

Crawley Borough Council

Overview and Scrutiny Commission

Supplementary Agenda

Monday, 29 January 2024



Chief Executive

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5 2023/2024 Budget Monitoring - Quarter 3	3 - 24
To consider report FIN/643 of the Head of Corporate Finance. (Report to follow as agreed with the Chair)	
6 2024-2025 Budget and Council Tax	25 - 66
To consider report FIN/642 of the Head of Corporate Finance. (Report to follow as agreed with the Chair)	

NOTE: The Chair has agreed that, although this report and information was not available for at least five clear days before the meeting, there are special circumstances justifying its urgent consideration.



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Crawley Borough Council

Report to Overview and Scrutiny Commission

29 January 2023

Report to Cabinet

31 January 2023

2023/2024 Budget Monitoring - Quarter 3

Report of the Head of Corporate Finance **FIN/643**

1. Purpose

- 1.1 The report sets out a summary of the Council's actual revenue and capital spending for the third quarter to December 2023 forecast to the 31 March 2024. It identifies the main variations from the approved spending levels and any potential impact on future budgets.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet:

The Cabinet is recommended to:

- a) **Agree to note the projected outturn for the year 2023/2024 as summarised in this report.**
- b) **Approve the addition to the Capital Programme of £53,635 for artificial cricket wickets and net bays funded by £43,635 contribution from England Cricket Board and £10,000 from Sussex Cricket. (para 8.8)**
- c) **Approve the addition to the Capital Programme of £115,680 to deliver the final elements of the HRA Database funded from the Housing Revenue Account (HRA). (para 8.10)**

3. Reasons for the Recommendations

- 3.1 To report to Members on the projected outturn for the year compared to the approved budget.

4. Background

- 4.1 As part of the Budget Strategy, the Council has in place robust budget monitoring systems to ensure that unapproved overspends are avoided. The Council also manages and analyses underspending to identify potential savings that could help meet current and future years' priorities.

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- 4.2 Since the budget was set in February 2023 the Council's financial situation has deteriorated significantly as reported in the 2023/24 Budget Monitoring Report – Quarter 1 ([FIN/633](#)) and The 2023/24 Budget Monitoring Report – Quarter 2 ([FIN/635](#)). The reasons for the projected overspend include pay inflation and other cost pressures, which are largely offset by the increased return on investments. However, the biggest cost pressure is the increase in the cost of homelessness. The situation with regard to Homelessness (temporary accommodation) has deteriorated further (as explained in paragraph 5.3)
- 4.3 Budget monitoring is undertaken with budget holders. There are quarterly budget monitoring reports to Cabinet with the Corporate Management Team receiving monthly update reports on key areas and any other areas of concern. The Overview and Scrutiny Commission has the opportunity to scrutinise expenditure. Quarterly monitoring information is also included in the Councillors' Information Bulletin.
- 4.4 This report outlines the forecast outturn for 2023/2024 as projected at the end of December 2023.

5. Budget Monitoring Variations

5.1 General Fund

The table below summarises the projected variance for the financial year ending 31 March 2024 and the forecast draw on reserves.

	Quarter 3 Projection £'000	Quarter 2 Projection £'000
Forecast Service Overspend	5,201	3,772
Investment Interest	(1,298)	(1,256)
Sub Total	3,903	2,516
MRP Adjustment	(778)	(778)
Delay to Renewals Transfers	(350)	0
Forecast Net Overspend	2,775	1,738
Budgeted Transfer from Reserves	262	262
Total Forecast Transfer from Reserves	3,037	2,000
General Fund Balance 01/04/2023	6,000	6,000
Use of General Fund Balance 23/24	(3,037)	(2,000)
Transfer in from Earmarked Reserves (As Per Budget Strategy)	365	365
Closing Balance 31/03/2024	3,328	4,365
General Fund Recommended <u>Minimum</u> balance	3,000	3,000

- 5.2 The forecast shows an increase in service related overspends of £1.429m from Q2 to £5.201m (£3.772m at Q2). The forecast General Fund Balance remains above the recommended minimum balance of £3m. However, it should be noted that the budget for 2024/25 (elsewhere on the agenda) will require additional appropriations in 2023/24

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from earmarked reserves for the General Fund balance to remain above the recommended minimum balance. This will be reported in the Financial Outturn Budget Monitoring Q4 2023/24 report. The reasons for the major variations (over £100,000) are detailed in section 5 below, with a more detailed summary in appendix 1.

- 5.3 Homelessness continues to be a significant pressure on the Council's budget. The forecast at Q3 is for £7.6m to be spent on temporary accommodation this financial year, resulting in a forecast overspend of £3.6m against budget (total net expenditure £4.845m). The acquisition of 6-9 Ifield Road has now been completed and will produce a saving on the use of nightly paid accommodation, however it is difficult to predict future growth as we have seen households in night paid rise from 206 in April 2023, to a peak of 280 in December 2023. Work remains ongoing to maximise income and reduce cost where it is possible.
- 5.4 Benefit overpayment recovery is expected to be lower than budgeted by £117,000. Overpayments are anticipated to reduce over time as claimants are transitioned to universal credit. This will have an impact on future budgets and is therefore discussed in the Budget Report 2024/25.
- 5.5 Town Hall/District Heat Network
A combination of factors has led to additional budget pressure of £319,000 in the current year. The DHN is modelled to produce a 4% return over a 40-year period, with the risk being in the early years as the project is established. The key factors are:
- The withdrawal of Westrock from the redevelopment of the old Town Hall has resulted in the loss of a one-off connection charge of £317k.
 - There is, and will continue to be a gap in income until the old Town Hall site is developed, as the finance model and the most efficient heat load, included that demand.
 - The cost of heating the Create Building is falling wholly on the Council. The commercial tenants will be responsible for the heat consumption on their own floors and for their share of the communal areas, significantly reducing the Council's costs.
 - The Council is still working through defects with the Council's heating and cooling system, which means we are not heating the building efficiently current.
 - The DHN is currently subject to Business Rates which will fall out for 2024/25 reducing the costs by approximately £50k.
 - The Council delayed the increase in the heat tariff to residential customers to accommodate the implications of the energy relief scheme and ensured we were not overcharging tenants in John Brackpool Court and Geraint Thomas House. With energy prices falling and the new Heat Tariff set, this reduces the Council's exposure by £21k.

The costs to the Council will fall moving forwards, but there is an ongoing question in relation to the old Town Centre site relating to connection costs, income, and heat load.

- 5.6 The expected overspend on the town hall is £668,000. This is broken down by £248,000 additional business rates (reported at Q2), a £280,000 overspend on charges from the district heat network (as detailed above) and additional electricity costs of £60k. There have also been other pressures identified in year as we have transitioned to the new building. These costs will be addressed as tenants move into the building through the service charges and as additional income is generated.

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- 5.7 Contributions to the council's renewals funds have been reduced by £350,000 for 2023/24, with similar changes also recommended for 2024/25. This will help to preserve the General Fund Balance without having an impact on planned capital expenditure in the short term. This is achieved by not contributing to IT renewals (£100k) and reducing the vehicle replacement contribution by £250k.
- 5.8 Further details of these projected variances are provided in Appendix 1(i & ii) attached to this report.

6. Virements

- 6.1 Virements up to £50,000 can be approved by Heads of Service under delegated powers and reported to Cabinet for information.
- 6.2 The Head of Economy and Planning has agreed a virement of £43,000 from Sustainability Team to the Development Management team to cover costs of temporary staff to help with the number of complex planning applications affected/delayed by water neutrality requirement.

7. Housing Revenue Account (HRA) (Crawley Homes) – Revenue

- 7.1 The HRA is a ring-fenced account that records expenditure and income on the Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the Council's own tenants.
- 7.2 The table below provides details of the 2023/2024 HRA variances projected to the end of the financial year.

	Q3 Variation £000	Q2 Variation £000
Forecast (Underspend) / Overspend	(373)	1,133
Budgeted Transfer (to) / from Reserve	(20,846)	(20,846)
Total Forecast Transfer (to) / from Reserve	(21,219)	(19,713)

- 7.3 The forecast overspend at Q3 on the repairs contract with Mears and Wates is expected to reduce slightly to £1.85m. Additionally, external repairs to buildings are forecast to be £0.197m underspent.
- 7.4 However an overall underspend is forecast. This is due to additional investment income of £1.096m. Additional rental income of £0.693m is expected due to less right to buys and more accurate property information from the new housing system. Additional service charge income will be generated from Leaseholders due to more rechargeable external painting work than budgeted of £0.425m.
- 7.5 Further details of these projected variances are provided in Appendix 1(iii & iv).

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8. Capital

8.1 The table below shows the 2023/24 projected capital outturn and proposed carry forward into 2024/25. Further details on the Capital Programme are provided in Appendix 2 to this report.

	Latest Budget 2023/24	Spend to Q3 2023/24	Estimated Outturn 2023/24	(Under)/over Spend	Re-profiled to/(from) future years
	£000's	£000's	£000's	£000's	£000's
Joint Responsibility	4,012	1580	2,012	0	2,000
Cabinet	333	137	333	0	0
Environmental Services, Sustainability & Climate Change	3,521	198	3,521	0	0
Housing Services	4,799	3,734	4,799	0	0
Planning & Economic Development	8,412	1,542	6,690	0	1,722
Resources	1,082	440	627	4	459
Leisure and Wellbeing	1,880	761	1,658		222
Total General Fund	24,039	8,392	19,640	4	4,403
Council Housing	27,841	16,605	27,665	0	176
Total Capital	51,880	24,997	47,305	4	4,579

8.2 The Joint Responsibility capital budget includes the New Town Hall Development this has slipped £2,000,000 into 2024/25 due to an on-going dispute.

8.3 The Crawley Fusion Innovation Centre budget has been increased by £2,000,000 as per exempt Cabinet report PES/451. This has now been confirmed by the Government Towns Fund Team.

8.4 The Manor Royal Cycle Improvement has slipped £1,775,935 from 2023/24 to 2025/26. This scheme is part of the Crawley Growth Programme (CGP). The CGP is working on a revised funding agreement and this scheme is part of that agreement.

8.5 The Town Centre Western Boulevard (cycle improvements) budget has been increased by £1,949,419 as per Cabinet report PES/442 funded from Bus Service Improvement Plan (BSIP) grant which is subject to agreement between West Sussex County Council and Crawley Borough Council.

8.6 Due to delays in the supply the works on the Hawth main theatre lights will be delivered in August 2024 with £50,000 slipped from 2023/24 to 2024/25.

8.7 As part of the move towards Neighbourhood Depots, the budget for Project Jupiter will commit £200,000 for the fit out of Creasey's Drive Site to become operational as a Neighbourhood Depot for the South Patch Team.

8.8 The Council has secured external funding of £43,635 from the England Cricket Board and £10,000 from Sussex Cricket to deliver artificial cricket wickets at Gainsborough Road, Cherry Lane and West Green Park and to replace two net bays at West Green Park.

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Recommendation 2.2b Approve the addition to the Capital Programme of £53,635 for artificial cricket wickets and net bays funded by £43,635 contribution from England Cricket Board and £10,000 from Sussex Cricket.

Housing Revenue Account (HRA) (Crawley Homes) – Capital

8.9 Telford Place is slipping £175,696 from 2023/24 into 2026/27. The scheme has secured Outline Planning Approval and is soon to submit the detailed Reserve Matters application to Planning. The scheme is expected to commence on-site early in 2025.

8.10 Phase 1 of the new HRA Database went live on 6th February 2023. Taking the lessons learnt and moving forward to phase 2 there will be a need to increase the capital budget by £115,680 which will be funded from the Housing Revenue Account (HRA).

Recommendation 2.2c Approve the addition to the Capital Programme of £115,680 to deliver the final elements of the HRA Database funded from the Housing Revenue Account (HRA).

8.11 Right to Buy (RTB) 1-4-1 receipts for year:

	Number of RTB sales in 2023/24	Number of RTB sales in 2022/23
Q1	3	18
Q2	1	17
Q3	2	8

Due to the low number of RTB sales the amount of capital receipts received in 2023/24 will be significant reduced. The impact for the Council will be less funding available for the capital programme in future years for both the HRA and the General Fund (as a proportion of the RTB capital receipts are used to fund GF projects).

These receipts need to be used within 5 years of receipt and can be used to fund up to 40% of new affordable homes including shared ownership dwellings.

For 2023/24 the amount that would have been paid over to the Government can be retained by the Council under the 1-4-1 flexibility scheme. [The 1-4-1 arrangement is one where the Council retains a larger proportion of right to buy receipts than they otherwise would, in return for a commitment to spend the addition receipts on building or acquiring properties.]

9. Treasury Management

9.1 The Head of Corporate Finance reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. The prudential indicators for Q3 and detailed in Appendix 3.

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10. Background Papers

[2023/2024 Budget and Council Tax - FIN/606](#)

[Treasury Management Strategy 2023/2024 - FIN/608](#)

[Budget Strategy 2024/25 – 2026/27 FIN/636](#)

[Budgeting Monitoring – Quarter 1 FIN/633](#)

[Budgeting Monitoring – Quarter 2 FIN/635](#)

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Appendix 1 (i)

REVENUE MONITORING SUMMARY 2023/24 GENERAL FUND

	Latest Budget £000's	Projected Outturn £000's	Variance £000's
Cabinet	(4,484)	(4,120)	364
Community Engagement & Culture	1,976	1,959	(17)
Environment, Sustainability & Climate Change	5,010	5,093	83
Housing	4,533	8,344	3,811
Leisure & Wellbeing	8,992	9,252	260
Planning & Economic Development	2,039	2,137	98
Public Protection	894	883	(11)
Resources	421	1,034	613
	19,381	24,582	5,201
Depreciation	(3,729)	(3,729)	0
Renewals Fund	500	150	(350)
NET COST OF SERVICES	16,152	21,003	4,851
Investment Interest	(1,607)	(2,905)	(1,298)
MRP	778	0	(778)
Council Tax	(8,221)	(8,221)	0
RSG	(223)	(223)	0
NNDR	(5,661)	(5,661)	0
New Homes Bonus	(275)	(275)	0
Service Grant	(142)	(142)	0
5% Funding Guarantee	(539)	(539)	0
Net contribution from / (-to) Reserves	262	3,037	2,775

Main Variations identified for 2023/24 - General Fund Appendix 1 (ii)

	Q3 Projected Variation £000's	Q2 Projected Variation £000's	Further Description
Cabinet			
Pay Award	280	280	£1,925 per scale point.
Covid Lost Income	(100)	(100)	Current year budget includes a £400k provision for lost income, not forecast to be used in full
Chief & Deputy Chief Executive Vacancy	(63)	0	
Communications Various	62	0	Crawley Live Costs £24k, Recruitment for Maternity leave cover and cost of covering the Maternity leave £25k
Heat Network	39	0	Remaining deficit after charges to council properties para. 5.5)
Create Building	112	111	Shortfall in income due to delays letting upper floors after using Town Hall Equalisation Reserve, £600k income budget.
Minor Variations	73	47	
	403	338	
Community Engagement & Culture			
Community Development Vacancy	(21)	(21)	Vacancy in the team, not currently planning to fill
Minor Variations	4	5	
	(17)	(16)	
Environment, Sustainability & Climate Change			
Environmental Health Team Vacancy Provision	33	39	Vacancy provision not met
Refuse Collection	(31)	0	Savings in contract costs due to a lower CPI increase than budgeted.
Port Health Income	34	27	Consignments through Gatwick lower than pre-pandemic. Some signs of improvement.
Minor Variations	47	36	
	83	102	
Housing			

Homelessness	3,584	2,692	Households in nightly paid accommodation continued to rise during Q3 with a high of 280 households (263 at Q2, 224 at Q1). See paragraph 5.3 above
Chagossian team £200k Supplementary Budget	132	122	It is uncertain whether the Council will be able to reclaim this essential expenditure from the New Burdens Funding allocated.
Benefit Subsidy & Overpayments	117	0	Benefit overpayment recovery is expected to be lower than budgeted. Overpayments are anticipated to reduce over time as claimants are transitioned to universal credit. This will have an impact on future budgets.
Minor Variations	(22)	(18)	
	3,811	2,796	
Leisure & Wellbeing			
Path/Bridge Maintenance	119	118	Urgent works required for health and safety
Community Centres	108	61	Income lower than expected and additional one-off expenditure required for necessary equipment and boiler repairs.
Play Vacancies	(65)	0	Vacancies in the Team while new structure is agreed.
Patch Working Vacancy Provision	34	34	Vacancy provision not met
Minor Variations	25	(25)	
	221	188	
Planning & Economic Development			
Development Management	51	52	Planning fees have been increased by the Government and as part of this change the time that a planning application needs to be responded to will be decreased with the potential fees received being returned. The additional income will be invested in the planning teams to enable the team to comply with new legislation.
Building Control - Water Neutrality & Building Regulations	39	50	Fee income has reduced due to water neutrality and changes to building regulations delaying residential schemes coming forward.
Minor Variations	8	(2)	
	98	100	
Public Protection			
NASB Team Vacancies	(50)	(66)	Ongoing savings within the team.

Licencing Income	74	82	License numbers lower than expected, separate report on increase fees to be cost neutral.
Minor Variations	(35)	(19)	
	(11)	(3)	
Resources			
Elections	(18)	(20)	Vacancy expected to be filled
External Legal Advice	51	51	Specialist legal advice required outside the team's expertise.
Transformation Team	(76)	0	Vacancy in the team during secondment and staff recharged to capital programme.
Town Hall Other	420	0	Charge from the district heat network £280k, Electricity £60k, some other charges due to unknowns during budget setting for 2023/24 which would be partially chargeable to tenants.
Town Hall Business Rates	248	248	The rateable value has now been assigned to the new town hall; this is an additional ongoing cost of £248k (paragraph 5.5)
Minor Variations	(12)	(12)	
	613	267	
Sub Total	5,201	3,772	
Investment Interest	(1,298)	(1,256)	Higher than expected balances due to slippage in the capital programme, coupled with higher interest rates.
MRP	(778)	(778)	Technical adjustment to the Council's Minimum Revenue Provision due to a previous overpayment. This will also be a saving in 24/25.
Delays to Renewals Fund Transfers	(350)	0	Delayed revenue contributions to renewals funds to preserve the general fund balance. IT (£100K reduction), Vehicles and plant (£250k reduction)
Total Projected Overspend	2,775	1,738	

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Appendix 1 (iii)

QUARTER 3

HOUSING REVENUE ACCOUNT			
	Latest Estimate	Projected Outturn	Variation
	£'000s	£'000s	£'000s
Income			
Rental Income	(51,503)	(52,196)	(693)
Other Income	(1,947)	(2,387)	(440)
Interest received on balances	(315)	(1,411)	(1,096)
Total income	(53,765)	(55,994)	(2,229)
Expenditure			
Employees	4,537	4,569	31
Repairs & Maintenance	14,775	16,446	1,671
Other running costs	2,469	2,673	204
Support services	3,096	3,046	(50)
	24,877	26,733	1,856
Net (Surplus) / Deficit	(28,888)	(29,261)	(373)
Use of Reserves:			
Debt Interest Payments	8,042	8,042	0
Depreciation, Revaluation & Impairment	8,131	8,131	0
Financing of Capital Programme & Transfer to Housing Reserve for Future Investment	12,715	13,088	373
Total	28,888	29,261	373

Main Variations Identified - Housing Revenue Account

	Q3 Variation £000's	Q2 Variation £000's	Further Description
Income			
Interest Income	(1,096)	(1,165)	Higher than expected balances due to slippage in the capital programme, coupled with higher interest rates.
Rental Income	(693)	0	Firstly, information available from the new housing system MIS has made reconciliations of property information easier and more accurate. Secondly, expected rental income is higher than budgeted due to the number of right buys reducing substantially during 2023/24.
Leaseholder Service Charges	(425)	0	During the year additional external painting work has been identified. This work will be recharged to Leaseholders and will result in additional service charge recovery.
Minor Variations	(15)	(15)	
	(2,229)	(1,180)	
Expenditure			
Employees			
Pay Award Costs	100	100	£1,925 per scale point.
Maternity Cover	50	50	The responsive repairs team had to recruit a temporary resource to cover a member of staff on maternity leave.
Vacancies in Housing Management Team	(88)	(44)	There were further vacancies in the Housing Management team during Q3 which are unlikely to be filled until March.
Transfer of Garage Staff to General Fund	(42)	(42)	As agreed in a growth bid submitted during 2022/23, consultation has now been completed and three members of staff have been moved from the HRA to the Garages team in the General Fund to manage lettings to maximise income.
Minor Variations	11	9	
	31	73	

Repairs & Maintenance			
Repairs Contract Overspend	1,825	2,000	The previously reported overspend on the repairs contract is expected to reduce because of the total number of repairs for Mears and Wates being lower than forecast at Q2.
Underspend on External Dec Work	(197)	0	Much of the work required is Section 20 work which takes longer to process and complete due to the requirement to issue notices and consult with residents.
Cyclical and Planned Servicing	40	40	Costs of materials and labour continue to remain high.
Minor Variations	3	3	
	1,671	2,043	
Other Running Costs			
Council Tax on Void Properties	110	110	Longer void periods have increased the Council Tax the HRA is liable for.
Housing Ombudsman	40	40	The Housing Ombudsman subscription has increased again to £5.75 per property compared to £4.60 last year and just £2.16 in 2021/22. Future years budgets will need adjusting.
Decant Costs	24	24	There have been an increased number of decants this financial year.
Minor Variations	30	23	
	204	197	
Support Services			
NASB Team Vacancies	(50)	0	There have been several vacancies in the NASB. This is the HRA's share of the resulting underspend
	(50)	0	
Total Projected Overspend / (Underspend)	(373)	1,133	

2023/24 Qtr. 3 Capital

Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/Over Spend	Slippage
	£	£	£	£	£
New Town Hall Complex *	3,741,731	1,368,855	1,741,731		2,000,000
Town Hall splitting of floors		73,994			
Old Town Hall Site Redevelopment					
Heat Network		5,875			
New Town Hall Redevelopment - Joint responsibility	3,741,731	1,448,724	1,741,731	0	2,000,000
Town Centre Fund					
Project Jupiter	270,000	131,633	270,000		
SK Renovations					
Joint responsibility	4,011,731	1,580,357	2,011,731	0	2,000,000
Garages	332,613	137,488	332,613		
Cabinet	332,613	137,488	332,613	0	0

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
2,100,000			
750,000			
2,850,000			
355,000			
200,000			
160,000			
3,565,000	0	0	0
338,897	300,000		
338,897	300,000	0	

Environmental Services and Sustainability & Climate Change					
Muslim Burial Ground Cemetery	30,000	26,227	30,000		
Little Trees					
District Heat Network Phase 2	186,651	27,840	186,651		
Flooding Emergency Works	84,976	19,209	84,976		
Tilgate Lake Bank Erosion	145,944	117,100	145,944		
Water Course Work					
Waste Vehicles 2023	3,014,856		3,014,856		
Climate Change Initiative	59,128	7,618	59,128		

39,514			
125,000	125,000		
200,000	85,000	85,000	

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Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/ Over Spend	Slippage
	£	£	£	£	£
TOTAL ENVIRONMENTAL SERVICES & SUSTAINABILITY & CLIMATE CHANGE PORTFOLIO	3,521,555	197,994	3,521,555	0	0

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
364,514	210,000	85,000	0

Housing Enabling (General Fund)					
Temp Accommodation Acquisitions	3,500,000	3,012,043	3,500,000		
Disabled Facilities Grants	1,280,306	717,441	1,280,306		
Improvement/Repair Loans	18,552	4,764	18,552		
TOTAL HOUSING (GENERAL FUND) PORTFOLIO	4,798,858	3,734,248	4,798,858	0	0

5,437,208			
1,052,466			
15,000	15,000	15,000	15,000
6,504,674	15,000	15,000	15,000

Planning and Economic Development					
Crawley Fusion Innovation Centre	1,978,979	213,823	1,978,979		
Crawley Growth Programme					
Queensway	3,513	165	3,513		
Town Centre Signage and Wayfinding	9,532		9,532		
Town Centre General					
Manor Royal Cycle Improvements	1,775,935			1,775,935	
Town Centre Western Boulevard (cycle improvements)	50,000	32,755	104,194	(54,194)	
Manor Royal Super Hub					
Station Gateway	97,866	50,165	97,866		
Town Centre Super Hub					
Town Centre Commercial Space Development	100,000	16,500	100,000		
Three Bridges Station	118,528	21,083	118,528		
Total Crawley Growth Programme	2,155,374	120,668	433,633	0	1,721,741
Towns Fund					

4,378,881			
100,000			
71,100			
	1,775,935		
2,690,049			
263,028			
570,000	4,390,000	1,836,008	
	74,231		
935,000	4,901,847		
300,000	850,000	118,865	
4,929,177	11,992,013	1,954,873	0

Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/ Over Spend	Slippage
	£	£	£	£	£
Manor Royal Business Environment Improvement Programme	500,000	125,000	500,000		
Green Business Infrastructure Grants Pillar 1	510,000	38,623	510,000		
Green Business Infrastructure Grants Pillar 2	540,233	2,544	540,233		
Manor Royal Gigabit	106,505	15,925	106,505		
Crawley Homes Green Retrofitting	1,120,882	477,324	1,120,882		
Invest in skills for Crawley Borough Council	1,500,000	548,201	1,500,000		
TOTAL PLANNING & ECONOMIC DEVELOPMENT PORTFOLIO	8,411,973	1,542,108	6,690,232	0	1,721,741
Resources					
Gigabit					
ICT Capital - Future Projects	88,400				88,400
New Website And Intranet	52,406				52,406
ICT Transformation Future	25,000				25,000
ICT Cloud	296,374	80,941	80,941		215,433
Income Management System	12,781	16,379	16,379	3,599	
Sharepoint	27,472				27,472
Agile Working	121,328	23,714	121,328		
Channel Shift	61,000	11,000	11,000		50,000
Benefits Online and Document Management System	280,000	245,126	280,000		
Spaces Booking System	17,000	8,500	17,000		
Hardware Renewals	100,000	54,091	100,000		
TOTAL RESOURCES PORTFOLIO	1,081,761	439,751	626,648	3,599	458,711

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
664,940	150,000		
320,000	170,000		
450,000			
1,200,000	630,000		
1,199,170	1,232,100		
1,337,431	1,550,000		
14,479,599	15,724,113	1,954,873	0
1,350,000			
88,400			
52,406			
25,000			
215,433			
27,472			
50,000			
1,808,711	0	0	

Leisure and Wellbeing					
Vehicle Replacement Programme	258,306	188,338	258,306		
HVO Fuels					

36,997			
32,000			

Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/ Over Spend	Slippage
	£	£	£	£	£
Refurb Playgrounds Future Schemes	239,360		239,360		
Skate Park Equipment					
Memorial Gardens Improvements	33,400		33,400		
Tilgate Park	4,769		4,769		
Nature & Wildlife Centre	10,565		10,565		
Allotments	67,095		67,095		
CCTV Upgrade	202,191		202,191		
Adventure Playgrounds	308,402	186,054	201,840		106,562
Memorial Gardens Play Improvements	16,933		16,933		
Meadowlands	71,565		5,870		65,695
Southgate Playing Fields	44,584	43,568	44,584		
Berkstead Court Play Area Bewbush	22,115	32	22,115		
Park Tennis	39,421	35,481	39,421		
Valley Close Play					
Curteys Walk Play	15,905		15,905		
Brideake Play	18,812		18,812		
Wakehams Play	53,590	53,913	53,590		
Puffin Road Play					
Browness Close Play					
Plantain Crescent Play					
K2 Crawley Replacement Chiller	160,876	160,610	160,876		
Broadfield 3G Lighting	500	500	500		
Changing Places	51,656	51,407	51,656		
K2 Crawley 3G Pitch Lighting	40,711	40,711	40,711		
Hawth Pit	169,100		169,100		
Hawth Main Theatre Lights	50,000				50,000
Hawth Auditorium Carpet					

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
46,000			
106,646			
65,695			
16,610			
19,818			
19,818			
16,610			
50,000			
80,000			

Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/ Over Spend	Slippage
	£	£	£	£	£
TOTAL LEISURE AND WELLBEING PORTFOLIO	1,879,856	760,614	1,657,599	0	222,257

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
490,194	0	0	0

TOTAL GENERAL FUND	24,038,347	8,392,560	19,639,236	3,599	4,402,709
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27,551,589	16,249,113	2,054,873	15,000
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Housing - HRA (Crawley Homes)					
Improvements -					
Decent Homes	7,656,512	3,888,023	7,656,512		
Renovations	729,971	272,700	729,971		
Insulation	3,587,517	3,966,070	3,587,517		
Renewable Technology/Carbon Efficiency	267,815	274,615	317,815		(50,000)
Compliance Works	696,488	239,233	646,488		50,000
Boilers & Heating	619,510	422,221	619,510		
Electrical Test & Inspection	780,227	683,252	780,227		
Adaptations For The Disabled	800,000	530,033	800,000		
Hostels	37,800		37,800		
SHDF Social Housing Decarbonisation	2,380,000	95,836	2,380,000		
SHDF CBC Match Funding	1,200,000	52,440	1,200,000		
TOTAL HRA IMPROVEMENTS	18,755,840	10,424,423	18,755,840	0	0

4,272,564	6,500,000		
429,801	650,000		
400,000	669,874		
241,247	250,000		
850,000	1,450,000		
700,000	1,500,000		
782,005	850,000		
500,000	1,300,000		
100,000	100,000		
4,412,086			
6,350,000			
19,037,703	13,269,874	0	

Other HRA (Crawley Homes)					
HRA Database	53,051		53,051		
Acquisition Of Land Or Dwellings	7,000,000	5,158,689	7,000,000		
Forge Wood	13,088	12,535	13,088		
Telford Place Development	207,093	23,877	31,397		175,696
Forge Wood Phase 2	73,785	15,588	73,785		
Forge Wood Phase 4					
5 Perryfields	18,286	8,779	18,286		

10,857,333			
1,235,389	1,128,115		742,338
1,150,000	10,020,000	9,371,753	
4,034,751	4,094,236	4,304,895	
281,061	293,824		

Scheme Description	Revised Budget 2023/24	Spend to Date	Projected Outturn	(Under)/ Over Spend	Slippage
	£	£	£	£	£
Carey House	251,752	203,003	251,752		
Fairlawn House	207,134	3,009	207,134		
Milton Mount Major Works	456,229	456,229	456,229		
Breezehurst Phase 2	50,000	4,439	50,000		
Orchards Hostel					
Water Neutrality	448,876	142,977	448,876		
Contingencies					
Prelims	245,949	103,733	245,949		
Lifeline Digital Switchover	60,000	47,372	60,000		
TOTAL OTHER HRA	9,085,243	6,180,230	8,909,547	0	175,696

Budget 2024/25	Budget 2025/26	Budget 2026/27	Future Years
£	£	£	£
1,500,000	5,000,000	7,000,000	1,171,001
	338,485		
500,000			
	1,359,502		
60,000			
19,618,534	22,234,162	20,676,648	1,913,339

TOTAL HRA	27,841,083	16,604,653	27,665,387	0	175,696
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38,656,237	35,504,036	20,676,648	1,913,339
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TOTAL CAPITAL PROGRAMME	51,879,430	24,997,213	47,304,623	3,599	4,578,405
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66,207,826	51,753,149	22,731,521	1,928,339
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FUNDED BY

Capital Receipts	(7,842,387)	(2,380,577)	(5,046,286)	(3,599)	(2,799,700)
Capital Reserve	(1,523,031)	(131,633)	(1,576,700)		53,669
Better Care Fund (formally DFGs)	(1,280,306)	(717,441)	(1,280,306)		
External Funding	(8,678,394)	(1,548,865)	(7,332,329)		(1,346,065)
HRA Revenue Contribution	(19,673,287)	(14,438,957)	(19,567,870)		(105,418)
Replacement Fund/Revenue Financing	(4,929,099)	(2,291,694)	(4,859,724)		(69,375)
Section 106	(480,628)	(240,490)	(239,389)		(241,241)
1-4-1	(2,673,906)	(2,022,723)	(2,603,627)		(70,275)
Borrowing	(4,798,392)	(1,224,833)	(4,798,392)		
TOTAL FUNDING	(51,879,430)	(24,997,213)	(47,304,623)	(3,599)	(4,578,405)

(6,826,033)	(4,909,657)	(351,927)	
(252,406)			
(1,052,466)			
(17,459,088)	(10,784,146)	(1,578,634)	
(20,409,225)	(27,407,095)	(12,405,989)	(1,148,004)
(543,894)	(315,000)	(15,000)	(15,000)
(392,581)	(240,311)	(109,312)	
(7,320,525)	(8,096,940)	(8,270,659)	(765,335)
(11,951,608)			
(66,207,826)	(51,753,149)	(22,731,521)	(1,928,339)

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Appendix 3

Estimate of CFR £'000	2022/23	2023/24	2024/25	2025/26
	Actual	Forecast	Forecast	Forecast
Capital Financing Requirement				
CFR – General Fund	18,029	19,730	25,053	24,344
CFR - HRA	249,325	240,410	233,925	220,925
CFR – Non-financial investments	0	0	0	0
Total CFR	267,354	260,140	258,978	245,269
Movement in CFR	7,951	(7,214)	(1,162)	(13,709)

Movement in CFR represented by				
Net financing need for the year (above)	8,698	4,798	11,952	0
IFRS 16 leases	44			
Less MRP/VRP and other financing movements - GF	(791)	(12)	(114)	(709)
Less MRP/VRP and other financing movements - HRA		(12,000)	(13,000)	(13,000)
Movement in CFR	7,951	(7,214)	(1,162)	(13,709)

Liability benchmark £'000	2022/23	2023/24	2024/25	2025/26
	Actual	Forecast	Forecast	Forecast
Total CFR	267,354	260,140	258,978	245,269
Less: Balance sheet resources	(86,244)	(53,971)	(28,059)	(13,078)
Working capital	(29,779)	(20,000)	(20,000)	(20,000)
Net loans requirement	151,331	186,169	210,919	212,191
Plus: Liquidity allowance	10,000	10,000	10,000	10,000
Liability benchmark	161,331	196,169	220,919	222,191

Gross debt and the CFR £'000	2022/23	2023/24	2024/25	2025/26
	Actual	Forecast	Forecast	Forecast
External Debt				
Debt at 1 April	249,325	249,325	237,325	227,325
Expected change in Debt	0	(12,000)	(10,000)	(7,000)
Other long-term liabilities (OLTL)	44	31	19	13
Expected change in OLTL	(13)	(12)	(6)	(7)
Actual gross debt at 31 March	249,356	237,344	227,338	220,331
The Capital Financing Requirement	267,354	260,140	258,978	245,269
(Under) / over borrowing	(17,998)	(22,796)	(31,640)	(24,938)

Operational boundary £'000	2022/23	2023/24	2024/25	2025/26
		Estimate	Estimate	Estimate
Debt		249,325	237,325	227,325
Other long term liabilities		19	13	6
Total		249,344	237,338	227,331

Authorised limit £'000	2022/23	2023/24	2024/25	2025/26
		Estimate	Estimate	Estimate

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Debt		269,325	257,325	247,325
Other long term liabilities		19	13	6
Total		269,344	257,338	247,331

Financing costs as a proportion of net revenue stream	2022/23	2023/24	2024/25	2025/26
		Estimate	Estimate	Estimate
HRA		12.81%	11.28%	11.40%
GF		(12.01)%	(9.58)%	(1.20)%

Net income from commercial and service investments as a proportion of net revenue stream	2022/23	2023/24	2024/25	2025/26
		Estimate	Estimate	Estimate
Commercial and service investments		25.46%	18.52%	21.18%

Agenda Item 6

Crawley Borough Council

**Report to Overview and Scrutiny Commission
29 January 2024**

**Report to Cabinet
31 January 2024**

2024/2025 Budget and Council Tax

Report of the Head of Corporate Finance (s151 officer), **FIN/642**

1. Purpose

- 1.1 The Council has a statutory responsibility to set Council Tax and its 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 2023 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 2024/2025 considering 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 2024/25 Budget and to:

- (a) Approve the proposed 2024/25 General Fund Budget which includes using £1,202,470 of general fund reserve as set out in section 6,**
- (b) Approve the proposed 2024/25 Housing Revenue Account Budget as set out in Appendix 5 of the report which includes the savings and growth items as set out in section 9,**
- (c) Approve the 2024/25 and future years Capital Programme and funding as set out in section 10 of the report,**
- (d) Agree the transfers between reserves as outlined in section 11 of the report.**
- (e) Agree that the Council's share of Council Tax for 2024/25 be increased by 2.99% an increase of £6.76 from £225.34 to £232.10 for a band D property as set out in paragraph 5.11,**

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- (f) **Approve the Pay Policy Statement for 2024/2025 as outlined in paragraph 12.4 and Appendix 8 of the report noting that the pay award has yet to be agreed,**
- (g) **Approve the Capital Strategy as outlined in paragraph 10.1 and Appendix 9 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 2024/25 General Fund and Housing Revenue Account Budgets and the overall Capital Programme will be recommended for approval by Full Council on 21 February 2024.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are income from investment and commercial properties, 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 the Housing Revenue Account (HRA).
- 4.3 There have been a number of major financial pressures on the General Fund since the start of the global financial banking crisis in 2008, followed by the impact of the pandemic, the move away from the European Union then the continuing war in Ukraine which has impacted the cost of utilities, interest rates and general inflation. In common with all authorities there have been significant reductions in Government funding over the last 13 years, which are likely to continue in the coming years. The worldwide issues over the last four years have had a significant impact on the Council's finances. Crawley is also seeing the continuing financial impact due to Water Neutrality imposed by Natural England (where any new development must demonstrate that water usage is equal or less) which severely restricts development. This has impacted revenue sources like the New Homes Bonus, the Council Tax base as well as Planning fees and services like homelessness.
- 4.4 The Council's financial outlook has worsened significantly during 2023/24 due to escalating cost pressures mainly due to the continuing increase in the cost of temporary accommodation as well as pay and price inflation. These financial pressures have led to an increased budget gap which can only be met by the draw down from reserves in the short term and the current service delivery is not sustainable in the long term without adequate funding for the temporary accommodation crisis.
- 4.5 The [Budget Strategy 2024/25 – 2026/27 FIN/636](#) was considered by the Cabinet on 29 November 2023 and approved by Full Council on 13 December 2023. The Strategy was prepared against a background of escalating cost pressure due to the continuing increase in the cost of temporary accommodation as well as pay and price inflation. This has resulted in an increasing budget gap. The uncertainty around Local Government Funding and the significant increase in cost pressure has resulted in the forecast becoming increasingly volatile and unpredictable. The strategy therefore focuses on a shorter, three-year, period as reserves become depleted at an accelerated rate.

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- 4.6 The September forecast position for 2023/24 shows a net overspend of £2.516m. Full details of the September forecast can be found in the Quarter 2 Budget Monitoring Report FIN/635. These cost pressures have escalated further in 2023/24. The spend on Temporary accommodation continues to increase with the latest estimate at Q3 2023/24 indicating £3.6m additional net expenditure (an increase of £900k from the Q2 estimate). The scale of the increase, even with the Council's proactive approach to homelessness including the acquisition of additional units without adequate government funding has left the Council with no other option than to fund the shortfall from reserves, which is not sustainable in the longer term. The position will remain under review for the remainder of the year, but it has been assumed that many of these pressures will continue into 2024/25 and have therefore been included in the budget.
- 4.7 The Budget Strategy forecasts a budget gap of £1.012m for 2024/25 to be met by a draw down from the General Fund reserve whilst maintaining the minimum recommended balance of £3m. A key part of developing the budget for 2024/25 is to consider the current in year position. The additional budget pressures identified in the Q3 Budget Monitoring report elsewhere on the agenda are assumed to continue and have been addressed in the Budget for 2024/25. The budget for 2024/25 requires a drawdown of £1,202m from the General Fund reserve to balance the budget. This is a net increase of £190k. However, it should be noted that the additional underlying budget pressure: Homelessness £1.070m; Town Hall £630k; and Housing Benefits Subsidy £250k have been met by an increase in Business Rates for 2024/25 of (£2.326m). Appendix 1 summarises the changes between the approved Budget Strategy 2024/25 and the proposed 2024/25 Budget. The movement from the original budget 2023/24 to 2024/25 Budget are summarised in table 2 section 6.

5. Funding

- 5.1 Over recent years there have been changes to Local Government Funding. There has been a move away from multiyear settlements and Councils have had to rely on one-year provisional settlements published in December each year (followed by the final settlement in February the following year). This has made forecasting very difficult. The last two years has seen a policy statement issued by the Government in early December. However, the Council had to wait until the publication of the Provisional Local Government Finance Settlement before there was any certainty around expected funding.

Government Funding

- 5.2 The [Provisional Local Government Settlement](#) was announced on 18 December 2023. The 2024/25 settlement is the second year of a two-year settlement. This is in line with the Autumn Statement published on 22 November 2023. The Settlement does not provide funding for the cost pressures resulting from pay and inflation. In addition, there has been no new funding to address the significant and escalating cost pressure from temporary accommodation.

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5.3 Table 1 below summarises the Settlement and the change from the previous year.

	2023/24 £'000	2024/25 £'000	Change £'000
Retained Business Rates	5,661	7,987	2,326
Council Tax	8,180	8,602	422
Government Grants			
New Homes Bonus	275	35	(240)
Revenue Support Grant	223	238	15
Services grant	142	23	(119)
Funding Guarantee	539	971	432
Tax Income Guarantee	41	0	(41)
Total Government Grants	1,220	1,267	47
	15,061	17,856	2,795

New Homes Bonus

5.4 An allocation of £35,000 has been awarded for 2024/25, compared to £240,000 for 2023/24. The payment was for the affordable homes premium as the number of units added was below the baseline. The Council has been severely affected by the Water Neutrality issue which continues to restrict development. The 2024/25 allocation is lower than anticipated in the Budget Strategy. However, it has been compensated by the Funding Guarantee. It has been assumed in the projections that it will continue in some form going forward.

Services Grant

5.5 The Services Grant continues was reduced significantly in the Settlement to £23,183. This was compensated by the Funding Guarantee grant

Funding Guarantee

5.6 The Funding Guarantee is designed to ensures that all councils see at least a 3% increase in their Core Spending Power before any decisions on council tax levels. This has increased by (£432k) to compensate for the reduction in New Homes Bonus and Services grant.

Retained Business Rates

5.7 Although the Council will collect in over £135 million in business rates during 2024/25, the amount it retains is much smaller. This is due to:

- Crawley only retains 40%, with 50% going to the Government retain and 10% to West Sussex County Council.
- The Council 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. This is where the Government state that need is less than business rates collected. These are applied if a Council's retained share is more than 7.5% below Government set figure (safety net) or above it (a levy of 50%).

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5.8 The projected retained rates amount for 2024/25 is set out below:

	£
Council's share of non-domestic rates income	55,558,904
Tariff	-49,719,433
Levy	-1,957,870
Additional rates due to renewable energy	959
S31 Grants	3,434,069
Total retained for the year	7,316,629
Surplus in 2023/24 financial year	1,382,582
Transfer to the Business Rates Equalisation Reserve	-712,202
Total	7,987,009

5.9 The Section 31 Grants reimburse the Council for business rate reliefs, including retail, hospitality and leisure, given by the Government which have reduced the retained rates that the Council would otherwise have received.

5.10 A business rates equalisation reserve has been established to mitigate variations in business rates income. The reserve is £5m at 31 March 2023, there is an anticipated use of £0.712m in 2023/24 which will be replenished during 2024/25.

Council Tax

5.11 The [Provisional Local Government Settlement](#) confirmed the council tax referendum principles remain at a referendum threshold of 3% or £5, whichever is higher, for shire districts. The budget strategy assumes an increase of 2.99% per annum on a Band D property.

Recommendation 2.2(e): to agree that the Council's share of Council Tax for 2024/25 be increased by £6.76 - 2.99% to £232.10 for a band D property.

6. 2024/25 Budget

6.1 The approved [Budget Strategy 2024-25](#) identified significant financial pressures and the need keep the General Fund recommended minimum balance at £3m whilst recognising the need to draw down from reserves to balance the budget over the period to 2026/27. The General Fund Balance had been built up to £6m to cover the risk associated with the anticipation to use reserves where the New Town Hall was still being built but the upper floors yet to be let. However, this reserve will be called on in the current financial year due to the additional costs of homelessness, pay and inflation. Savings for future years will be required to maintain a sustainable budget as outlined below.

6.2 Details of the proposed 2024/25 Budget are set out in Appendix 2.

6.3 Table 2 below shows the major movement between the current financial year and 2024/25. Further details are provided in section 6 of the report. This shows the need to transfer £1,202,645 from the General Fund reserve to balance the budget in 2024/25.

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Table 2 – Movement in budgets between 2023/24 and 2024/25

	£'000	£'000
2023/24 Budget Gap		262
Inflation		
Pay Awards (£1,925)	1,028	
Running Costs (CPI at September 6.7%)	368	
Other (Includes Waste Contract)	407	
Fees & Charges (7%)	(539)	
Inflation Total		1,264
Homelessness		3,070
Town Hall Business Rates, Vacant Floors & Utility Costs		867
Town Hall Rental Income (Assumed Three Floors)		(600)
HRA Recharges		(488)
Investment Properties Income		633
K2 Crawley Agreement		(307)
Benefit Subsidy & Reduced Benefit Overpayment Recovery		250
Challenge of Budget Savings (Appendix)		(236)
External Audit (Housing Benefit and Final Accounts)		53
Car Parking Income		(100)
Growth (Table/Appendix?)		208
Other		(16)
Investment Income		213
Renewals Contributions		(350)
MRP Policy Review & Overpayment Redemption		(726)
Changes in Funding		
Council Tax	(422)	
Business Rates Retention	(2,326)	
Government Grants	(47)	
Total		(2,795)
2024/25 Budget Gap		1,202

Pay and Prices

- 6.4 The additional budget for 2024/25 for pay and prices (net of fees and charges) is £1.264m. The 2023/24 pay award for local government employees (NJC) was confirmed in November 2023 and staff received a flat pay award of £1,925 for staff on NJC grades and 3.88% for CMT. The pay award for 2024/25 is unlikely to be agreed until well into 2024. An allocation allowing for a 3.5% increase has been included in the budget for 2024. If the final award exceeds 3.5%, this will need to be funded in year from service mitigations or corporate resources and will be addressed as part of the 2025/26 budget planning process.

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- 6.5 There are signs that the high levels of inflation experienced in the last couple of years is now beginning to fall with the Consumer Price Index (CPI) reducing to 4.0% in December 2023 (3.9% November). This trend is anticipated to continue over the coming year but at a slower rate. The budget reflects the 6.7% CPI at September 2023 with allowance for specific contract indexation.
- 6.6 The Budget Strategy for 2024/25 to 2026/27 assumes an increase in fees and charges of 7% where feasible (in line with September's CPI of 6.7%). A 7% increase in fees and charges has been built into the budget where feasible. A schedule of most of the Council's fees and charges is available on the website. The Council increased fees and charges below the level of inflation in 2023/24.

Homelessness

- 6.7 The budget strategy assumed a £2m increase in the net cost of homelessness. This was based on the £2.7m additional net expenditure forecast in the Q2. The situation has deteriorated even further with the Q3 monitoring report (elsewhere on the agenda) predicting a £3.6m overspend against budget. The budget has been increased by £3.1m, this is because the Council is taking a proactive approach to homelessness including the acquisition of 6-9 Ifield Road and further potential acquisitions (subject to satisfactory business case). The below shows the growth in the cost of Temporary Accommodation since 2018/19:

Table 3 Growth in the cost of Temporary Accommodation

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 Projection	2024/25 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TA Spend	456	333	1,295	2,208	4,656	7,600	7,000
TA Income	(194)	(139)	(511)	(773)	(1,344)	(1,900)	(1,750)
Net cost of TA	262	194	784	1,435	3,312	5,700	5,250
Income recovery*	43%	42%	39%	35%	29%	25%	25%

*Income is limited in statute to £138.46 a week (frozen at 2011 level), as the marginal cost of TA increases, recovery % reduces.

- 6.8 The availability of temporary accommodation in the Borough is severely limited and the Council is competing with placements from London Boroughs and the Home Office. The Home Office does not have the same restrictions around housing benefit subsidy as the Council. The situation is exacerbated for the Council by the amount recoverable from housing benefit being frozen to 2011 LHA (Local Housing Allowance) rates. This means that whilst the marginal cost of additional units of temporary accommodation has significantly increased, the proportion that can be recovered through Housing Benefit has reduced.
- 6.9 It was announced in the autumn statement that LHA rates would be increased in April 2024 to match the 30th percentile of local rents as of September 2023, meaning that the cheapest 30% of rents in Crawley should be affordable to those claiming universal credit. This should help to reduce further evictions and therefore new presentations to the Council; however, this is difficult to quantify at this stage.

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- 6.10 The Council continues to proactively lobby Government to recognise that the rising demand and cost of homelessness must be fully funded and that the current situation poses a critical risk to the Council's financial resilience as well as the Local Government sector.

Town Hall – Business Rates, Vacant Floors and Rental Income

- 6.11 The letting of the upper floors of the town hall is a significant net revenue stream to the Council. The 2024/25 Budget allows for the letting of three floors coming on stream against void costs associated with the vacant floors. The void costs consist of business rates liabilities and more certain costs of running the Create building which, once fully let, will be shared with tenants through the service charge. The budget assumes three floors fully let for 2024/25 resulting in increased income of (£600k) against void rates of an additional £460k, electricity, heating and other costs associated with running the new building of £407k.

HRA Recharge

- 6.12 The HRA recharge for services provided by the General Fund has been increased to reflect the increase in support service costs included in the budget for 2024/25 and to more accurately reflect the Grounds Maintenance charge to the HRA.

Investment Property Income

- 6.13 The main reason for the reduction in Investment Property Income is that a property will be vacant for a period from 2024. This is to allow the building to be refurbished and a new tenant to be found. The commercial letting sector has become very volatile and difficult to predict with many organisations continuing hybrid workings and reconsidering their office space requirements. It is assumed that any refurbishment work will be met from dilapidations.

Benefit Subsidy and Reduced Benefit Overpayment Recovery

- 6.14 Benefit overpayment recovery is anticipated to reduce over time as claimants are transitioned to universal credit (UC). The transition to UC has also resulted in more complex cases remaining with the Council which attract proportionately less Housing Benefit. These factors have led to a forecast reduction of £250k for 2024/25.

Challenge of Budget Savings

- 6.15 The in year budget challenge savings of (£236k) as reported in the Budget Strategy Report are detailed in appendix 3.

Budget Growth

- 6.16 The budget growth items of £257k as identified in the Budget Strategy are contained in appendix 4.

Renewals Fund Contributions

- 6.17 Renewals Fund contributions have been reduced as these had been increased to fund the Refuse vehicles which were purchased in the current year and there is sufficient funding in the existing reserves to fund anticipated expenditure for 2024/25.

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Minimum Revenue Provision (MRP)

- 6.18 A review of the Minimum Revenue Provision (MRP) has identified a saving of £726k due to a previous voluntary overpayment. Where the Council has used borrowing (either internal or external) it is required to set aside money each year from its revenue account to make sure it can afford to repay the debt. The provision must be prudent, and the Council can make a voluntary overpayment. The Council's MRP relates to the appropriation of garages from the HRA to the General Fund and technical adjustments also identify future year savings by switching the calculation to an annuity basis rather than straight line so that MRP begins lower but increases in line with income received.

7. 2025/2026 Budget Projections

- 7.1 Table 4 below shows the updated budget projection for the period to 2026/27.
- 7.2 The figures for 2025/26 and future years are difficult to predict because of the uncertainty over the Funding review, business rates reset and the funding of service pressures like temporary accommodation which are highlighted in the report.

Table 4	2025/26 £000's	2026/27 £000's
Base Budget	19,792	20,143
Investment interest (- receivable, + payable)	(110)	127
Net Budget (A)	19,682	20,270
Funded by:		
Council Tax	8,845	9,200
Retained Business Rates	7,576	4,754
Non-Ringfenced grants	795	259
Total Funding (B)	17,216	14,213
Budget Gap (A-B)	2,466	6,057

- 7.3 The main assumptions in the forecast are summarised in table 5 below:

Table 5	2025/26	2026/27
Pay Award	2.50%	2.00%
Running costs	0%	0%
RPI	4.28%	2.26%
CPI	3.54%	1.64%
Gas	-20.00%	2.70%
Electricity	-15.00%	2.26%
Customer receipts	2.00%	2.00%
Tax Base change	1.00%	1.00%

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7.4 Work on identified in the Budget Strategy 2024/25 to 2026/27 to balance the budget over the next 12 months to 18 months has commenced. However, these measures are becoming increasingly difficult as the budget gap for 2023/24 has increased. The actions identified in the strategy are summarised below:

- To continue the budget challenge process to identify permanent savings.
- To continue the Asset Review - to identify assets that do not deliver income or where increased income is achievable. The review will include lease reviews with the objective of optimising income. Where the review identifies an asset that does not fulfil its intended purpose or value for money consideration must be given to an exit strategy for that asset including disposal
- To continue the review of reserves including renewals funds to determine appropriate levels and to free up resources to support higher level priority projects and to support the General Fund if required.
- To review Capital programme to ensure that it remains affordable and aligned to the Council's priorities. This review will include capital reserves and the financing of the capital programme to ensure the most effective use of limited resources.
- Identify additional income opportunities through the commercialisation agenda. Where possible ensure that discretionary service is self-financing.
- Continue with thematic reviews identified as part of the Transformation Plan and carry out service reviews to improve services and drive future efficiencies. These reviews are in early stages and will be reported to future Overview and Scrutiny and/or Cabinet meetings.

7.5 Where budgetary proposals identify the need for the reduction of, or closure or discontinuance of a service, appropriate consultation will need to be carried out. The Council will also have to have due regard to the public sector equality duty under section 149 of the Equality Act 2010 in making their decisions. The equalities impact will be addressed on proposals as they are developed.

Sensitivity Analysis

7.6 With there being so many unknowns around inflation the table below shows the impact on the projected gap on making changes to these assumptions. The Table below shows the impact of changes in inflationary factors.

Table 6 – Sensitivity Analysis

	2024/25 £'000	2025/26 £'000	2026/27 £'000
Gap in Table 3 above	1,202	2,466	6,057
Gap with -			
An increase in pay by 1% in 24/25	1,372	2,643	6,235
Pay Increase by 1% less in 24/25	1,033	2,292	5,878
Additional Town Hall Floor Let	702	1,967	5,557
One Fewer Town Hall Floors Let	1,702	2,967	6,557

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8. Treasury Management

- 8.1 Treasury management is the management of the Council's cashflow, investments and borrowing to ensure cashflow is adequately planned and the Council can meet its spending commitments. This includes the investment interest on the Council's deposits, notional interest on deferred capital receipts, debt interest, Minimum Revenue Provision (MRP) and costs associated with treasury management.
- 8.2 The assumptions made in the 2024/25 budget are contained in the Treasury Management Strategy 2024/25 (FIN/644).

9. Spending Plans – Crawley Homes Council House Service – Housing Revenue Account (HRA)

- 9.1 The HRA is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.
- 9.2 The main features of the HRA are:
- It is a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities (under the powers and duties conferred on them in Part II of the Housing Act 1985)
 - It is a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund. There is no general discretion to breach the ring-fence.
 - Income and expenditure is prescribed by statute
 - The HRA should be based on accruals in accordance with proper accounting practices, rather than cash accounting
 - It cannot budget for a deficit
 - All borrowing within the HRA is in line with the CIPFA Prudential Code
- 9.3 The MHCLG issued updated guidance on the operation of the HRA ring-fence in November 2020, whilst it did not introduce any new principles it recognised that the landscape has changed with regard to the mix of ownership in Council estates. The guidance "highlights the need to be fair to both tenants and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund".
- 9.4 This budget report presents the HRA budget for 2024/25. The Budget Strategy 2024/25 – 2026/27 FIN/636 reported that the HRA 30-year Business Plan will be reviewed and reported to full Council during 2024/25.
- 9.5 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2023/24 budget and 2024/25 budget are as follows.

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- 9.6 Savings identified in the Challenge of budgets exercise for the HRA are shown in the table below

Table 7 Crawley Homes Challenge of Budgets Savings

	£'000
NASB Team Vacancy and operational costs	21
Total identified	21

Growth Bids

- 9.7 The new Social Housing Act and Building Safety Act has substantially increased the regulatory requirements for social housing providers, including regulatory inspection every four years. Demand for Crawley Homes repairs services has increased significantly. This relates to national campaigns concerning the fitness of social housing stock (including damp and mould). The Housing regulator has stipulated that councils must know their stock and that it must meet regulatory standards. The last stock condition survey was completed in 2011. In order to meet these requirements growth is required in both the planned maintenance and responsive repairs teams. A report was presented to Cabinet on 10 January 2024 providing details of the HRA growth bid for £399,000.

Rental income

- 9.8 Setting the rent of dwellings held in the HRA is delegated to the Cabinet Member for Housing in consultation with the Head of Corporate Finance.
- 9.9 The decision by the Cabinet Member for Housing - Housing in the Revenue Account Property Portfolio Rents for 2024/25 report CH/204 recommended:
- To implement a 7.7% (CPI+1%) increase for social and affordable dwelling rents.
 - To increase shared ownership and hostel rents by 7.7% (CPI+1%).
 - To increase service charges as detailed below.

Service Charges

- 9.10 Report CH/204 also provided for the increase of service charges to reflect the actual cost of providing the service. For 2024/25 this will be applied to the cleaning and clearance service, and it is expected that it will generate £60,000 offset by additional vehicle maintenance requirements of £15,000 for a net total of £45,000.
- 9.11 Work on further updating service charges for grounds maintenance and electricity costs will continue throughout 2024/25 with revised charges proposed to be applied from 2025/26. These and other non-cleaning and clearance elements of the service charge will be increased by the Council's agreed fees and charges increases which is 7%.
- 9.12 The budget also reflects additional service charge income from leaseholders for rechargeable work undertaken on leasehold properties such as external painting.

Interest

- 9.13 The HRA has a share of the interest that is generated through Treasury Management activity and the management of cash received. The share is based on the average level of HRA reserves. Due to slippage in the capital programme, resulting in higher

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than forecast balances, coupled with increases to interest rates achieved in 2023/24 and predictions for 2024/25, additional interest is forecast resulting in an estimated budget for 2024/25 of £1.170million.

Expenditure

- 9.14 Housing Revenue Account Property Portfolio Rents for 2024/25 CH/204 detailed the following additional expenditure.

Pay award

- 9.15 Staff received a flat pay award of £1,925 in 2023/24, with a forecast 3.5% increase for 2024/25.

Repairs & Maintenance

- 9.16 The HRA has continued to see an increase in the cost of its repairs and maintenance contracts, reporting a £1.825m overspend for Q3. There are a variety of reasons including an increased cost of supply due to high inflation, high void numbers & high sickness levels resulting in the use of sub-contractors. Therefore, we are proposing to increase the repairs budget to £14m from £11.9m, a 17.6% increase.
- 9.17 The Social Housing Regulator has been given directive from Government to charge Local Authorities for being members of the regulator. Additionally, the cost of being subscribed to the Housing Ombudsman has doubled in the last 2 years. Overall, it is expected that this will cost the HRA an additional £110,000 next financial year. Increasing rental income will help offset these additional costs.

Other Costs

- 9.18 Other running costs for 2024/25 shown in appendix 3 include an increase in the grounds maintenance recharge from the General Fund of £180,000 (see table 1 in section 4) to better reflect the work undertaken.
- 9.19 The support services line in appendix 3 contains the staff costs for running the HRA and HRA share of central and corporate costs of the Council. The 2024/25 budget reflects the pay award and the recharge of other costs.

Inflation

- 9.20 The budget includes an allowance for the additional cost of inflation on cyclical and planned maintenance and utilities.

Recommendation 2.2 (b) to approve the proposed 2024/25 Housing Revenue Account Budget as set out above and Appendix 5 of the report which includes the savings and growth items as set out above.

Capital

- 9.21 In 2012 the Council was required to take out a £260m loan as part of the move to self-financing (report FIN/257). The loan repayments started in March 2023 with another repayment due March 2024. As the loan goes down there will be corresponding savings in interest payments. The loan repayments will be funded from the Housing Capital Investment Reserve. As the loan is paid back further borrowing will be required in future years to fund the HRA Capital Programme, this will be reflected in the 30-year Business Plan.

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9.22 The Crawley Homes (HRA) capital programme is outlined in paragraph 11 below. It will be funded from HRA resources, HRA capital reserves, 1-4-1 Right to Buy receipts and borrowing as appropriate.

Reserves

9.23 The Housing Revenue account balance is estimated to be just over £3 million at the end of 2023/24, this is an acceptable balance.

9.24 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used for debt repayment and on future housing development programmes.

10. Capital Programme

10.1 The Capital Strategy contained at Appendix 9 sets out how the Council will determine capital spend and use capital resources to achieve the Corporate Objectives and support service delivery. This includes the appraisal process for capital investment decisions and the subsequent funding requirements.

10.2 The December 2023 [Budget Strategy](#) report reaffirmed 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 but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

10.3 Capital resources are extremely limited. The current programme is currently £12m unfunded due to the drying up of Right to Buy Receipts, where a proportion can be used for GF capital expenditure. The level of capital receipts are normally around £3m per annum but are less than £300k in the current year. This leaves a balance of approximately £7m unfunded capital expenditure over the programme. Any additional capital investment is likely to require borrowing which will have consequences on future revenue budgets.

2023/24 to 2026/27 and future years Capital Programme

10.4 The Table below sets out the proposed capital programme and funding for 2023/24 to 2026/27 and future years based on the existing approved programme as per Quarter 3 Budget Monitoring report (FIN/634) including the recommendations to increase in HRA Programme Maintenance and Garages Maintenance.

Table 8 – Capital Programme

	2023/24	2024/25	2025/26	2026/27	Future years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
TOTAL Agrees with Q3 Monitoring FIN/634	47,305	66,207	51,753	22,732	1,928	189,925
Recommendations						
HRA Maintenance Programme				13,950		13,950
Garage Repairs/Maintenance				300		300

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Revised Capital Programme	47,305	66,207	51,753	36,982	1,928	204,175
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Funded by -						
Capital Receipts	5,046	6,826	4,909	352		17,133
Capital Reserve	1,557	251				1,808
1-4-1 Receipts	2,604	7,321	8,097	8271	765	27,058
HRA revenue contribution	19,568	20,409	27,408	26356	1148	94,889
Section 106 contributions	240	393	240	109		982
External funding	7,333	17,459	10,784	1,579		37,155
Replacement Funding/Revenue Financing	4,879	544	315	315	15	6,068
Borrowing	4,798	11,952				16,750
Better care fund (formally DFG's)	1,280	1,052				2,332
TOTAL	47,305	66,207	51,753	36,982	1,928	204,175

10.5 The table below gives the detail of the capital investment plan for Crawley Homes of £13,95m to be included in the capital programme for 2026/27. This is to be funded from the Housing Revenue Account (HRA).

Table 9 HRA Programme Maintenance

	2026/27 £'000s
HRA Programme Maintenance	
Decent Homes	7,500
Renovations	650
Insulation	600
Renewable Technology/Carbon Efficiency	300
Compliance Works	1,000
Boilers & Heating	1,500
Electrical Test & Inspection	1,000
Adaptations For the Disabled	1,300
Hostels	100
Revised Capital Programme	13,950

10.6 Increase the capital programme by £300,000 in 2026/27 for the repairs and maintenance of the Councils Garages. The Garages have been transferred from the HRA to the General Fund, but all works are undertaken by the HRA. This will be funded from the income that the garages generate.

Recommendation 2.2 (c): to approve the 2024/25 and future years capital programme and funding as set out in section 10 of this report.

11. Robustness of Estimates and Adequacy of Reserves

11.1 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

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into account the Section 151 Officer's report when setting their Budget requirement and Council Tax. It is the view of the Head of Corporate Finance (s151 officer) that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level. However this situation will need to be kept under review with the increasing budget gap and in year pressure on the use of reserves. Regular monitoring reports are brought to councillors covering revenue budgets and the capital programme. The Head of Corporate Finance having considered the risks associated with Crawley Borough Council's capital investment plans is of the view that they are affordable, having taken into account the measures that are in place for mitigating against those risks; these measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy. However, The General Fund capital programme will continue to have to be kept under review due to the reduction in available capital receipts and the pressure that borrowing would place on the General Fund.

- 11.2 A review of reserves has been undertaken as part of the 2024/25 Budget preparation. Table 10 below summarises the estimated level of reserves available for 2024/25:

Table 10 Reserves

	Estimated Available Balance at 31/3/24 £'000
General Fund Reserves	
General Fund Reserve / Balance	3,328
Business Rates Equalisation	4,288
For the Capital Programme	
Usable Capital Receipts	3,880
Capital Reserve	860
1-4-1 Receipts	15,081
Affordable Housing Receipts	715
Vehicles & Plant	326
ICT Replacement	260
Specialist Equipment – Hawth & K2 Crawley	161
Total available for the Capital programme	21,283
Earmarked General Fund Reserves	
Restructuring Impact	400
Local Development Framework	307
Town Centre Regeneration	253
Queens Square – future maintenance	201
Insurance Funds	112
Welfare Reform	146
Parks Investment including Tilgate and Goffs	139
Parks Investment – tree maintenance	188
Transformation and project delivery	250
Garage maintenance	169
Property Reserve	250
Other	957
Total General Fund	32,273

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HRA Reserves	
Housing Revenue Account	3,237
Housing Capital Investment reserve (committed)	25,892
Total HRA	29,129
Total	61,402

- 11.3 The General Fund reserve and balance provides a source of funds to deal with: -
- Potential cash flow problems; and
 - Unanticipated adverse financial impacts.
- 11.4 The balance on the reserve provides investment interest that is used to support the Revenue Budget.
- 11.5 It is recommended to continue with a minimum of £3m General Fund balance. This level of reserve. Any shortfall in 2023/24 will be met from transfer from earmarked reserves to maintain this balance.
- 11.6 The Business Rate Equalisation Reserve is projected to be £4.288m 31 March 2024. If no additional mitigations can be identified to fund the additional projected overspend in 2023/24, it is recommended to action a one-off appropriation to the General Fund to maintain the £3m minimum balance. The remaining balance in this reserve is adequate to enable the Council to face the Business Rate volatility over the short to medium term. A transfer of £712k has been budgeted for 2023/24.
- 11.7 The projected balance of usable capital receipts at the end of March 2024 is £3.88m. Usable capital receipts can only be used for capital spending.
- 11.8 The capital reserve was created by transferring balances from underspends and unrequired earmarked reserves in previous years. The estimated balance at the end of March is £680,000 this reserve is committed in future years to fund capital expenditure. However, this reserve is revenue and could be used to fund revenue expenditure or be transferred back to the General Fund.
- 11.9 The balance of the capital reserve from right to buy (1-4-4) is £15.081m on 31 March 2024. There are restrictions on these 1-4-1 receipts, including that they can only be used to make a 40% contribution towards the capital expenditure of affordable housing and shared ownership dwellings. There is also an earmarked affordable housing reserve with a balance of £715,000. The Strategic Housing Board monitor these reserves and the commitments and potential plans around provision of affordable housing including temporary accommodation.
- 11.10 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.
- 11.11 The Restructuring Impact reserve was created in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs associated with restructuring. With a large budget gap this reserve should remain in place at this time to fund any costs.
- 11.12 The current balance of the Local Development Framework (Local Plan) is fully committed.

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- 11.13 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 has several commitments against it.
- 11.14 There are a number of reserves which are earmarked for a specific purpose, e.g. Insurance. These reserves are not available to support the revenue Budget. Investment interest on these reserves is credited to the General Fund.
- 11.15 The Welfare reform reserve is ringfenced for the purchase of new benefits online service software and Document Management System. Others are committed towards other welfare reform related initiatives including support for discretionary housing payments.
- 11.16 The surplus made from Tilgate Park is ringfenced and set aside for further investments in parks, this includes Goffs Park. Section 106 monies have been received for tree maintenance as they have specific criteria for expenditure. Work is being undertaken to ensure these sums will be committed in the future.
- 11.17 Transformation and pump priming of new initiatives, approval for use of this reserve is by Cabinet.
- 11.18 Garage Maintenance – the general fund is now responsible for the garages. A sum is set aside annually for maintenance. Some years expenditure is higher than others, as a result this reserve is to smooth out the costs for the general fund.
- 11.19 The Town Hall equalisation reserve has been fully applied in 2023/24 and will be used as a Property Reserve in future, to cover expenditure to bring the buildings back to a lettable standard (void costs and potential loss of income).
- 11.20 Other reserves are several earmarked reserves of lower value, including wellbeing, Heritage Strategy and committed general fund housing reserves.
- 11.21 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year (31st March 2024); this is an acceptable balance.
- 11.22 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used for debt repayment and on future housing development programmes - this is fully committed.

Recommendation 2.2(d): to agree transfers between reserves as outlined above.

12. Implications

- 12.1 The high-level risks to the 2024/25 Budget and how they will be managed are shown in the Appendix 7. Risks are highlighted throughout the report and include key risks associated with the increasing cost pressures in 2023/24 continuing into 2024/25, water neutrality and future Local Government finance reforms.
- 12.2 It is anticipated that the Budget measures set out in this report will result in the Council's staffing establishment remaining the same. 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.

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- 12.3 The Council is required to produce a Pay Policy Statement for each financial year in accordance with Section 38(1) of the Localism Act 2011 and must have regard to statutory guidance issued under section 40 and this will be updated annually from April each year and must be approved by The Council. The Pay Policy statement for 2024/25 is attached at Appendix 8.
- 12.4 This pay policy statement sets out the Council's policies relating to the pay of its workforce for the financial year 2023/24, 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(f): to approve the Pay Policy Statement for 2024/2024 as outlined above and Appendix 8 of the report.

- 12.5 Financial implications are addressed throughout this report.
- 12.6 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 (The Leader of the Council), under delegated powers, has approved the calculation of the Council Tax base for the year 2023/24 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.
- 12.7 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 (The Leader of the Council), has delegated powers to approve the calculation of the Non-Domestic Rating (NNDR1) for the year 2023/24.

13. Other implications

- 13.1 The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty arising under Section 149 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.

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14. Background Papers

[2023/2024 Budget and Council Tax - FIN/606](#)

[Treasury Management Strategy 2023/2024 - FIN/608](#)

[Budget Strategy 2024/25 – 2026/27 FIN/636](#)

[Budgeting Monitoring – Quarter 1 FIN/633](#)

[Budgeting Monitoring – Quarter 2 FIN/635](#)

[Provisional Local Government Settlement](#)

[Financial Outturn 2022/23: Budget Monitoring – Quarter 4 FIN/623](#)

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Appendix 1

Medium Term Financial Strategy - movement since Budget Strategy 2024/25				
	2024/25 Base Budget	Reported at Budget Strategy	Movement	
	£'000	£'000	£'000	
Base Budget 2023/24	15,323	15,323	0	
2024/25 Budget variances				
Town Hall Business Rates & Other Costs	880	250	630	
Homelessness	3,070	2,000	1,070	
HRA Recharges	-488	-200	-288	See savings below
BOPS Additional Income	250		250	
Renewals one off contribution	-350		-350	
Interest/financing	-190	-516	326	
Other	592	386	206	
Changes in Funding (C Tax, Business Rates, Government Grants)	-17,857	-15,883	-1,974	
Budget Challenge Savings	-236	-236	0	
Growth	208	257	-49	See savings below
Potential savings				
Grounds Maintenance HRA Recharge		-180	180	Built in above
Garage Fee Increase (7%)		-140	140	Fees increased to 7% but offset by staffing to let voids, void garages not ones wanted
Delays to HVO Fuel Introduction		-49	49	Removed from Growth
Budget Gap	£1,202	£1,012	£190	

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Appendix 2

GENERAL FUND REVENUE BUDGET 2024/2025 Summary of Service Requirements

2023/24		2024/25	
Revised Estimate £		Original Estimate £	Variation £
(4,733,195)	Cabinet	(3,594,630)	1,138,565
1,975,900	Community Engagement & Culture	2,044,650	68,750
5,009,820	Environmental, Sustainability & Climate Change	4,946,750	(63,070)
9,041,900	Leisure & Wellbeing	9,786,450	744,550
4,532,735	Housing	8,479,260	3,946,525
2,038,500	Planning & Economic Development	2,325,740	287,240
893,730	Public Protection	969,370	75,640
421,110	Resource	(860,260)	(1,281,370)
(3,728,880)	Depreciation	(3,936,590)	(207,710)
700,000	Contribution to Renewals Fund	350,000	(350,000)
16,151,620	NET COST OF SERVICES	20,510,740	4,359,120
(1,770,579)	Interest Receivable	(1,516,467)	254,112
941,800	Interest Payable	64,900	(876,900)
15,322,841		19,059,173	3,736,332
(261,970)	Transfer to / (from) reserves	(1,202,470)	(940,500)
15,060,871	NET EXPENDITURE	17,856,703	2,795,832
	External Support		
(222,950)	Revenue Support Grant	(237,713)	(14,763)
(274,900)	New Homes Bonus	(35,000)	239,900
(539,107)	Funding Guarantee	(970,732)	(431,625)
(141,510)	Services Grant	(23,183)	118,327
	Internal Resources		
(5,702,142)	Retained Business Rates	(7,987,009)	(2,284,867)
(8,101,581)	Council Tax	(8,503,455)	(401,874)
(78,681)	Collection Fund (Surplus)/Deficit: - Council Tax	(99,611)	(20,930)
(15,060,871)		(17,856,703)	(2,795,832)

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Appendix 3

Budget Challenge Savings

Description	Agreed
	£'000
Community Services Casual Staff & Operational Budgets	43
Community Services Play Vacancies	44
NASB Team Vacancy and Operational Costs	21
Corporate Finance Operational Costs	6
Maintenance Broadfield Stadium	20
Fleet Rationalisation	10
Governance, People and Performance savings	36
Environmental Health Pre-application advice	15
Bulky Waste Fees	10
Town Centre Income	15
Other Operational Costs	16
Total Savings 2024/25	236
Council Tax Premiums (2025/26)	60
Total Savings 2025/26 Onwards	296

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Appendix 4

Growth Bids 2024/25

	2024/25	2025/26	2026/27
	£000's	£000's	£000's
Lone Working - Health & Safety	19	19	19
Transfer from Diesel to HVO Fuel *	49	100	100
Temporary Staffing Planning - Gatwick DCO & LPA	115		
Strategic Finance Business Partner	74	74	74
Total Growth	257	193	193

- The lone working fob devices are intended to help ensure the personal safety of Council employees as they deliver service to the residents and businesses. The estimate is based on 231 users.
- The current refuse fleet omit an estimated 460 tonnes of CO2 per annum. The new refuse fleet is due for delivery in January 2024. This provides the Council with the opportunity to use HVO fuel without any need for modification of the vehicle or servicing schedules. HVO fuel is a paraffinic fuel and meets EN15940 standards it can be used as an alternative to diesel fuel stock. HVO fuel is one of the cleanest fuels on the market. The renewable nature of HVO means that it produces significant improvements to CO2 with estimates ranging up to 90% reduction. This has the potential to decrease the Council's greenhouse gas emissions making a significant contribution towards the council's climate emergency plan. This bid is included as the first reserve item as explaining in 6.3 above.
- Additional staff resources are required to take on the significant high-level work that the Council (Local Planning Authority LPA) will need to undertake over the coming year in order to submit robust and high-quality responses to the government regarding Gatwick's northern runway Development Consent Order (DCO) proposals. This additional capacity will also ensure that the Council is able to respond to the expected "conveyor belt" of numerous technical opinion "asks" that will be made of Crawley's LPA from the government's Planning Inspectorate during the DCO programme period, which the Council will need to formulate and respond to with a very quick turn-around period.
- The extreme financial pressure that the Council is experiencing is highlighted in this report. The size of the budget gap requires the review of a significant number of highly complex and technical areas (e.g. MRP adjustment 6.6.4) in order to provide professional and timely advice to Council. It is essential to have accurate and timely budget monitoring forecasts so that the Council can take early and measured action if required. The work includes other complex areas like Business Rate Forecasting, Treasury Management and the Asset Reviews. The finance section does not have capacity to carry out this volume and complexity of work.

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Appendix 5

HOUSING REVENUE ACCOUNT

	Original Budget 2023/24 £'000s	Budget 2024/25 £'000s	Variation £'000s
<u>Income</u>			
Rental Income	(51,503)	(56,044)	(4,541)
Other Income	(1,927)	(2,409)	(482)
Interest	(315)	(1,171)	(856)
Total Income (a)	(53,745)	(59,624)	(5,879)
<u>Expenditure</u>			
Employees	4,538	5,328	790
Responsive Repairs	11,952	14,027	2,075
Cyclical and Planned	2,823	2,940	117
Other running Costs	1,996	2,613	617
Managed services	452	513	61
Support Services	3,096	3,404	308
Interest payable on Self Financing Debt	8,042	7,698	(344)
Total Expenditure (b)	32,899	36,523	3,624
Net – to transfer to Housing capital investment reserve (a - b)	20,846	23,101	2,255
Repayment of Self-Financing Debt		(13,000)	(13,000)
Transferred to Housing capital investment reserve	(20,846)	(10,101)	(10,745)

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Appendix 6

COUNCIL TAX 2024/25 PER BAND CRAWLEY ELEMENT					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2024/25	2023/24
				£	£
A	6/9	Under £40,000	1,324	154.73	150.23
B	7/9	£40,000 - £52,000	7,621	180.52	175.26
C	8/9	£52,000 - £68,000	22,500	206.31	200.30
D	9/9	£68,000 - £88,000	9,074	232.10	225.34
E	11/9	£88,000 - £120,000	3,820	283.68	275.42
F	13/9	£120,000 - £160,000	2,327	335.26	325.49
G	15/9	£160,000 - £320,000	473	386.83	375.57
H	18/9	above £320,000	11	464.20	450.68
TOTAL			47,150		

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Appendix 7

Risks

Risk and Potential Impact	How Risk Will Be Managed including Probability of Occurrence
<p>1. Budget Gap future years The impact of the cost pressures on budgets such as homelessness, benefits and Council tax reduction is increasing. Reviews of Local Government finance will also impact upon future years.</p>	<p>The Budget Strategy 2024/25 to 2026/27 sets out the Council's approach to dealing with the increasing budget gap. There is an adequate General Fund reserve to be able to cover a shortfall in the short term, however budget cuts will be required to be found during 2024/25 and future years in the absence of adequate government funding. The impact of the this will be carefully monitored and reported to Councillors.</p>
<p>2. Interest rates</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 reducing due a combination of the reduced level of balances available to the Council and reducing interest rates.</p>
<p>3. Government funding</p>	<p>The Government is to reintroduce the Fair Funding review and business rates reforms. Assumptions around these have been built into future projections however there is a high likelihood that these assumptions are not correct. The business rates equalisation reserve will cushion impacts in the short term.</p>
<p>4. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income. Future Capital investment will result in borrowing for future schemes.</p>	<p>The report identifies a shortage of capital receipts to finance the capital programme. Any additional capital schemes are likely to require borrowing which has to be avoided due to the additional pressure on the general fund unless additional capital receipts can be identified. Current costs of borrowing continue to be high so cost benefit analysis will be required.</p>
<p>5. Failure to collect income. The Council is responsible for collecting annual income totalling over £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 projected shortfalls due to the cost-of-living crisis/post pandemic have been factored into the collection fund estimates together with the Council tax base as part of this report.</p>

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<p>6. Failure to maintain budgetary and financial control.</p>	<p>The increase in budget pressure during 2023/24 poses a significant risk to the Council's financial sustainability. There is a risk that the cost of Temporary Accommodation will continue to increase as a demand led service. Robust monitoring and reporting by budget holders and reports to CMT, OSC and Cabinet will continue. All Member seminars have also been taking place to keep Members up to date on financial projections. It is inevitable that variances will occur especially in the current economic climate, it is important that any projected variances are reported promptly to the Cabinet.</p>
<p>7. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget in 2024/25.</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be rigorously monitored during 2024/25 with future budgets adjusted to mitigate the impact. The increase in the capital programme to purchase properties for the homeless service will help mitigate ongoing revenue costs, however there will be increased future demand. There are adequate General Fund reserves to be able to cover a shortfall in the short term. The housebuilding programme is assisting in mitigating this risk, however this may slow due to the water neutrality issue. The Council is lobbying government regarding homelessness and the impact on Crawley</p>
<p>8. Climate Emergency Action Plan. Resources available to fund the plan.</p>	<p>Report PES/390 to Cabinet on 24 November 2021 has an ambitious action plan to meet net zero. Several actions will have significant costs to the council. Some will result in applying for support such as the Towns Fund, however all phases of the plan will need to be fully costed during feasibility and future savings may need to be sought to fund the costs associated with the plan.</p>

Crawley Borough Council Pay Policy Statement for 2024/2025

1. Introduction

This pay policy statement sets out Crawley Borough Council's pay in relation to the remuneration of its staff in accordance with section 38 (1) of the localism Act 2011. The pay policy statement reflects the Council's consideration of the Guidance issued by the former Department for Communities and Local Government under Section 40 of the Act and is subject to review and changes approved by the Council. The statement will be published on the Council's website as soon as reasonably practicable after approval or amendment.

The key principles of the council's pay policy statement are set out below and are effective from the 1 April 2023. The policy includes comments on.

- The way by which salaries of all employees are determined.
- The level and relationship between the remuneration of its most senior staff i.e., chief executive, and the remuneration of the lowest paid employees; and
- The re employment of former employees who left the council with enhanced retirement and redundancy benefits.

The salaries quoted in the statement are in accordance with the relevant national negotiating bodies. A pay award was implemented with effect from the 1 April 2023. The council's current pay scales are shown at Appendix 1

2. General Principles

This pay policy statement provides a basis on which Crawley Borough Council can attract and compete in challenging employment markets at all levels and for all roles, enabling the council to attract and retain, pay fairly and reward people with the knowledge, experience, skills, and attributes that are essential to the effective delivery of services to the residents, businesses and other stakeholders within the borough.

The council recognise that as an organisation which expects high standards from its staff it should motivate and reward accordingly both to recruit the best and to continue to ensure a high level of individual employee performance. To this aim the council operates a set of values and behaviours which the council developed with staff and adopted, the values and key behaviours or used during recruitment to vacant posts, in discussions on learning and development needs and during performance appraisals.

3. Key Elements of the Pay Package

In supporting the aim of ensuring equality and transparency within its pay practises the council recognises the role of trade unions in consultation and negotiation. It supports the national negotiation for terms and conditions of employment and applies the agreements reached.

Crawley Borough Council's pay and grading structure has been developed using the National Joint Council for Local Authority grading scheme. All posts in the Council are determined through this scheme to ensure fairness and equality. A review of the grading structure was conducted in 2016 in consultation with the trade union. A further grade was created at the top of the salary scale. This was agreed in recognition of the increased level of responsibility at third tier level following a review of the council's senior management team.

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New employees will normally be appointed to the first point of the salary scale for their grade although this can be varied where the successful candidate is currently on a higher point than the minimum of the grade of the job being recruited to.

In addition to basic pay there is a local flat rate payment titled Crawley Allowance which is paid to staff and is increased each year in line with the Retail Price Index.

A review of the council's senior management team took place in 2018. as part of that review the salary scales were revised, and these revisions removed the allowance paid to officers who conduct the statutory S151 and Monitoring Officer functions, the allowance being consumed within the revised salary. These roles have a deputy for these functions, and these deputies still receive an allowance.

All salary scales and the local pay agreement are attached:

- Chief officers' salary scale
- Staff salary scale
- Local Pay Agreement
- Apprenticeship salary scale

The council's constitution delegates responsibility for decisions on appointments on salary packages of £100,000 and above to Full Council

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 essential requirement for the role.
- Essential and Casual User Car 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, shared cost of AVC's, childcare vouchers and cycle to work.
- Access to the local government pension scheme including local discretions.
- Redundancy and compensation at the rate of two weeks actual salary for each year of service up to a maximum of 104 weeks plus access to pension for staff aged over 55.
- In exceptional circumstances or the severance arrangements may be agreed any such payments will be subject to the agreement of the chief executive, leader and Head of Governance People & Performance and HR services and will be subject to the delegated powers and process is set out in the council's constitution. The payment will take into account the council's contractual and legal obligations, value for money, reputation of the council and goodwill to 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.

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

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authorities. The Chief Executive may appoint a Deputy Returning Officer to assist with this process whose pay will be determined in the same way.

Definition on remuneration of lowest paid staff

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column 2, for which the annual salary inclusive of Crawley allowance is £25,674 there is a pay ratio of 1:6 between these posts and the current top point of the salary scale for the chief executive. The council feels that this is acceptable and is well within the governments recommended pay ratio which is 1:20. There are a small number of apprentices who spend a significant amount of their time in training or and are employed on a training contract at a locally agreed rate of 60% of scale B.

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.

Relationship between remuneration of the Chief Executive and other employees

The county council's highest paid employee is the chief executive, salary £131,064. The mean average pay of employees is £32,078 so the pay ratio between this and the chief executive is 1:4.

Use of additional or one-off payments

Honorarium payments-are paid to staff, for example when they carry out duties at a higher level e.g., cover for a higher graded colleague whilst they are away from the workplace.

Acting Allowance-where an employee undertakes all or a proportion of the duties and responsibilities of a higher graded post on behalf of another in their absence for a period of four weeks or more.

Merit Award - where an employee has achieved exceptional performance in their duties or conducted themselves in an exceptional manner during the course of their employment.

Making a difference award – a process for a staff member or a team to be nominated for a 'making a difference award' of either £25.00 or £50.00 for a significant achievement, the reason for making a difference should go beyond their normal day to day duties.

Gender Pay Gap

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires organisations of more than 250 employees to publish their gender pay gap figure and associated data on their websites as well as uploading the information to the government's website. This requirement needs to be met by the 30th of march each year for public sector organisations.

Payments on termination

The Council's approach to statutory and discretionary payments on termination of employment of its employees, prior to reaching normal retirement age, is covered within the Management of Organisational Change Policy, in accordance with the Local Government Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

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The council also has policies for the Local Government Pension Discretions which may include additional payments on retirement. Additional or early payment of pension will only be granted if there is a demonstrable benefit to the Council to include the consideration of costs and were approved by the Leader and Cabinet Member for the area in which the employee works.

Reemployment/re-engagement of former employees

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 three 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.

Employee Benefit Schemes

The council tries to adopt best practise when determining additional benefits for and it acknowledges that benefits are an important part of its recruitment and retention package. All staff are therefore eligible to receive a range of benefits which the council either provides or has negotiated.

Ian Duke, Chief Executive

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**CMT Pay scales.
W.E.F 01/04/2024**

CATERGORY	TOTAL
CHIEF EXECUTIVE	£131,358.00 £128,509.00 £125,663.00 £122,811.00 £119,956.00
DEPUTY CHIEF EXECUTIVE	£114,631.00 £112,162.00 £109,695.00 £107,221.00 £104,746.00
HEAD OF SERVICE B	£82,060.00 £80,319.00 £78,582.00 £76,840.00 £75,106.00
STATUTORY RESPONSIBILITY ALLOWANCE	
DEPUTY MONITORING OFFICER	£1,861.20
DEPUTY SECTION 151 OFFICER	£1,861.20
SECTION 151 OFFICER	£10,000.00

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NJC LG SERVICES SALARY SCALES FROM 1ST APR 2024

Scale	Spinal point	Annual salary
B	2	£25,968.00
C	3	£26,339.00
	4	£26,716.00
D	5	£27,102.00
	6	£27,649.00
E	7	£27,896.00
	8	£28,469.00
	9	£28,876.00
	10	£29,147.00
	11	£29,644.00
F	12	£30,023.00
	13	£30,475.00
	14	£30,936.00
	15	£31,405.00
	16	£31,884.00
	17	£32,372.00
G	18	£32,871.00
	19	£33,379.00
	20	£33,898.00
	21	£34,427.00
	22	£34,966.00
	23	£35,678.00
H	24	£36,626.00
	25	£37,547.00
	26	£38,436.00
	27	£39,347.00
I	28	£40,250.00
	29	£40,938.00
	30	£41,825.00
	31	£42,788.00
J	32	£43,823.00
	33	£45,020.00
	34	£46,005.00
	35	£47,023.00
K	36	£48,030.00
	37	£49,043.00
	38	£50,066.00
	39	£51,022.00
L	40	£52,076.00
	41	£53,100.00
	42	£54,114.00
	43	£55,117.00
M	44	£56,168.00
	45	£57,235.00
	46	£58,304.00
	47	£59,381.00
N	48	£60,458.00
	49	£61,554.00
	50	£62,673.00
	51	£63,815.00

Apprenticeship scheme salary W.E.F. 1.04.2024

Percentage of spinal point 2	Annual Salary
60%	£15,580.80
65%	£16,879.20
70%	£18,177.60
75%	£19,476.00
NMW	£16,591.84
National Living wage	£22,071.00

Capital Strategy Report 2024/25

1. Introduction

- 1.1. This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2. The CIPFA Prudential Code for Capital Finance and Treasury Management Code require all local authorities to prepare a Capital Strategy.
- 1.3. Decisions made on capital and treasury management will have financial consequences for the Council for many years into the future. This Capital Strategy therefore puts a national regulatory framework and local policy framework around those decisions.
- 1.4. The Strategy forms an essential part of the Council's integrated revenue, capital, and balance sheet planning. It aligns to the Medium-Term Financial Strategy (MTFS), Housing Revenue Account Business Plan, the Capital Programme and the annual Revenue Budget.
- 1.5. This Capital Strategy sets out how the Council will manage the investment and financing of capital resources to contribute towards the achievement of its key objectives and priorities. This includes the appraisal process for determining investment decisions and the process for identifying and prioritising funding requirements.

2. Objectives of the Capital Strategy

- 1.1. The objectives of the Capital Strategy are to:
 - Prioritise and deploy capital resources in advancement of the Corporate Objectives
 - Support Service Plans
 - Invest in assets that reflect the corporate priorities
 - Manage the Council's treasury management investments
 - Manage the Council's land and property assets effectively and efficiently, including having exit strategies for those no longer required

3. Themes of the Capital Strategy

- 1.1. As required by the CIPFA Prudential Code the Council's Capital Strategy covers several themes:
- 1.2. Capital Expenditure
 - Governance process for approving and monitoring capital expenditure
 - Long term capital spends plans
 - Capital Finance

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- Asset management planning
- 1.3. Debt, Borrowing and Treasury Management
 - External debt and internal borrowing
 - Treasury Management transactions
- 1.4. Investments for Service or Commercial Purposes
 - Approach to investments for service or commercial purposes, effective due diligence, and alignment to risk appetite in respect of such activity
 - Housing
- 1.5. Other Long-term liabilities
 - An overview of the governance process for approval, monitoring and ongoing risk management of any other long-term liabilities
- 1.6. Knowledge and Skills
 - Knowledge and skills available to the Council to support the Capital Strategy commensurate with the Council's risk appetite

2. Capital Expenditure

- 2.1. Capital expenditure is where the Council spends money on assets, such as land, buildings or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 2.2. The Capital Strategy considers all aspects of the Council's capital expenditure and extends to areas where the Council is able to influence others through the use of its capital resources (for example housing enabling with Registered Social Landlords).
- 2.3. The Capital Strategy:
 - States the Council's processes for:
 - Project initiation
 - Deciding on the prioritisation of capital projects
 - Monitoring and evaluating schemes
 - Takes account of significant revenue implications
 - Provides a framework for the management and monitoring of the capital programme, through budget monitoring and reporting to the Corporate Projects Assurance Group.
 - Identifies funding and provides a basis to inform bidding for additional capital resources (e.g. from the Local Enterprise Partnership, National Lottery, Government initiatives)

Project Initiation

- 2.4. Service managers bid to include projects in the Council's capital programme. Capital projects are subject to robust justification process, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions can be taken. Business cases are prepared in accordance with the Corporate Projects Assurance Group guidelines.
- 2.5. Proposals are given independent oversight and review by the Corporate Projects Assurance Group. This includes validation arrangement, estimated figures, project milestones and an evaluation of risks. The group will also consider Governance arrangements.

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- 2.6. For larger projects where feasibility is less certain viability assessments and robust business cases must be prepared before bids are made for funds. This includes undertaking all preparatory work to fully understand the requirements of the project before budget is sought.
- 2.7. A summary of the Council's expenditure plans is included in the Treasury Management Strategy along with the proposed funding. This includes the General Fund capital projects and the Housing Revenue Account.
- 2.8. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

Prioritisation on capital projects

- 2.9. Capital projects will be assessed and prioritised based on the following criteria:
 - Items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations
 - Consideration will be given to schemes that are spend to save or spend to earn
 - Prioritisation should not preclude the initial consideration of capital projects that could deliver social value
 - Environmental obligations such as flood prevention or disabled facilities grants
- 2.10. The business case put forward for a capital project will be reviewed to ensure it takes account of stewardship, value for money, prudence, sustainability, and affordability.

Approval process

- 2.11. Corporate Asset Board (CAB) – will review strategic projects for deliverables against corporate priorities, ensure resources are in place to deliver the project and sign off Project Initiation Documents.
- 2.12. Corporate Projects Assurance Group (CPAG) – will provide the governance and ensure budgets are aligned.
- 2.13. The Information Technology Board (ITB) – will review IT projects.
- 2.14. The formal approval process will be direct reports for recommendations to Cabinet. The Cabinet report will outline how the scheme is funded. If part of the annual budget process these schemes will have Full Council approval.

Monitoring and evaluating schemes

- 2.15. Monitoring will be undertaken at least quarterly with reporting of approvals of the capital programme and slippage to ensure that full use of resources and effective treasury management is undertaken.
- 2.16. Budget Managers:
 - Will be subject to challenge on over or underspends
 - Must provide mitigation to prevent further avoidable variances in spend
 - Must review the future years capital programme and challenge if the schemes will be delivered
 - Ensure the correct governance arrangements are in place

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- Undertake post project reviews and ensure learning is included in future schemes
- 2.17. Slippage will only be allowed where there is a clear explanation of why the spend did not occur in the period budgeted.
- 2.18. The Council will assign a project manager to each project to oversee planning, delivery, management, and governance including risk management of the capital project. The cost of project management will be factored into the project budget.

Revenue Implications and cost of borrowing

- 2.19. The revenue implications of capital investment must always be considered in prioritising projects and making investment decisions. Revenue implications include increases and decreases in both income and costs.
- 2.20. Items with negative revenue implications include:
- cost of borrowing (including MRP)
 - loss of treasury management investment income if internal borrowing is used
 - running costs associated with an acquired asset such as:
 - salaries of employees or management fees or other outsourcing costs
 - heat and light etc
 - administrative support costs
 - future maintenance
- 2.21. Items with positive revenue implications include:
- additional income
 - any positive impact of investment and economic growth on the Council's council tax base and business rates income
 - direct revenue savings
 - savings from efficiencies
 - cost avoidance – for example paying down MRP (see paragraph 5.2)

Funding the Strategy – Capital Finance

- 2.22. All capital expenditure must be financed, either from external sources, the Council's own resources or debt. External and internal resources must be applied before the decision to take on borrowing. Funding must be appropriate for the project and will come from:
- Capital receipts – from the sale of assets or finance lease receipts
 - Government grants
 - Third party grants and contributions
 - Community Infrastructure Levy
 - Other developer contributions
 - Reserves
 - Revenue contributions (see below)
 - Internal borrowing (cash)
 - External (prudential) borrowing

Asset Management

- 2.23. To ensure that capital assets continue to be of long-term use, the Council should have an asset management strategy in place. The Council will take a corporate view of its

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asset base and the outcome of the Strategic Asset Review will inform the asset strategy.

- 2.24. Asset Management Plans should be drawn up for all land and building assets in line with the characteristics of the type of asset. The plan should specify the timeframe over which performance will be assessed and the short, medium and long-term objectives of holding the asset.
- 2.25. Consideration will be given to the use of existing land and building assets against the corporate objectives and the need to ensure value for money.
- 2.26. Forecast maintenance schedules must be produced appropriate to the type of asset.

Asset Disposal and Exit Strategy

- 2.27. Asset holdings will be reviewed and challenged, and performance monitored to determine a change in the market, under performance, obsolescence or whether the assets still meets the needs of the Council in terms of delivering the corporate priorities.
- 2.28. All assets should have an exit strategy that may be triggered in the event that the asset no longer fulfils its intended purpose or no longer delivers value for money.
- 2.29. Options for consideration will include:
 - Disposal – sell the asset to realise best value.
 - Alternative uses – based on market demand or service delivery requirements.
- 2.30. An Exit Strategy may be triggered in the following circumstances:
 - Long term void and unable to attract good quality replacement tenants at acceptable rent levels.
 - The age and specification of the building affects the ability to let the property.
 - The management or maintenance costs affect the viability.
 - The use or user changes
 - The reaching of a specific period for being void based on the property's normal void turnaround period of a comparable property.
 - Net yield of individual assets is less than the cost of capital (MRP)
- 2.31. Disposal will require approval by the relevant committee approving the principle of disposal and method of disposal.
- 2.32. The disposal proceeds, known as capital receipts, may be spent on new assets or to repay debt.
- 2.33. The Council is currently also permitted to use eligible capital receipts to fund the revenue costs of projects that deliver ongoing savings or improved efficiency until 2024/25.

5. Debt and Borrowing and Treasury Management

Debt

- 1.1. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which

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is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (capital receipts) may be used to replace debt finance.

- 1.2. MRP – local authorities are required to set aside a ‘prudent’ amount of their revenues each year as a provision for the repayment of debt. Prudent provision should ensure that debt is repaid over a period that is reasonably like the period over which the capital expenditure is expected to provide benefit. The Council’s full MRP policy is contained in the 2024/25 Treasury Management Strategy (insert link).

Borrowing strategy

- 1.3. The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 1.4. The Council does not borrow to invest for the primary purpose of financial return and, therefore, retains full access to the Public Works Loans Board.
- 1.5. The Council’s approach to borrowing is set out in the 2024/25 Treasury Management Strategy. The Council may consider internal and/or external borrowing as part of optimising a projects overall financing package to minimise finance costs and risk.

Treasury Management

- 1.6. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed.
- 1.7. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.8. The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. The Council’s approach to Treasury Management is set out in the Treasury Management Strategy 2024/25 FIN/644.

6. Investments for Service or Commercial Purposes

- 1.9. All investments involving land and property must have the principal aim of supporting corporate priorities through asset investment and management. Assets must compete against other forms of investment if held predominately for commercial purposes to ensure competitive rates of return.

Service Purposes

- 1.10. The Council can make investments to assist local public services, including making loans to local service providers, local charities to promote economic growth.

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Housing

- 1.11. The Council is also committed to building affordable housing for local people. This can be through the Housing Revenue Account by building Council Housing or through enabling through the General Fund.

Commercial Activities

- 1.12. The council cannot invest purely to profit from yield, but commercial activities can form part of an existing or potential development mixed-use scheme having regard to proportionality.

Risk management

- 1.13. Asset investment must include effective risk management to identify and mitigate any negative impact on the Council's finances and specifically address risks arising from any element of commercial activity.
- 1.14. The Council considers the Commercial portfolio an acceptable level of risk after considering:
- the level to which the balanced budget/council tax setting requirement is dependent upon income from investments and the certainty of the income moving forward.
 - the amount of capital invested, and the potential volatility of the fair value compared to the initial investment.
 - how the investment is financed, including the use of unearmarked reserves, capital receipts and borrowing.
 - the liquidity of the investment compared to the longer-term cash flow requirements of the authority.
 - All investment decisions must at least breakeven after all costs.
 - Individual asset investment decisions are taken in the wider context of the Council's investment portfolio.
- 1.15. A fair value assessment is made annually to evidence that the underlying assets provide security for capital investment. The Council considers the investment assets retain sufficient fair value to provide that security.
- 1.16. If the fair value of the investments is no longer sufficient to provide security against loss, then consideration will be given to the trigger of an exit strategy.
- 1.17. The Council will follow a robust governance process and due diligence before entering into, and while holding, an investment.
- 1.18. Asset investment must remain proportionate to the size of the Council, and to ensure that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- 1.19. The Commercial Investments portfolio is detailed in the Treasury Management Strategy.

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7. Knowledge and Skills

- 1.20. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 1.21. The Council will maximise the use of internal skills and expertise but where staff do not have the knowledge and skills required this will be supplemented by external advisers and consultants that are specialists in their field.
- 1.22. The Council employs treasury management advisers and property consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with the size of the project and its risk appetite.