO receives a disclosure or report of suspicion of an individual at risk of radicalisation, terrorism or non-violent extremism, the Prevent Coordinator will be informed and a further referral to Channel may be necessary (see page 19).

It is not the Council's responsibility to investigate or decide whether or not a child, young person or adult at risk has been abused. It is, however, the Council's responsibility to report all concerns.

Responding to Disclosures

Abused children, young people and adults at risk are more likely to disclose details of abuse to someone they trust and with whom they feel safe. By listening and taking seriously what is disclosed, staff, elected members and volunteers are already helping the situation. The following points are a guide to help you respond appropriately:

If a child, young person or adult at risk discloses abuse to you, you must:

- Stay calm and be sensitive.
- Inform the child, young person or adult at risk who discloses the abuse that you may need to refer this to one of the Council's Designated Safeguarding Officers (DSO's), and depending on the severity of the information disclosed, it may need to be referred to the Police, Children's Social Care or Adult's Social Care.
- Record all observations and everything that is said.
- Contact one of Crawley Borough Council's DSO's at the earliest possible opportunity.

Responding to Observations and Suspicions

If you suspect abuse, you must:

- Stay calm and be sensitive.
- If a child, young person or adult at risk is in immediate danger CALL 999 and ask for an emergency services response.
- In all cases record all observations and everything that is said.
- In all cases contact one of Crawley Borough Council's DSO's at the earliest possible opportunity. See the intranet for the most up-to-date list of DSO's.

In the event that you have concerns about a child or young person and immediate action is not required (see above) the following process should be followed *within 1 working day of the recognition of risk*.

The Designated Safeguarding Officer will support you to:

- Decide whether to refer to Children's or Adults' Social Care (Children's: Multi-agency Safeguarding Hub (MASH) or, Adults Care Point);
- Seek consent from the child's family for a referral to Social Care unless this may;
 - Place the child at risk of significant harm e.g. by the behavioural response it prompts or by leading to an unreasonable delay
 - Lead to the risk of losing evidential material or
 - In cases where fabricated or induced illness is suspected.

A decision not to seek parental agreement and the reasons for that should be recorded. Where the parent refuses to give consent for the referral further advice should be taken, unless this would cause undue delay, and the outcome fully recorded. If, having taken the parents' wishes into consideration it is still considered necessary to make a referral, the reason for proceeding should be recorded and social care told that consent has been withheld.

You must seek consent from the adult at risk, unless there is an issue of lack of mental capacity. This should be recorded in the referral to Adult's social care.

Where appropriate, make a referral to Children's or Adults' social care:

Children's safeguarding referral:

Multi-agency Safeguarding Hub (MASH)

- Referral form: <http://www.westsussexscb.org.uk/professionals/contacts-for-referral/>
- Secure GCSX email: MASH@westsussex.gcsx.gov.uk
- Telephone: 01403 22 99 00

Adults at risk safeguarding referral:

Adults Care Point

- Referral form: <https://www.westsussex.gov.uk/social-care-and-health/how-to-get-social-care-help/adults/raise-a-concern-about-an-adult/>
- Telephone: 01243 64 21 21

- Confirm the telephone referral in writing within 24 hours via the referral forms or a secure GCSX email.
- Ensure a copy of the referral is sent to the LDSO.
- Ensure that confidentiality is maintained unless discussion helps protect the child.
- Receive personal emotional support if necessary.

Out of Hours Arrangements

If you suspect abuse, or abuse is disclosed to you outside normal office hours, you must:

For Children:

- Call 0330 222 6664 out of office hours (5pm to 8am weekdays) and for emergencies at weekends and bank holidays (24 hours).

For Adults at risk:

- Contact the West Sussex Adults' Services out-of-hours service directly on 01243 642 121.

Record all observations and everything that is said

Report the disclosure / suspicions and subsequent action to one of the Council's DSO's the next working day.

Should you wish to consult with one of Crawley Borough Council's Designated Officers before reporting your concerns to West Sussex Children and Adults Out-of-Hours Service, phone Chris Harris, the Council's Lead Safeguarding Officer on 07818 414 364 or Victoria Wise, Lead Designated Safeguarding Officer on 07807 824 537.

12. Allegations procedures

Allegations against staff, volunteers and elected members

It is important that any concern arising from potential abuse, harassment, inappropriate conduct or neglect by a member of staff, volunteer or elected member of the Council should be reported immediately.

Where an allegation of abuse has been made, then the priority must be to ensure the wellbeing of the individual. However, if the allegation is of abuse by a member of Crawley Borough Council staff, volunteer, elected member or third party working on behalf of Crawley Borough Council, it is the responsibility of Crawley Borough Council to investigate immediately, and cooperate with the relevant authorities.

If during working hours, the member of staff making or receiving the allegation against another member of staff should initially report to Chris Harris, LSO and Lucasta Grayson, Head of People and Technology as a matter of urgency.

If an event or activity takes place outside of normal working hours then the officer who has received or is making the allegation must report his or her concerns as above by the next working day.

Crawley Borough Council will support all staff that in good faith report incidents where an individual may be harmed. However staff should be aware allegations made maliciously will be dealt with under the Council's Disciplinary Procedures.

If a member of staff or volunteer is disturbed by the incident then counselling will be considered and they should contact their line manager or a member of the HR team. Staff or volunteers who are members of a Union may contact their Union representative for additional support.

Where appropriate, following an initial investigation, the complaint against a member of staff will be considered under the Council's Disciplinary Procedure as Gross Misconduct, but any internal investigations will be conducted in consultation with West Sussex Local Authority Designated Officer (LADO), Social Services or the Police.

If you have received an allegation about a member of staff / volunteer or are concerned about their poor practice, you must:

- Stay calm and be sensitive.
- Record all observations and everything that is said.
- Contact the Lead Safeguarding Officer (LSO) and Head of People & Technology at the earliest possible opportunity.
- If you are unable to contact the LSO or Head of People & Technology, you should contact the LDSO or HR & OD Manager.
- Crawley Borough Council's LSO must contact the Local Area Designated Officer (LADO) for West Sussex County Council immediately if the allegation concerns a child. They must also inform Ofsted (if the alleged incident has occurred in a childcare setting for children under 8 years).

In the case of an allegation or concern about the Council's Head of People & Technology, this should be reported to the Head of Community Services or the Chief Executive.

Local Area Designated Officer (LADO) for Safeguarding and Allegations Management Team

Contact details for the LADO:

- Tel: 0330 222 3339
- Address: Safeguarding in Education and Allegations Management Team, Room 24, Durban House, Durban Road, Bognor Regis, PO22 9RE
- Email: lindsey.tunbridge-adams@westsussex.gov.uk,
- Assistant LADO: Claire.coles@westsussex.gov.uk, anne.richards@westsussex.gov.uk

If you have received an allegation about an elected member or are concerned about their poor practice, you must:

- Stay calm and be sensitive.
- Record all observations and everything that is said.
- Contact the Head of Legal and Democratic Services (monitoring officer) at the earliest possible opportunity, who will investigate in liaison with the Council's Lead Safeguarding Officer, as appropriate.

Once the LADO has been informed then you and colleagues will follow all instructions from appropriate professionals and cooperate fully with any further investigations.

Crawley Borough Council's Disciplinary Procedure will also be implemented, although it can be superseded at any time by statutory requirements as set out in:

- <http://sussex.procedures.org.uk/>
- <http://sussexsafeguardingadults.procedures.org.uk/>

13. Responding, recording and reporting allegations, disclosures and suspicions

Confidentiality

All suspicions, enquiries and external investigations are kept confidential and shared only with those who need to know. Any information is shared in-line with guidance from the Local Children's Safeguarding Board (LSCB) and the Local Adult's Safeguarding Board.

Recording

Staff, volunteers and elected members must fill in the appropriate forms online when making a referral to either Children's Social Care via the MASH (Multi-agency safeguarding hub) or Adults Care Point for all allegations, disclosures and suspicions relating to the safeguarding of children and adults at risk.

A copy of the referral form must be kept and sent immediately to the DSO and LDSO to ensure that all facts are recorded properly and accurately. Details of all safeguarding referrals sent to MASH or Adults Care Point will be held in a single corporate database and managed by the LDSO.

All staff, volunteers and elected members must report safeguarding allegations, disclosures and suspicions to one of the DSO's, the LDSO or LSO immediately.

It is the responsibility of the Council's DSO's to take a lead on and report allegations, disclosures and suspicions to the Police and/or MASH and Adult Care Point. It is also their responsibility to ensure completed records are passed to the LDSO and to take any other action appropriate.

Reporting allegations made against staff, volunteers and elected members

Unfounded allegations

False or Unfounded allegations will result in all rights being re-instated.

Founded allegations

Founded allegations will be passed on to the relevant organisations including the local authority children's social care team, LADO and where an offence is believed to have been committed, the police, and will result in the termination of employment.

Where the incident has taken place in a childcare establishment for children under the age of 8 years Ofsted will be notified immediately of the decision.

The LSO or Head of People and Technology will notify the Disclosure and Barring Service of this immediately and also if the individual concerned leaves the Council's employment during the investigation process and the allegation is subsequently substantiated.

Recording allegations made against staff, volunteers and elected members

All records relating to an allegation against staff, volunteers and elected members will be kept until the person reaches normal retirement age or for 10 years, if that is longer.

If the recorded allegation was founded, then this information must be provided on all future references for that individual.

14. Quick reference summary

Suspicion/Observation

Stay calm and be sensitive



Observe. Intervene if emergency medical attention is required or there is immediate risk of harm.



Inform DSO
(If out of hours, contact the MASH or Adult's Care Point directly (*page 11*) and report to one of the DSO's the next working day)



With advice from the DSO, record all details and if appropriate refer to MASH or Adult's Care Point (*page 10*) (and Police if necessary) using their relevant online referral forms.



Disclosure

Stay calm and be sensitive



Inform the child, young person or adult at risk disclosing the abuse that you may need to refer this to one of the Council's Designated Safeguarding Officers (DSO's) and depending on the severity of the information disclosed, it may need to be referred to the Police and Children's and Adults' Social Care.



Listen. Intervene if emergency medical attention is required or there is immediate risk of harm.



Inform DSO
(If out of hours, contact the MASH or Adult's Care Point directly (*page 11*) and report to one of the DSO's the next working day)



With advice from the DSO, record all details and if appropriate refer to MASH or Adult's Care Point (*page 10*) (and Police if necessary) using their relevant online referral forms.



Allegation against a member of staff

Stay calm and be sensitive



Listen. Observe. Intervene if emergency medical attention is required or there is immediate risk of harm.



Inform the LSO (Head of Community Services) and Head of People and Technology. If not available inform the LDSO and HR & OD Manager



Record all details and send to LSO and Head of People and Technology.

LSO and Head of People and Technology to take appropriate action (referral to LADO and Ofsted, *page 12*)



Allegation against an elected member

Stay calm and be sensitive



Listen. Observe. Intervene if emergency medical attention is required or there is immediate risk of harm.



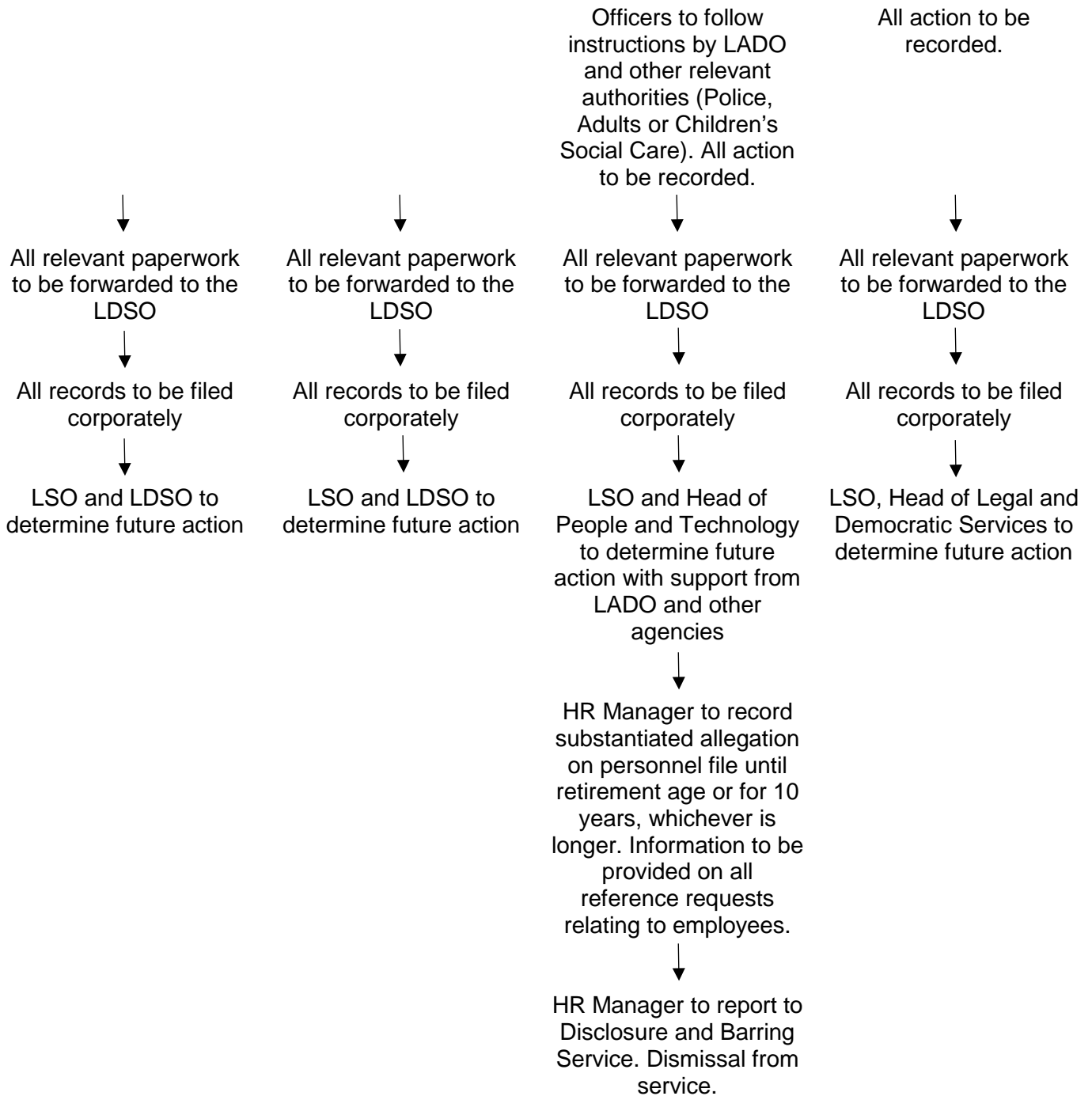
Inform the LSO and Head of Legal and Democratic Services.



Record all details and send to LSO and Head of Legal and Democratic Services.

LSO and Head of Legal and Democratic Services to take appropriate action.





15. Support for reporter of alleged abuse

Strong feelings may be generated by an allegation, disclosure or suspicion of abuse to, or neglect of, children, young people and adults at risk, especially if the allegation relates to a member of staff, volunteer or elected member. This can raise concerns among other staff, volunteers or elected members and create difficulties in reporting such matters.

The Council will fully support and protect all staff, volunteers or elected members who, in good faith and without malicious intent, report his or her concern about a colleague's practice or the possibility that a child, young person or adult at risk may be being abused.

16. Behavioural expectations

Whilst providing services for children, young people and adults at risk, Crawley Borough Council staff are in a position of trust and responsibility and this should be uppermost in practitioners' minds at all times. It is more important than ever for staff and volunteers to understand how they can best protect children, young people and adults at risk and themselves from false allegations whether working directly with, or inadvertently coming into contact with, children, young people and adults at risk during their work.

This section outlines the behaviour expected of Crawley Borough Council staff, volunteers, contractors, elected members and staff from other organisations who engage with children, young people and adults at risk through Crawley Borough Council and its services.

Code of conduct for adults working with children, young people and adults at risk

This code has been developed to provide advice which will not only help to protect children, young people and adults at risk but will also help identify any practices which could be misconstrued and perhaps lead to false allegations of abuse being made against individuals.

Following this good practice code will also help to protect Crawley Borough Council by reducing the possibility of anyone using their role within the organisation to gain access to children, young people and adults at risk in order to abuse them.

When working with children, young people and adults at risk for Crawley Borough Council, all staff and volunteers are considered to be acting in a position of trust. It is therefore important that staff, volunteers and peer leaders are aware that they may be seen as role models by children and must act in an appropriate manner at all times and follow the code of conduct.

All members of staff and volunteers are expected to report breaches of this code to the Council's LSO, line manager or HR.

Staff breaching this code may be subject to Crawley Borough Council disciplinary procedures.

Any breach of this code involving a volunteer or member of staff from another agency may result in them being asked to leave the project. Serious breaches of this code may also result in a referral being made to a statutory agency such as the police, children's or adult's social care.

When working with children, young people and adults at risk it is important to:

- Always follow the Crawley Borough Council safeguarding policy.
- Listen to and respect children, young people and adults at risk at all times.
- Always avoid favouritism.
- Behave in a professional manner at all times and ensure professional boundaries are in place.
- Use respectful language.
- Ensure written parental consent, for example when taking photographs and transporting children.
- Avoid situations that could potentially be perceived as compromising you, for example giving a child a lift in your personal car, on your own.
- Respect confidentiality unless the information you have may impact on the safety or welfare of the child.
- Treat children and young people fairly and without prejudice.
- Ensure the appropriate child : staff ratio is adhered to during activities.
- Value and take children's contributions seriously.
- Ensure that, whenever possible, there is more than one adult present during activities or at least that you are within sight or hearing of others.
- Always inform another member of staff, preferably your manager, if you are concerned that your actions have been or could be misconstrued by a child, adult at risk or a third party.
- Respect an individual's right to personal privacy.
- Always ensure equipment is used appropriately and for the purpose it was designed for.
- Ensure any contact with children, young people and adults at risk is appropriate and in relation to the work or project.
- Always ensure language is appropriate and not offensive or discriminatory.
- Follow the ICT security policy and social media policy and report any breaches.
- Actively involve children and young people in planning activities wherever possible.
- Provide examples of good conduct you wish others to follow.
- Challenge unacceptable behaviour and report all allegations / suspicions of abuse.
- Ensure you record and report to your line manager and DSO any behaviour or incident that could compromise you, for example if a child touches you inappropriately.

You must not:

- Believe it could never happen to me.
- Allow allegations to go unchallenged, unrecorded and unreported.
- Use any kind of physical punishment or chastisement such as smacking, hitting or rough handling.
- Engage in rough or physical games including tickling or horseplay.
- Use any racist, sexist, discriminatory or offensive language.
- Use an aggressive tone of voice whilst speaking to children, young people and adults at risk.
- Develop inappropriate relationships such as contact with children and young people that is not a part of the work of the project and agreed with the manager or leader. Sexual relationships between any adult member of staff or volunteer and a child, young person or adult at risk using Council services represents a serious breach of trust and are not permissible in any circumstances.
- Let children and young people have your personal contact details (mobile number, Facebook profile, any personal social media, address etc) or communicate on a personal level outside of the work environment.
- Allow abusive peer activities e.g. bullying.
- Use sarcasm or insensitive comments to children, young people and adults at risk.
- Act in a way that can be perceived as threatening, demeaning or intrusive.
- Make inappropriate promises to children and young people, particularly in relation to confidentiality.

Use of mobile phones and cameras

It is prohibited for staff to use their personal mobile phones to take pictures of the children, young people or adults at risk attending the council's services. In childcare settings, personal mobile phones will be stored in a pre-specified location whilst staff are on duty.

In Crawley Borough Council childcare settings, no cameras will be allowed to be used on the premises other than a camera belonging to the Council which is used with written parental permission.

17. Preventing radicalisation, terrorism and non-violent extremism

As part of Crawley Borough Council's safeguarding duties detailed in Section 26 of the Counter Terrorism and Security Act 2015, the Council is required to **protect** and **prevent** all vulnerable people, including children, young people and adults at risk from being drawn into radicalisation, terrorism and non-violent extremism.

The terms 'radicalisation, terrorism and non-violent extremism' are not focused on any one group or ideology. The Council is required to address vulnerabilities to radicalisation in **all its forms** including: the extreme far-right, the extreme far-left, groups such as Daesh, or any other form of extremist ideology.

Safeguarding vulnerable people from radicalisation is no different from safeguarding them from other forms of harm.

All staff, volunteers and elected members are required to record and report any concerns of children, young people and adults at risk from being drawn into terrorism, radicalisation and non-violent extremism.

Responding to disclosures, observations and suspicions

Please refer to page 9, this details how to respond appropriately to disclosures, observations and suspicions of any form of abuse and neglect. This includes any disclosures relating to vulnerable individuals at risk of being drawn into radicalisation, terrorism and non-violent extremism.

Referral process

Please refer to page 9 and the quick reference summary on page 15. As a normal safeguarding concern, these same referral procedures are used. The primary responsibility of staff, volunteers and elected members is to ensure that any relevant information is passed to one of the Council's Designated Safeguarding Officers (DSO's) without delay, who will then discuss any action or referral to the relevant authority or authorities. These include the Police, West Sussex County Council Children's Social Care and Adult's Social Care.

In addition to this, the DSO will inform the Prevent Coordinator or Community Development Manager for additional, specific advice or further referral to Channel (contact details are on the intranet under 'safeguarding').

What are Prevent and Channel?

Prevent is the Government's strategy to stop people becoming terrorists or supporting terrorism, in all its forms. Prevent works with individuals and communities by using voluntary early intervention to encourage them to challenge extremist and terrorist ideology and behaviour.

Channel is a specialist safeguarding panel which supports Prevent. It is a confidential and voluntary process where safeguarding professionals meet to discuss support options which can be offered to vulnerable residents.

18. E-safety

E-safety is the process of limiting risks to children, young people and adults at risk when using information and communications technology (ICT). E-safety is primarily a safeguarding issue, not a technological issue, which relates to the use of all ICT-fixed or mobile, current, emerging and future ICT. ICT is used daily as a tool to improve teaching, learning, communication and working practices to the benefit of our children and young people and those that work to support them. The use of ICT is recognised as being of significant benefit to all members of our community, in personal, social, professional and educational contexts. However alongside these benefits, there are potential risks that we have a statutory duty of care to manage, to ensure they do not become actual dangers to children and young people in our care or for employees.

Safeguarding against these risks is not just the responsibility of ICT departments, it is everyone's responsibility and this is reflected in the overall arrangements in place that safeguard and promote the welfare of all members of the community, particularly those that are vulnerable.

Much of the material on the internet is published for an adult audience and some is unsuitable for children and young people. In addition, there is information on weapons, crime, racism and extremist radicalisation that would be considered inappropriate. It is also known that adults who wish to abuse others may pose as another child/young person/peer to engage with them and then attempt to meet up with them. This process is known as 'grooming' and may take place over a period of months using chat rooms, social networking sites and mobile phones.

Cyberbullying is bullying through the use of communication technology and can take many forms e.g. sending threatening or abusive text messages or e-mails either personally or anonymously, making insulting comments about someone on a social networking site or blog or making/sharing derogatory or embarrassing videos of someone via mobile phone or e-mail.

As part of the ICT security policy, Crawley Borough Council requires all staff / volunteers to agree to the acceptable use policy before accessing the council's network.

Managing Incidents

It is unlikely that any child, young person or adult at risk is able to access any inappropriate online sites due to Crawley Borough Council's limited and controlled public points of access. However, if any member of staff, volunteer or elected member has any concerns about a child, young person or adult at risk being groomed or accessing inappropriate online content, the incident should be reported to a Designated Safeguarding Officer like any other potential abuse.

The LSO is responsible for ensuring that the following procedures are followed in the event of any misuse of the internet or Crawley Borough Council ICT systems involving children, young people or adults at risk:

If there has been inappropriate online contact, disclosed grooming, online bullying or any inappropriate or illegal websites viewed on CBC property:

- Report to the LSO, LDSO or a designated Safeguarding Officer,
- Advise the child, young person or adult at risk on how to terminate the communication and save all evidence,
- Contact the parent(s)/carer(s),
- Contact the police on 101 as appropriate,
- The LSO or LDSO may inform Children's or Adult's Social Care if appropriate,
- Log the incident, including the date and time and send a copy to the LDSO,
- Identify support for the child, young person or adult at risk.

If a child, young person or adult at risk discloses to any member of Crawley Borough Council staff, volunteer or elected member that they have accessed inappropriate or illegal online content, are being groomed, bullied or having contact with inappropriate online individuals or groups, it is the responsibility of all staff, volunteers and elected members to report this to a DSO. And for the DSO to report onto Adults or Children's social care as well as the Police, as appropriate (and following the procedures detailed in section 11, 12 and 13).

19. Designated safeguarding officers

Contact details for all of Crawley Borough Council's Designated Safeguarding Officers (DSO's) can be found on the intranet, within the safeguarding section.

All disclosures or suspicions must be reported to a Designated Safeguarding Officer.

The DSO is responsible for ensuring that all safeguarding and welfare concerns are reported to the relevant investigating agencies in accordance with this Safeguarding Policy and ensuring that information is recorded appropriately.

The specific functions of the DSO include:

- Acting as a source of support, advice and expertise when deciding whether to make a referral through liaison with the relevant agencies.
- Ensure consent has been appropriately sought when appropriate (see page 10).
- Supporting staff, volunteers and elected members to write and submit referrals.
- Ensuring that detailed, accurate and secure written records of referrals are recorded and kept and provide advice to staff that have concerns on what to record.
- Having a working knowledge of the Sussex safeguarding policies, procedures and relevant professional guidance.
- Challenging a referral not taken up by Children's and Adult's Social Care when it is considered an appropriate case.

In addition to the above, the Council's LSO and LDSO, have responsibility to:

- Monitor the number of safeguarding referrals and outcomes of these.
- Co-ordinate and deliver training to staff, volunteers and elected members in accordance with the West Sussex Training Framework.
- Liaise with and support the Council's DSOs.
- Facilitate an internal Safeguarding Working Group and cascade relevant information from the Local

Safeguarding Boards and the District/Borough Safeguarding Officer Group.

- Ensure policy and procedures are in place and up-to-date.
- Oversee the development, implementation and monitoring of an action plan developed and updated annually (as part of Section 11 Assessment) to ensure the Council's safeguarding responsibilities are effectively carried out.
- Ensure that arrangements are made to identify staff that require training in child and adult at risk protection issues within their responsive area.
- Ensure that copies of the policy and procedures are available in their respective service areas.
- Ensuring the Council meets its statutory requirements, as set out in this report, and responds to requests from the Local Safeguarding Boards.
- Representing the Council on formal investigations into allegations of abuse led by Children and Adult Services including Serious Case Reviews.
- Working with the corporate management team and elected members to ensure that the Council's Safeguarding Policy is reflected in the Council's practice.
- Ensuring the Council is represented on the Local Safeguarding Boards and the District/Borough Safeguarding Officer Group(s).
- Ensuring that the lead elected member for safeguarding is informed and updated.

20. Associated policies

This Safeguarding Policy should also be read in conjunction with the following Crawley Borough Council documents:

- Recruitment and Selection Procedures
- ICT and social media policies and procedures
- Corporate Equalities Statement
- Complaints & Comments Policy and Procedures
- Health and Safety Policy
- Whistle Blowing Policy
- Lone Working Procedure
- Disciplinary Procedures
- Officers' Code of Conduct
- Members' Code of Conduct
- Home Office Prevent Strategy

Appendix 2

EQUALITY IMPACT ASSESSMENT

| | | | |
|---|---|------------------------------------|--|
| Name of activity: | 'Safeguarding Children, Young People and Adults at Risk Policy 2016' | Date Completed: | 4/11/2016 |
| Directorate / Division responsible for activity: | Community Services | Lead Officer: | Victoria Wise, Community Services Manager and Lead Designated Safeguarding Officer Chris Harris, Head of Community Services and Lead Safeguarding Officer |
| Existing Activity | x | New / Proposed Activity | <input type="checkbox"/> |
| | | Changing / Updated Activity | <input type="checkbox"/> |

What are the aims / main purposes of the activity? (Why is it needed? What are the main intended outcomes?)

To promote the safeguarding of children, young people and adults at risk through all services that Crawley Borough Council delivers.
 To consult with children, young people and adults at risk, so that they may help shape Crawley Borough Council's services.
 To ensure that all Crawley Borough Council staff (casual, temporary and permanent), volunteers and elected members understand that they have a duty to report allegations, disclosures and suspicions of abuse or neglect.
 To ensure that all staff are aware of their roles and responsibilities should an allegation, disclosure or suspicion of abuse or neglect occur.
 To ensure all staff are aware of their roles and responsibilities should an allegation regarding a member of staff occur.
 To ensure all staff are aware of behavioural expectations, to reduce the risk of false allegations.

What are the main actions and processes involved?

This policy seeks to ensure that all children, young people and adults at risk who come into contact with Crawley Borough staff, volunteers and elected members are fully safeguarded. It also seeks to ensure that all Crawley Borough Council staff, volunteers and elected members understand and carry out their safeguarding responsibilities effectively.

Who is intended to benefit & who are the main stakeholders? (e.g. tenants, residents, customers or staff. How will they benefit?)

The purpose of the policy is to protect and promote the welfare of the children, young people and adults at risk using or receiving services provided or commissioned by Crawley Borough Council. To also protect the council, its staff, volunteers and elected members.

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The ultimate beneficiary of this policy will be the local community – in particular children, young people and adults at risk. Crawley Borough Council has a duty to protect children, young people and adults at risk from maltreatment as well as a duty to prevent impairment.

Have you already consulted on / researched the activity? (What consultation has taken place & what were the key findings? What evidence already exists? Are there any gaps that need further investigation? What still needs to be done?)

The policy has been updated in-line with changes to legislation and statutory guidance. Other district and borough council safeguarding representatives across West Sussex have been liaised with to ensure parity where appropriate. Therefore it has been judged that full consultancy is not necessary for this policy. However, in-depth communication and (where relevant) training, with all staff, volunteers and elected members is key in delivery of this policy.

The policy works in association with the following Sussex safeguarding policies and procedures:

- Pan Sussex Child Protection and Safeguarding Procedures:
<http://sussex.procedures.org.uk/>
- Sussex Safeguarding Adults' Policy and Procedures:
<http://sussexsafeguardingadults.procedures.org.uk>

The policy is in-line with legislation and statutory guidance (detailed under evidence).

Impact on people with a protected characteristic (What is the potential impact of the activity? Are the impacts high, medium or low?)

| Protected characteristics / groups | Is there an impact (Yes / No) | If Yes, what is it and identify whether it is positive or negative |
|--|-------------------------------|--|
| Age (older / younger people, children) | No | The policy applies to people of all ages |
| Disability (people with physical / sensory impairment or mental disability) | Yes | Positive - The policy applies to all children and young people equally. With regards adults at risk – one of the criteria for establishing whether an adult is at risk or not is whether they have needs for care and support. Therefore disability could meet this part of |

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| | | |
|---|----|--|
| | | the criteria. |
| Gender reassignment (the process of transitioning from one gender to another.) | No | The policy makes no reference to gender and is applied equally to all children, young people and adults at risk. |
| Race (ethnicity, colour, nationality or national origins & including gypsies, travellers, refugees & asylum seekers) | No | The policy makes no reference to race and applies equally to all children, young people and adults at risk. Although cultural and language issues may need to be recognised and addressed. |
| Religion & belief (religious faith or other group with a recognised belief system) | No | The policy makes no reference to religion or belief and applies equally to all children, young people and adults at risk. |
| Sexual orientation (lesbian, gay, bisexual, heterosexual) | No | The policy makes no reference to sexual orientation and applies equally to all children, young people and adults at risk. |

What evidence has been used to assess the likely impacts? (e.g. demographic profiles, research reports, academic research, benchmarking reports, consultation activities, staff surveys, customer surveys, public surveys, complaints, grievances, disciplinary cases, employment tribunal cases, ombudsman cases, media reports)

Pan Sussex policies and procedures:

- Pan Sussex Child Protection and Safeguarding Procedures: <http://sussex.procedures.org.uk/>
- Sussex Safeguarding Adults' Policy and Procedures: <http://sussexsafeguardingadults.procedures.org.uk>

Legislation

- The Housing Act (1996)
- The Human Rights Act (1998)
- The Terrorism Act (2000)

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- The Licensing Act (2003)
- The Children Act (1989 and 2004)
- The Safeguarding Vulnerable Groups Act (2006)
- The Child Care Act (2006)
- The Equality Act (2010)
- The Care Act (2014)
- The Modern Slavery Act (2015)
- The Counter Terrorism and Security Act (2015)

Statutory guidance

- United Nations Convention on the Rights of the Child (1991)
- Department of Health 'No Secrets' (2000)
- Safeguarding children and young people from sexual exploitation (2009)
- Working Together to Safeguard Children (2015)
- What to do if you're worried a child is being abused (2015)
- FGM Mandatory Reporting Duty (2015)
- Information Sharing Guidance (2015)

Serious case reviews (for example, Victoria Climbié, Baby P, Orchid House, Rotherham etc) inform legislation and statutory guidance. The local West Sussex safeguarding boards respond to the recommendations from serious case reviews which feed into the Sussex policies and procedures too. Crawley Borough Council regularly reports into, and is audited by, the local WS safeguarding boards.

What resource implications are there to deliver actions from this EIA? (Quantify: people, time, budget, etc.)

For all employees who come into contact with children, young people and adults at risk, safeguarding is a fundamental part of their duties.

The Lead Safeguarding Officer and Lead Designated Safeguarding Officer both have additional safeguarding responsibilities detailed in their job descriptions.

Specific staff across key teams have additional responsibilities as Designated Safeguarding Officers and are trained to a higher level.

Budget implications for regular training for all key teams across the Council.

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| Outcome following initial assessment | | |
|---|-----|--|
| Does the activity have a positive impact on any of the protected groups or contribute to promoting equality, equal opportunities and improving relations within target groups? | Yes | If yes, record the evidence below. If no STOP and re-examine the activity. The policy supports the council's duties to protect children, young people and adults at risk from maltreatment and to prevent impairment. |
| Does the activity have a negative impact on any of the protected groups, i.e. disadvantage them in any way. | No | If yes, identify necessary changes and record appropriate actions below. If no, record the evidence and assessment is complete. The policy is fully compliant with the Equality Act and all relevant legislation, as detailed under evidence. |

| Decision following initial assessment | | | |
|---|-----|---|----|
| Continue with existing or introduce new / planned activity | Yes | Amend activity based on identified actions | No |

| Action Plan (Has the EIA identified any positive or negative impact on any of the protected groups which requires action? E.g. adjustments to the approach or documents, changes to terminology, broadening parameters of policy, etc. If so record any actions to be undertaken and monitored) | | | |
|--|---|---------------------------------|----------|
| Impact identified | Action required | Lead Officer | Deadline |
| Ensuring all staff are aware of their safeguarding responsibilities. | Revision of all job descriptions to include reference to the safeguarding policy (also highlighted in the new Agency workers' contract) | Victoria Wise and Carron Burton | 2017 |
| Ensuring all staff are aware of their safeguarding responsibilities. | Ongoing relevant training and communication regarding safeguarding responsibilities for key staff – to be regularly reviewed, particularly after recommendations from serious case reviews, changes in legislation or statutory guidance. | Victoria Wise and Carron Burton | Ongoing |

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| | | | |
|---|--|-----------------------------------|---------|
| Ensuring contractors are aware of their safeguarding responsibilities | Working closely with Procurement to ensure that safeguarding legislation is adhered to in all contracts. | Victoria Wise and Jo Newton-Smith | Ongoing |
| Ensuring all Elected Members are aware of their safeguarding responsibilities | Update Members induction handbook to include summary information and linking to the policy. Members' safeguarding seminars – if requested and appropriate. | Victoria Wise | |

Monitoring & Review

| | |
|---|---------------|
| Date of last review or Impact Assessment: | Not known |
| <p>It is recommended that this policy is reviewed whenever there are updates to relevant legislation and statutory guidance as and when required.</p> <p>Crawley Borough Council's safeguarding practices, policy, procedures and training plan are all audited in detail (through the Section 11 Audit) by the West Sussex Local Children's Safeguarding Board every two years. This is a statutory audit for all public sector organisations. In our last review, we had improved our rating and are currently designated as 'good'.</p> <p>Along with all other West Sussex district and borough councils, we are also required, on a quarterly basis, to report to both the Local Children's Safeguarding Board and the Local Adults' Safeguarding Board with all updates to our safeguarding practices as well highlighting any issues.</p> | Ongoing |
| Date of next 3 year Impact Assessment (from the date of this EIA): | November 2019 |

| | |
|---|-----------------|
| Date EIA completed: | 4 November 2016 |
| Signed by Person Completing: | Victoria Wise |
| Date Sent to HR and Equalities Team: | 4 November 2016 |
| Approved by Head of Service: | Chris Harris |

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NB – The original signed hard copy & an electronic copy should be kept within your Department for audit purposes. Send an electronic copy to the OD Officer in HR & Development. Also, please complete the summary document overleaf. This will be included on the Council's website.

The EIA Toolkit provides guidance on completing EIAs & HR&D can provide further advice.

Crawley Borough Council Equality Impact Assessment



| Completed Equality Impact Assessment | Key findings | Future actions |
|---|---|---|
| <p>Directorate / Division: Community Services</p> <p>Function or policy name: Safeguarding Children, Young People and Adults at Risk Policy 2016'</p> <p>Officer completing assessment (Job title): Victoria Wise, Community Services Manager and Lead Designated Safeguarding Officer</p> <p>Date of assessment: 4 November 2016</p> | <p>This policy is fit for purpose. It will be regularly reviewed and updated when changes to legislation or statutory guidance are implemented.</p> <p>All key staff have already received tailored training throughout 2015 and 2016 to ensure all are up-to-date with the current legislation, statutory guidance and best practice procedures.</p> <p>Once this policy is approved, all staff, volunteers and elected members will be communicated with to ensure that all have easy access to the revised policy and understand their responsibilities. Communications will be through all relevant channels including: the intranet, members' bulletin, Outline staff newsletter, Team Brief and posters on walls of depots for front-line staff.</p> <p>All staff will be sign-posted to contact the designated safeguarding officers for advice and to ensure the correct reporting procedures are followed.</p> | <p>Revision of all job descriptions to include reference to the safeguarding policy (also highlighted in the new Agency workers' contract)</p> <p>Ongoing relevant training and communication regarding safeguarding responsibilities for key staff – to be regularly reviewed, particularly after recommendations from serious case reviews, changes in legislation or statutory guidance.</p> <p>Working closely with Procurement to ensure that safeguarding legislation is adhered to in all contracts.</p> <p>Update Members induction handbook to include summary information and linking to the policy. Members' safeguarding seminars – if requested and appropriate.</p> |