

Crawley Borough Council

Cabinet

Agenda for the **Cabinet** which will be held in **Committee Room A & B - Town Hall**, on **Wednesday, 31 October 2018** at **7.30 pm**

Nightline Telephone No. 07881 500 227



Head of Legal and Democratic Services

Membership:
Councillors

P K Lamb (Chair)
M G Jones
C J Mullins
A C Skudder
B A Smith

P C Smith

G Thomas

Leader of the Council
Cabinet Member for Housing
Cabinet Member for Wellbeing
Cabinet Member for Resources
Cabinet Member for Public Protection and
Community Engagement
Cabinet Member for Planning and Economic
Development and Deputy Leader
Cabinet Member for Environmental Services
and Sustainability

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Published 19 October 2018

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, Councillors of the Council are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	5 - 14
To approve as a correct record the minutes of the Cabinet held on 5 September 2018.	
4. Public Question Time	
To answer any questions asked by the public which are relevant to the functions of the Cabinet.	
Public Question Time will be concluded by the Chair when all questions have been answered or on the expiry of a period of 15 minutes, whichever is the earlier.	
5. Further Notice of Intention to Conduct Business in Private and Notifications of any Representations	
The Monitoring Officer will report on any responses to representations received in relation to why item 11: District Heat Network should not be held in Part B Business – (Closed to the Public).	
6. Matters referred to the Cabinet and Report from the Chair of the Overview and Scrutiny Commission	
To consider any matters referred to the Cabinet (whether by a scrutiny committee or by the Council) and those for reconsideration in accordance with the provisions contained in the Scrutiny Procedure Rules, the Budget Procedure Rules and the Policy Framework Procedure Rules set out in Part 4 of the Council's Constitution.	
7. Budget Strategy 2019/20 - 2023/24	15 - 24
<i>The Leader's Portfolio</i>	
To consider report FIN/417 of the Head of Corporate Finance, which was referred to the meeting of the Overview and Scrutiny Commission held on 29 October 2018.	

	Pages
<p>8. Adopting the Unite Construction Charter</p> <p><i>The Leader's Portfolio</i></p> <p>To consider report FIN/453 of the Head of Corporate Finance.</p>	25 - 30
<p>9. Supplemental Agenda</p> <p>Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.</p>	
<p>10. Exempt Information – Exclusion of the Public (Subject to Agenda Item 5)</p> <p>The Committee is asked to consider passing the following resolution:-</p> <p>That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraphs specified against the item.</p> <p style="text-align: center;">Part B Business (Closed to the Public)</p>	
<p>11. District Heat Network</p> <p><i>Environmental Services and Sustainability Portfolio</i></p> <p>(Exempt Paragraph 3)</p> <p>To consider report HPS/15 of the Head of Major Projects and Commercial Services, which was referred to the meeting of the Overview and Scrutiny Commission held on 29 October 2018.</p>	31 - 112

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Crawley Borough Council

Minutes of Cabinet

Wednesday, 5 September 2018 at 7.30 pm

Councillors Present:

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

Also in Attendance:

Councillor D Crow, C A Cheshire, K McCarthy and M A Stone

Officers Present:

Natalie Brahma-Pearl	Chief Executive
Ann-Maria Brown	Head of Legal, Democracy and HR
Ian Duke	Deputy Chief Executive
Karen Hayes	Head of Corporate Finance
Chris Pedlow	Democratic Services Manager
Jean McPherson	Group Manager (Development Management)
Nigel Sheehan	Head of Projects and Commercial Services
Clem Smith	Head of Economy and Planning
Maryurin Santander Pena	NGDP Graduate

Apologies for Absence:

Absent

Councillor B A Smith

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Cabinet held on 27 June 2018 were approved as a correct record and signed by the Leader.

3. Public Question Time

The Cabinet received a question from Mr Charles Crane from Bewbush, in relation to the redevelopment of the Town Hall site. He commented that at the last Full Council meeting a question was raised over the possibility of funding new toilets in Goffs Park and part of the response was funding might be a problem. But if the Council stopped its plan to build the new Town Hall at a considerable cost, would facilities like Goffs Park Toilets be built and had you thought about what the public perception was about this?

In response, Councillor Lamb commented that there were two types of expenditure used by Councils, capital and revenue. Financially a one off capital cost of a facility like a toilet block was not the issue, but the ongoing maintenance 'revenue' cost was. We as a Council cannot spend capital reserves on revenue items. Also due to how Local Government was financed, we cannot borrow to fund revenue costs. The proposed New Town Hall Development, whilst funded via capital funding, will create a New Town Hall, new affordable Housing and also bring in revenue to the Council. That project was about the long term and the benefits it would bring.

Councillor Lamb commented that in terms of the public perception, he thought about this and that while there might be a political price to pay for bringing the Town Hall forward it was in the long-term interests of the town. The cost to upgrade the current building was very large and would not provide any future income, whilst the new Town Hall project would bring in income, housing and reduce the town's carbon emissions. To him this was in the greater public interest long term.

4. Further Notice of Intention to Conduct Business in Private and Notifications of any Representations

The Head of Legal, Democracy and HR reported that no representations had been received in respect of agenda items 12: Crawley Leisure Management Contract, and item 13 Appointment of Contractor for Crawley Homes Gas Servicing, Repair and Installation Works.

5. Matters referred to the Cabinet and Report from the Chair of the Overview and Scrutiny Commission

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

6. Corporate Priorities 2018 - 2022

The Leader of the Council and the Chief Executive presented report [CEX/48](#) of the Chief Executive which set out the Council's Corporate Priorities for the period 2018 to

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Cabinet (15)
5 September 2018

2022. It was noted that the purpose of the report was to set out the strategic direction of the Council for the next four years, which was linked to the administration's Manifesto, the draft Transformation Plan and the Medium Term Financial Strategy.

The refreshed Corporate Priorities take into account external and partnership arrangements and will assist the Council's focus on delivery and meeting the intended outcomes. The Leader in presenting the proposed Corporate Priorities to his Cabinet emphasised that he wanted them, sharp and focused and he thanked officers for devising the two page document that set out the priorities in an effective and meaningful manner.

Councillor Cheshire presented the Overview and Scrutiny Commission's comments on the report to the Cabinet following consideration of the matter at its meeting on 3 September 2018. The Commission requested that the Cabinet incorporate explicit reference to a 'Duty to Co-operate with other local authorities to ensure neighbouring authorities play their part in delivering for local housing needs' within Section 2.

In response the Leader accepted the Commission's request and proposed that an additional bullet point be included into section 2, namely *We Will 'continue working with neighbouring councils to ensure that they provide housing for Crawley residents through their 'duty to co-operate' arrangements'*. The Cabinet supported the additional wording.

RESOLVED

- a) That the Cabinet approves the Corporate Priorities 2018 – 2022, as detailed in report [CEX/48](#) with the inclusion in Section 2 as a third bullet point: *We Will 'continue working with neighbouring councils to ensure that they provide housing for Crawley residents through their 'duty to co-operate' arrangements'*.
- b) That Full Council are requested to adopt the amended Corporate Priorities 2018 – 2022 at its meeting on the 17th October 2018, as set out in Appendix A to these minutes.

Reasons for the Recommendations

The Corporate Priorities set out the strategic direction of the Council for the next four years. Where necessary, it will be updated to ensure the Council's activities reflect the national and local challenges it faces.

7. 2018/2019 Budget Monitoring - Quarter 1

The Leader presented report [FIN/449](#) of the Head of Corporate Finance, to the Cabinet which provided a summary of the Council's actual revenue and capital spending up to the first quarter ending June 2017. It identified the main variations from the approved spending levels and any potential impact on future budgets.

Councillor Cheshire presented the Overview and Scrutiny Commission's comments on the report to the Cabinet following consideration of the matter at its meeting on 3 September 2018. The Cabinet noted the Commission's comments.

RESOLVED

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5 September 2018

That the Cabinet

- a) notes the projected outturn for the year 2018/2019 as summarised in report [FIN/449](#)
- b) approves a supplementary capital budget of £347,000 for the nine Play refurbishment schemes as identified in Paragraph 9.1 in report [FIN/449](#) to be funded from S106 contributions.
- c) approves a supplementary capital budget of £60,514.86 which will be funded from S106 contributions for the improvement of playing fields around the Borough, as referred to in paragraph 9.2 in report [FIN/449](#)
- d) approves a supplementary capital budget of £37,192.71 which will be funded from S106 contributions for the Three Bridges Station outlined in Paragraph 9.3 in report [FIN/449](#)

Reasons for the Recommendations

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

8. Proposed Charging Scheme for Development Management Pre-application Advice

The Cabinet Member for Planning and Economic Development presented report [PES/301](#) of the Head of Economy and Planning which set out the proposal for the introduction of pre-application advice fees on a sliding scale for minor, major and commercial developments applications. It was emphasised that the fees would not affect individual personal applications. It was noted that the majority of Local Authorities charged for a pre-application advice service.

The Council cannot make a profit from the introduction of the proposed charging, rather it may only cover costs of the advice being provided. As a result the proposed level of fees were devised based on the recording of officer time covering a period for end to end pre application advice and calculating the officer cost, as well as a comparison with other surrounding Local Authorities. It was expected income would be approximately £20-35k per year. It was suggested that the proposals be reviewed in a years' time, including re-evaluating fee levels.

RESOLVED

That the Cabinet:

- a) approves the introduction of a charging scheme for pre-application planning advice in accordance with the proposed Charging Schedule and exemptions as set out at Appendix A to report [PES/301](#), to take effect from the 1st October 2018.
- b) delegates authority to the Head of Economy and Planning in consultation with the Head of Corporate Finance and the Cabinet Member for Planning and Economic Development to review or update the Charging Schedule. (*Generic Delegation 4 will be used to enact this recommendation*).

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Cabinet (17)
5 September 2018

- c) delegates authority to the Group Manager (Development Management) in consultation with the Head of Economy and Planning to decide on the scale of the fees for any mixed-use developments on a case by case basis and clarify exemptions. (*Generic Delegation 4 will be used to enact this recommendation*).

Reasons for the Recommendations

Pre-application advice is currently provided by planning officers free of charge for all types of planning development enquiries. Under Section 93 of the Local Government Act 2003, the Council has the power to set charging fees as a means of cost recovery for this discretionary service.

It is considered that the introduction of charging presents an opportunity to improve the quality and consistency of advice provided, which in turn should ensure submission of better quality applications. An enhanced pre-application service would support Crawley's Local Plan; in particular the following objectives:

- “To protect and enhance the valued built environment and character within the borough through high quality new design and the protection of culturally valuable areas and buildings” (Local Plan objective 4).
- “To provide a good choice of well-designed housing in terms of tenure, type, size and location” (Local Plan objective 6).
- “To ensure new development will be of high quality and sustainable design and construction in line with national standards; with new buildings being built to a high energy efficiency standard to ensure warmth continues to be affordable to all residents and meet the challenges to work towards becoming Carbon Neutral” (Local Plan objective 17).

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

RESOLVED

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

10. Tilgate Park – Adventure Golf

The Cabinet Member for Wellbeing presented report HPS/014 of the Head of Major Projects and Commercial Services which set out the opportunity to establish an Adventure Golf facility within Tilgate Park. It was noted that Tilgate Forest Golf Centre was being operated by Glendale Golf under a 25 year lease expiring in March 2029.

Glendale Golf have presented a proposal to the Council over the installation an Adventure Golf course on 1.5 acres of the land within Tilgate Park that they lease. The design would be Wild Forest' theme and fit the nature of Tilgate Park as a whole. It was proposed that the Council funds the construction of the course £420k, with a

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5 September 2018

Glendale payback over ten year with the Council receiving a rate of return. Also the Council would retain the facility at the end of the lease.

It was noted that the proposed design had be displayed within the Clubhouse and had been presented to the Friends of Tilgate Park.

RESOLVED

That the Cabinet

- a) approves the establishment of an Adventure Golf facility within Glendale Golf's existing leased area (subject to the necessary planning consent).
- b) approves a supplementary capital estimate of £420,000, funded from capital receipts in order to provide a capital loan to Glendale Golf over a ten year period for the construction of the facility on the terms noted within the report.
- c) delegates authority to the Head of Legal, Democracy and HR and the Head of Corporate Finance to negotiate the detailed terms of the loan agreement and appropriate security, ensuring state aid compliance. (*Generic Delegation 3 will be used to enact this recommendation*).
- d) notes that the terms of the agreement will result in ownership of the improved facility remaining with the Council. This will provide an improved asset at the end of the current lease agreement.

Reasons for the Recommendations

The proposal will provide an additional family oriented attraction within Tilgate Park, which will also be unique within the town and surrounding area. In addition the return on investment meets the Council's criteria and the proposal will result in an improved asset.

11. Appointment of Contractor for Crawley Homes Gas Servicing, Repair and Installation Works

The Cabinet Member for Housing presented report CH/182 of the Head of Crawley Homes which set out the details of the tender evaluation and to sought approval to appoint a contractor to deliver the gas servicing, repair and installations contract on the termination of the existing contract 31 March 2019. The new contract was for a period of up to 11 years and significant savings would be achieve over the life of the contract.

It was noted that there would be a ten day standstill period once all the tenderers involved had been informed of the decision. It was noted this was to allow any challenge on the decision from any of the parties involved. Once this period elapsed the decision would be final and be published accordingly.

The Cabinet Member thanked the work of the Working Group for their input of the tender exercise.

RESOLVED

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Cabinet (19)
5 September 2018

That the Cabinet:

- a) approves the appointment of Contractor A on an 11 year Termed Partnering Contract commencing on 1st April 2019 which is subject to an initial 5 year period with renewals at successive two year periods subject to continuous performance monitoring and annual performance review. (Subject to the mandatory standstill period)
- b) delegates to the Head of Crawley Homes, in consultation with the Cabinet Member for Housing, to extend the contract for the full term subject to a satisfactory evaluation of the contractor's service and the future strategic approach on the maintenance services as outlined in 2.1a). (*Generic Delegation 9 will be used to enact this recommendation*).

Reasons for the Recommendations

The existing Gas Servicing and Repair contract was let for a 10 year period which ends 31 March 2019 and this recommendation seeks to put in place a new contract to ensure service delivery. The contract has been retendered in compliance with the Public Contracts Regulations 2015 and the Council's Procurement Code.

Closure of Meeting

With the business of the Cabinet concluded, the Chair declared the meeting closed at 7.54 pm

Chair

Appendix A

Corporate Priorities 2018 – 2022

1. Delivering value for money and modernising the way we work

We will:

- Continue to balance the budget (over a three year period), by improving our efficiency, increasing income and investing ethically and wisely.
- Work to keep council tax low without compromising local services and put money back into local reserves where possible, to finance future investments.
- Deliver the Transformation Plan.
- Develop digital service delivery enabling customers to engage with council services at their convenience, via an updated website and a new online self-service application.
- Develop a new Town Hall with lower running costs and high grade office space for residents, staff and commercial tenants.

2. Delivering affordable homes for Crawley and reducing homelessness

We will:

- Continue to deliver as much affordable housing as possible, particularly Council housing, through our own-build and enabling programmes for people with a local connection to Crawley.
- Drive down homelessness across the borough and support partner agencies to help those most in need.
- Continue working with neighbouring councils to ensure that they provide housing for Crawley residents through their 'duty to co-operate' arrangements'.

3. Improving job opportunities and developing the local Economy

We will:

- Develop an Economic Development vision and plan.
- Deliver the Crawley Growth Programme to provide major improvements to the town's infrastructure, including more sustainable transport and better community facilities.
- Deliver pathways to better job opportunities for local residents, through the ongoing development and delivery of Crawley's Employment and Skills Plan.
- Continue to work closely with our Local Economic Partnerships to deliver economic growth and jobs in the town.
- Utilise our place making responsibilities and powers to drive business growth and create new employment opportunities.

4. Creating stronger communities

We will:

- Support local groups in delivering a range of events and activities that celebrate Crawley's diversity.
- Promote neighbourhood forums as a means of giving residents a voice over how services are delivered.
- Continue to help local voluntary organisations, through the grants process to provide important services.
- Continue to work with our partners to make Crawley a safe place.

5. Providing high quality leisure and culture facilities and supporting health and wellbeing services

We will:

- Continue to invest and enhance the town's leisure and culture facilities, such as local parks, the Museum, K2 Crawley, the Hawth, adventure playgrounds and the Nature Centre.
- Work with partners and other key stakeholders to enhance our resident's health and wellbeing and reduce health inequalities across our town.

6. Protecting the environment

We will:

- Protect and enhance our environment by reducing the Council's and the town's Carbon footprint.
- Deliver a number of energy efficient schemes including, a District Heat Network for the Town Centre, Combined Heat and Power at K2 Crawley and a Water Source Heat Pump at Tilgate Park.
- Continue to reduce, reuse and recycle our waste, providing the mechanisms to encourage residents to do more to recycle their waste.
- Continue to seek measures to improve the air quality across the Borough.
- Implement Crawley 2030, Local Plan and ensure that it remains up to date and reflects the key issues and growth challenges facing the town.
- Continue to provide a safe, clean and well maintained town, through the use of area focussed multi skilled teams.

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Crawley Borough Council

Report to Overview & Scrutiny Commission
29 October 2018

Report to Cabinet
31 October 2018

Budget Strategy 2019/20 – 2023/24

Report of the Head of Corporate Finance, **FIN/417**

1. Purpose

- 1.1 The 2019/2020 General Fund and Housing Revenue Account Budgets and the updated capital programme will be determined by the Full Council in February 2019. This report sets out the projected financial position for 2019/20 to 2023/24 for the General Fund and the underlying assumptions.

The report also sets the policy framework for the budget process, recognising that there are a range of options for capital investment, income generation, savings and Council Tax levels; none of which can be considered in isolation. The overall objective is to work towards a balanced General Fund budget over a three year period.

- 1.2 A separate report on the Housing Revenue Account's capital investment programme will be considered by the Budget Advisory Group ahead of the Budget report to Cabinet and Full Council in February 2019.

2. Recommendations

2.1 To the Overview & 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 asked to recommend to Full Council the approval of the Budget Strategy 2019/20 to 2023/24 and to:

- (a) Note, for the purpose of projections, the current budget deficit of £225,000 for 2019/20, on the basis of a Council tax increase of £4.95 on a Band D in 2019/20.**
- (b) Work towards balancing this over a three year period, including putting back into reserves when the Budget is in surplus.**
- (c) To transfer £1m from the Business rates equalisation reserve to the General Fund reserve; and in addition any in year and future surplus are to be**

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transferred to the General Fund reserve in order to fund the short term additional costs due to the investment in the New Town Hall build as outlined in section 7.6 below.

- (d) **Instruct Corporate Management Team to take action to address the long term budget gap and to identify policy options for consideration by Cabinet Members and the Budget Advisory Group, which will include areas where additional resources need to be redirected.**
- (e) **Note that items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations and schemes will also be considered that are spend to save or spend to earn.**
- (f) **Note that the Budget is aligned to the Council's Corporate Priorities.**

3. Reasons for the Recommendations

- 3.1 To set a Strategy for savings and income generation and working towards a balanced budget over three years. Including putting back into reserves when the budget is in surplus.
- 3.2 To determine the criteria for capital programme bids.
- 3.3 To agree the level of reserves in section 7.6 in order to support funding the shortfall budget shortfall as a result of the investment in the New Town Hall project.

4. Background

- 4.1 The local government finance system has become increasingly complex. The difficulty of predicting what factors such as interest rates, Government funding and other costs will be in two to five years' time is further complicated by uncertainty regarding the financial impact of the European Union Referendum and the Government's Fair Funding Review.
- 4.2 On 17 December 2015 the Department of Communities and Local Government (DCLG) announced that councils would be able to achieve greater certainty and confidence from a DCLG 4 years Budget Settlement (this covers 1 April 2016 to 31 March 2020). The offer covered all councils that receive Revenue Support Grant (RSG), from 2016/17 to 2019/20. The proposals show that Crawley will receive just £59,107 in RSG in 2019/20. This is compared to £4.9m received in 2013/14.
- 4.3 The 2019/20 General Fund and Housing Revenue Account Budgets and the revised capital programme will be set by the Full Council in February 2019. This will be informed by the recommendations of the Budget Advisory Group and will take into account the efficiencies, increased income and savings achieved through a refreshed transformation programme and budget challenge process led by the Corporate Management Team. Work to address this has started and will continue over the Autumn.
- 4.4 Many of the underlying financial assumptions in this report apply equally to the Housing Revenue Account as to the General Fund (for example inflation and employee related costs). However, the financial position of the Housing Revenue Account (HRA) is heavily influenced by the financing regime introduced in April 2012.

Under this regime the Council has taken on debt of £260.325m and determined a repayment profile which gives it the capacity to spend capital sums to achieve some of its objectives for housing. This includes a comprehensive stock investment programme and the building of new Council homes.

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However this was complicated by the Government's announcement in the July 2015 Budget that rents are to be reduced by 1% per annum for 4 years from 2016/17. This reduced the Council's ability to invest in the provision of new housing.

The Council has been selected to bid for additional borrowing to build more housing. A bid has been made to the Ministry of Housing, Communities & Local Government (MHCLG) in order to build up to an additional 231 affordable homes. These are made up of 183 affordable rent units and 58 shared ownership units. The outcome of the bids will be known later this year and will be reported to Cabinet and Full Council. Subsequently to this an announcement was made at the Conservative Party conference that the debt cap will be removed. Details of this will follow in the Budget on 29th October 2018.

5. Key Assumptions

5.1 This report provides details of budget projections for a five year period, 2019/2020 to 2023/2024. There are a number of key assumptions affecting the projections. A summary table is shown in paragraph 5.11.

On 24 July 2018, the (MHCLG) issued a technical consultation paper on the 2019-20 settlement. In that paper there are no proposed changes to the limits on council tax increases in 2019-20 (a maximum of £5 on a Band D property), although they are still subject to confirmation in the provisional settlement which will be announced around Christmas 2018.

5.2 External support

The Local Government Finance four year settlement gives the Council's Revenue Support Grant and is shown in the table below

	2016/17	2017/18	2018/19	2019/20
Provisional RSG	£1.76m	£1.04m	£0.57m	£0.06m
Percentage reduction	-32.35%	-41.64%	-44.54%	-89.72%

The 2019/20 figures show that the Council will receive £59,107 in Revenue Support Grant and no grant thereafter.

5.3 Retained Business Rates

Although the Council will collect in excess of £119 million in business rates, the amount it retains is much smaller. One of the main reasons for this is that the Government retains 50% of the rates collected and West Sussex County Council retains 10%. The second main reason is that the Council also has to pay a significant **tariff** to the Government.

There are further complications in that the Council's retained share can be added to by a safety net payment, or suffer a further levy. These are applied if the Council's retained share is more than 7.5% below a Government set figure (safety net) or above it (a levy of 50%).

The Council is in a levy position, so as a result for every additional £1 that it collects above its funding target, it only keeps 20p.

An annual increase in line with RPI in 2019/20 and then CPI thereafter in business rates is included in the Budget Strategy. This will be reviewed regularly to allow for any growth and provision for appeals.

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Any in year variations from this budget will be transferred to/from the business rates equalisation reserve. When the reserve exceeds £5m the surplus is transferred to the general fund or capital programme reserve. Section 7.6 below looks to reduce this reserve to £4m which will be sufficient to manage in year variations.

As part of the MHCLG consultation a further round of 75% business rates retention pilots 2019 to 2020 has been announced. The terms offered for 2019-20 are not as good as those available in 2018-19 as pilots will only retain 75% of any gain compared to 100. West Sussex Authorities are submitting a bid to become a pilot in this round; the outcome will be known late Autumn.

5.4 Pay Award

Local Government pay is negotiated nationally and the Council has no direct influence on the settlement. The agreed increase is 2%, however there are changes to the grading structure with spinal columns amalgamated and new ones created together with higher than 2% increases for many of the lower spinal column points. The impact of these results is an overall increase of 2.802%; the cost of the pay award is estimated to be £497,000.

The table in 5.11 shows future assumptions.

5.5 Investment Interest

5.5.1 The Council has traditionally relied heavily on investment interest to support the revenue budget. However, interest rates remain low and the level of interest received has reduced over recent years.

5.5.2 The Bank of England increased the base rate to 0.75% in August 2018 – the highest level since March 2009. The Monetary Policy Committee (MPC) has indicated that future base rate increases will be gradual and would rise to a much lower equilibrium rate than before the financial crisis. Our treasury advisors are forecasting that the MPC will not increase the base rate again before the Brexit deadline in March 2019. They feel that the MPC is more likely to wait until August 2019 before the next increase, to be followed by further increases in May and November 2020 to reach 1.5%. However, the uncertainty around the Brexit agreement means that this forecast is highly uncertain.

5.5.3 An average investment rate of 1.00% has been assumed for 2019/20, increasing to 1.25% in 2020/21 and 1.50% in 2021/22. Interest rate projections will be kept under constant review during the year.

5.5.4 Expenditure on the capital programme results in reduced investment income as there are fewer resources available for investment, and future investment balances will be much lower once development of the new Town Hall begins. However, delays in the capital programme will result in higher balances available than anticipated for investment.

5.6 Pensions

5.6.1 The actuarial revaluation of the pension fund managed by West Sussex County Council has resulted in a 0.5% increase in contributions in 2019/20.

5.7 General Inflation

In recent years many budgets have been frozen or reduced which has compensated for those budgets that have increased by more than the base assumption (for example energy and fuel). The Budget Strategy assumes that contract costs linked to inflation indices will increase by 3.7% in 2019/20, reducing to 3.2% by 2022/23. These assumptions will be updated over the coming months. No allowance has been made for inflation on other general running expenses.

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5.8 New Homes Bonus

- 5.8.1 The Government introduced the New Homes Bonus (NHB) to give local authorities additional money for each new residential property created in the area. Local authorities would receive a sum equivalent to the average national Council Tax for a property in that band for each of the following six years. For example, at that time an additional band D property will result in £1,590 being paid for six successive years.
- 5.8.2 There is an additional payment of £350 for each year if the property falls into the definition of affordable housing. This additional element is paid a year in arrears. In two tier areas the District or Borough Council receives 80% of the bonus and the County Council 20%.
- 5.8.3 The Government made changes to the way that the NHB operated when the number of years of legacy payments was reduced from 6 to 5 years in 2017/18, and then down to 4 years in 2018/19. In addition a national baseline (or deadweight) was introduced in 2017/18. It was set at 0.4% in 2017/18 and remained at this level in 2018/19. The stated purpose of both these changes was to “sharpen the incentive” for local authorities. In reality, the national baseline allowed the Government to manage the cost of the NHB scheme. By applying these changes the Government was able to reduce the cost of the scheme from £1.6bn in 2016/17 to £900m in 2019/20.

In the technical consultation paper, the Government reminds authorities that the scheme already allows it to increase in the national baseline to manage the cost of the scheme. The upward trend in house-building suggests that the national baseline (deadweight) will be increased from 0.4% in 2019/20.

The New Homes Bonus for 2019/20 is projected to be £1.531m and is estimated to reduce to zero by 2023/2024. The reason for this reduction is that in the consultation the MHCLG state that it is the Government’s intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. These assumptions will be refined once the outcome of the consultation is known.

5.9 Fees and Charges

An average increase in income budgets of CPI or 2%, whichever is the highest is assumed for 2019/20 onwards.

5.10 Fair Funding review

The Government are reviewing the way in which local authorities in England are funded in their ‘Fair Funding Review’. Central government funding for local authorities is based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/14.

The methodology is very complex and involves 15 relative need formulas and several tailored distributions for services previously supported by specific grants. These formulas involve over 120 indicators of ‘need’, reflecting factors previously identified as driving the costs of service delivery. It is widely agreed across the sector that the formulae are overly complex, lack transparency and, as they have not been updated for a long time, are now out of date.

The government is therefore undertaking the Fair Funding Review to update the needs formula and set new funding baselines for the start of the new 75 per cent business rates retention scheme, from April 2020.

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The outcome of this review will not be known until late in 2019. It is therefore very difficult to project forward and setting the 2020/21 budget will result in transferring either to or from reserves.

5.11 Summary of assumptions

	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>	<u>22/23</u>	<u>23/24</u>
Business rate income*	+3.7%	+2.2%	+2.1%	+2.0%	+2.0%
New Homes Bonus	£63k	-£307k	-£483k	-£421k	-£320k
Pay award	2.802%	2.0%	2.0%	2.0%	2.0%
Av. interest rate	1.00%	1.25%	1.50%	1.65%	1.75%
Running costs	0%	0%	0%	0%	0%
Contracts (RPI)	3.7%	3.4%	3.3%	3.2%	3.2%
Customer receipts	2.5%	2.2%	2.1%	2.0%	2.0%
Tax base increase (percentage of new properties for Council tax)	1.5%	1.5%	1.5%	1.5%	1.0%
Council Tax increase (for estimating purposes)	2.5%	2.4%	2.3%	2.3%	2.3%

*Business rates equalisation reserve will be used to absorb any fluctuations.

The tax base increase assumes the number of Band D properties in Crawley has increased due to the current building programme including Crawley Homes new builds.

6. Budget Projections 2019/20 to 2023/24 (excluding the costs of the New Town Hall)

6.1 The table below summarises the budget projections based on the assumptions above.

	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s
Base budget	14,909	15,290	15,683	16,208	16,674
Investment interest	(1,086)	(1,141)	(1,278)	(1,454)	(1,453)
Net budget	13,823	14,149	14,405	14,754	15,221
Funded by:					
Council Tax	7,188	7,449	7,704	7,999	8,265
New Homes Bonus	1,531	1,224	740	320	0
Retained Business Rates	4,056	4,366	4,462	4,555	4,647
Section 31 Grant*	764	780	798	814	831
Assumed reduction for Fair Funding		(700)	(1,000)	(1,250)	(1,500)
Revenue support Grant	59	0	0	0	0
Budget Gap / (Surplus)	225	1,030	1,701	2,316	2,978

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* Section 31 Grant is payable by the Government when they give business rate discounts for small businesses

Costs associated with the New Town Hall have been excluded at this stage as final contracts have yet to be signed (with the exception of sums currently in the capital programme).

- 6.2 There is a projected budgeted gap in 2019/20 of £225,000; increasing to £1,701,000 by 2021/22. At this stage there is an assumed reduction in funding as a result of the Fair Funding Review of £700,000 in 2020/21 increasing annually. Once the outcome of the review is known these assumptions will be amended.

The Table below summarises the movements in the Gap

	2019/20	2020/21	2021/22
	£000's	£000's	£000's
Inflation	468	824	1,196
Interest	-238	-294	-431
Retendered contracts	-645	-635	-625
CMT restructure	-123	-123	-123
Business rates income	340	14	-99
Increased Council tax income	-258	-519	-773
Heat Pump at Tilgate Park	-38	-38	-38
Planning pre-applications fees	-30	-30	-30
Reduced External audit fees	-15	-15	-15
Annual IT licence costs (revenue implications of capital programme)	64	64	64
Reduced recycling credit income from WSCC*	203	203	203
New Homes Bonus	-63	244	727
Fair Funding – estimate	0	700	1,000
Reduced Revenue Support Grant	516	575	575
Increased Employers pension contributions	73	73	73
Other – various	-29	-13	-3
Total	225	1,030	1,701

*West Sussex County Council have notified all West Sussex Districts that it is 'encouraging improved recycling performance'. In a letter from the Director of Energy, Waste and Environment, councils are told that West Sussex County Council are in a difficult financial position with £74m budget deficit over the next three years and that the current cost sharing mechanism is very generous compared to most other partnership agreements or the default rate. As a result the County Council are changing their methodology which will save them £1.038m and as a result the payment to Crawley Borough Council will be £203,135 based on current tonnes per annum recycle.

The aim is to have a balanced budget over a three year period. In the event of an in year surplus this will be transferred to reserves.

- 6.3 The assumptions above include a provision for a Council Tax increase close to £5 (£4.95 in 2019/20) per annum on a Band D property. This is less than 10p per week. The aim is to work to keep council tax low without compromising local services.

6.4 Budget pressures

Any additional growth items approved as part of future years budgets will increase the budget gap over the long term. There are however areas where there may be the need for investment in services. These include

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- Data and information management and IT staffing levels
- Town Centre cleaning

7. General Fund Reserves

- 7.1 The Council achieved a surplus General Fund in 2017/18 of £0.923m, which was transferred to the capital programme reserve.
- 7.2 There are two purposes for holding reserves. The first is to have sufficient funds to be able to maintain services, both in the short and medium term. The second is to earmark funds for specific purposes. There should be plans to spend earmarked reserves, even if the amount and timing of that spending is uncertain.
- 7.3 The level of reserves should be regularly reviewed. This is particularly true in the current situation. Local government has had reduced financial resources from the Government and it is clear that this is going to continue for several years. Other Government changes (for example the localisation of Council Tax Benefit and of Business Rates) have transferred significant risks to local authorities.
- 7.4 For both the Housing Revenue Account and the General Fund, the Council needs sufficient funds to be able to sustain services. In the case of the Housing Revenue Account the reserves are sufficient and no changes are proposed.
- 7.5 The 2016/17 Budget Strategy set the General Fund reserve at £4m and a separate business rates equalisation reserve for £5m. Any reserves available in excess of these sums are transferred to the Capital programme reserve.
- 7.6 Due to the short term impact of the expenditure on the New Town hall it is proposed that any surplus in the current financial year (Projected at £309,000 at Quarter 1) and in the financial year 2019/20 are transferred to the General Fund reserve. In addition, that £1m is transferred from the Business rates equalisation reserve to the General Fund reserve. This will still allow for volatility within the Business rates system to allow for any in year fluctuations between budgets and income.
- 7.7 This will provide sufficient sums within the General Fund reserve to fund budget shortfalls during the new build programme and at the same time allow the reserve not to get below £2.5m.
- 7.8 Further details of the impact of the New Town hall will be included in the Quarterly budget monitoring reports to Cabinet.

8. Capital Funding

- 8.1 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. Schemes will be presented to the Budget Advisory Group later in the year for prioritisation. Once the New Town hall project has commenced future capital commitments will result in borrowing. The Treasury Management Strategy which will be reported to Cabinet and Full Council in February 2019 will address any borrowing requirements. In addition a Capital Strategy report will go to the same meetings.
- 8.2 Any other specific bids will be presented directly to later meetings of the Cabinet.

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9. Housing Revenue Account

- 9.1 Council on 22 February 2012 (FIN/257) approved the payment of £260.325m to the Department for Communities and Local Government as part of the Government's abolition of the previous housing subsidy regime. The money was borrowed via a series of loans from the Public Works Loan Board. The repayment dates vary between 2022/2023 and 2037/2038.
- 9.2 The net effect of these changes was that the HRA had budgeted for significant surplus over the coming years. This was to enable the Council to make capital investments that will help it achieve its corporate housing objectives. Investments already approved include the provision of housing at Breezehurst Drive, Brunel Place and Forge Wood. Changes to Right to Buy discounts and the announcement in the July 2015 budget that rents will decrease by 1% per annum for 4 years from 2016/17, resulted in fewer resources available to meet all aspirations.
- 9.3 The HRA 30 year plan is constantly being updated, and is reported to the affordable housing group. This takes both revenue and capital budget projections and shows resources available for future investment in housing.
- 9.4 There was an announcement at the Conservative Party conference that the debt cap will be removed. This would allow an increase in borrowing in order to build more housing. Further details will be available in the Budget on 29th October and will be reported to future Cabinet meetings and Full Council.

10. Budget Process

- 10.1 The Budget Advisory Group will be meeting over the coming months to assess the policy implications of savings measures, future growth bids and business cases put forward to support proposals for capital investment including Crawley Homes. The report of the Chair of the Budget Advisory Group will be considered by the Cabinet in the New Year.
- 10.2 The Budget and Council Tax report will be considered by the Cabinet on 6 February 2019. The 2019/20 Budget will be set by Council on 27 February 2019.
- 10.3 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.

11. Background Papers

[2018/19 Budget and Council Tax FIN/434](#)
[Budget Strategy 2018/19 - 2022/23 FIN/417](#)
[Treasury Management Strategy 2018/19 FIN/433](#)
[Financial Outturn 2017/2018 FIN/443](#)
[Treasury Management Outturn 2017/18 FIN/442](#)

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Crawley Borough Council

**Report to Cabinet
31 October 2018**

Adopting the Unite Construction Charter

Report of the Head of Corporate Finance – **FIN/453**

1. Purpose

- 1.1 The Council has made a commitment to support the implementation of the minimum standards outlined in the Unite Construction Charter and as a result the Procurement Code requires updating and further approval.

2. Recommendations

- 2.1 The Cabinet is recommended to:

- a) Approve the Council's commitment to support the implementation of the Unite Construction Charter principles.
- b) Delegate authority to the Head of Corporate Finance to take the necessary steps for the implementation of the Unite Construction Charter principles into future relevant construction contracts subject to an assessment of the implications on a case by case basis. (*Generic Delegation 8 will be used to enact this recommendation*)
- c) Request that the Head of Corporate Finance in consultation with Head of Legal, Democracy and HR, use their delegation to amend the Procurement Code to incorporate the Unite Construction Charter principles (subject to the approval of recommendation 2.1a). (*Generic Delegation 8 will be used to enact this recommendation*)

3. Reasons for the Recommendations

- 3.1 Crawley Borough Council reviews its procurement processes on an ongoing basis but any major policy change requires further approval. As a local authority, the Council is responsible for the procurement of a multitude of construction projects. It is therefore appropriate to commit support to the principles within the Unite Construction Charter and signing up to the charter represents a commitment to Crawley and the charter's core principles.
- 3.2 The charter will cover important local authority construction projects including a range of residential, commercial and public realm improvements and commits the Council to achieve the highest standards in respect of direct employment status, health and safety, standards of work, apprenticeship training and the implementation of appropriate nationally agreed terms and conditions of employment.

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4. Background

- 4.1 The Council maintains a commitment to social value, and as such reviews its procurement processes on an ongoing basis.
- 4.2 The Unite Union has members across many sectors of the economy, and following its merger with the Union of Construction, Allied Trades and Technicians in January 2017, now represents a significant number of its members in the construction industry.
- 4.3 A priority campaign in the sector involved challenging poor practice within the industry that compromises the welfare of workers.
- 4.4 The Charter, attached at Appendix 1 covers eleven requirements for construction contractors and their supply chain. It has been adopted by a number of Councils on the basis that it supports increased fairness for workers. Other authorities include:

Liverpool	Wakefield
Renfrewshire	Sheffield
North Ayrshire	Bradford
Durham City Council	Doncaster
South Tyneside	North Lanarkshire
Bristol	Perth
Barnsley	

5. Description of Issue to be resolved

- 5.1 The Council has a strong commitment to social value and sustainability and already requests contractors to sign-up to the Councils Developer and Partner Charter. The Unite Construction Charter covers industrial and employment areas including procurement, planning, recruitment, health and safety, engagement, welfare facilities, skills, training and career development.
- 5.2 It is recognised that there are benefits to supporting the Unite Charter. Many of the areas are already explicitly or partly covered by existing provisions and practices, such as health & safety requirements, staff welfare and employment & skills and the use of apprentices. However there are certain complexities of the Unite Construction Charter that will need to be analysed prior to their implementation, for example concerning access to Council contracts for SMEs as the procurement process may become less attractive owing to additional requirements.

6. Implications (including Legal implications)

- 6.1 The costs of supporting and implementing the Charter are confined to the time of officers in the Procurement, Legal and Built Environment Teams.
- 6.2 In order to comply with EU public procurement directives and Public Contracts Regulations 2015 there is a need to ensure that the implementation of the principles in the Charter do not breach the Council's obligations to ensure non-discrimination, equal treatment and transparency when conducting procurements.
- 6.3 Potential consequences and or risks to supporting the implementation of the Charter may include increased contract costs as Contractors may incorporate the costs associated with compliance into their tender price. The Council may find it more difficult to attract contractors to bid for smaller scale construction projects. It should

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also be noted that the Council currently accesses Framework Agreements for some construction related projects, the requirement to comply with the Charter cannot be enforced on these contracts.

7. **Background Papers**

None

Contact Officer

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CONSTRUCTION CHARTER

As a Local Authority we are responsible for the procurement of a multitude of construction projects. It is therefore appropriate that we as a responsible client enter into this agreement and commit to working with the appropriate trade unions, in order to achieve the highest standards in respect of; direct employment status, health & Safety, standard of work, apprenticeship training and the implementation of appropriate nationally agreed terms and conditions of employment. The following shall be a requirement for all contractors and their supply chain engaged by this Authority: -

1. All parties recognise that the highest level of compliance with current HMRC regulations must be achieved where public funds are utilised. It is therefore a contractual requirement that all operatives are directly employed on a PAYE basis under a contract of employment. Furthermore the use of intermediary pay roll company will be prohibited on all contracts.
2. Health and Safety of workers on all of our construction projects is paramount. It is therefore a requirement that all contractors rigorously implement and adhere to our minimum standards for health and safety, as set out in our procurement documents. In addition we require all contractors to provide quality welfare facilities fit for purpose in accordance with the Construction Design and Management Regulation of 2015.
3. It is a recognised fact that the presence of trade union safety representatives significantly improves safety in the workplace. Contractors and their supply chain are required to work collaboratively with the appropriate trade unions to identify and implement reasonable real-world initiatives.
4. The Authority requires all projects to be completed to the highest standard, so as to meet the aspirations of the residents of this Authority. In order to achieve this it is recognised that it is necessary that all workers are competent and have the appropriate level of skill to carry out the work they are employed to do. To assist in the achievement of this goal the Authority's contractors and their supply chain will ensure they retain documented evidence that all workers are competent to carry out the work they have been employed to do. They will ensure that such evidence is retained in a way as to allow the Authority or its nominee's to audit the documentation. Possession of the recognised industry skills / grade card such as JIB or CSCS will be considered acceptable evidence
5. The Authority is mindful of the industry skills shortage and the need to address this through appropriate apprenticeships, including adult training in up skilling. The Authority's contractors and supply chain will in consultation with the Authority and other interested parties develop and implement a programme that addresses the skills shortage and provides training opportunities to local residents.
6. The Authority recognises the right of all construction workers to be employed under and to be protected by the appropriate national industry collective agreement. The Authority requires full compliance with all appropriate national agreements applicable to the construction industry.
7. All contractors and their supply chain will accept the right of any trade union that is a signatory to an appropriate national agreement, to appoint shop stewards, workplace health & safety representatives and Union Learning Reps. All trade union accredited

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representatives will be granted appropriate time and facilities to carry out their responsibilities.

8. The Authority, its contractors and their supply chain are committed to a fair and transparent recruitment policy. All contractors and their supply chain will actively ensure that the engagement of labour is based on the individual's ability to meet the needs of the project and the specific tasks for which they are recruited to undertake.
9. The Authority its contractors and their supply chain agree it's not acceptable for anyone to use or make reference to any form of blacklist.
10. The Authority recognises the benefit trade unions bring to the workplace and the rights of workers to hear from trade union representative. The Authority's contractors and their supply chain are required to allow access to nominated trade union officer from trade unions that are signatories to the appropriate national agreements. Access shall mean access to welfare facilities during working times so as to allow them to consult with their members and potential members.
11. The Authority supports the Get Britain Building campaign, which is aimed at supporting and sustaining the British construction industry. Consequently, all relevant construction contracts will be required to comply with our Authority's Sustainable Buying Standard for Highways and Construction Materials, which requires structural steel and other relevant materials to be covered by BES 6001 Responsible Sourcing of Construction Product certification, or equivalent.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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