

Crawley Borough Council

Overview and Scrutiny Commission

Agenda for the **Overview and Scrutiny Commission** which will be held **virtually - Microsoft Teams Live**, on **Monday, 1 February 2021** at **6.30 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:
Councillors

T G Belben (Chair), T Rana (Vice-Chair), M L Ayling, R G Burgess,
R D Burrett, R A Lanzer, S Malik, T McAleney and A Pendlington

Please note: in accordance with Regulations in response to the COVID-19 Public Health Emergency, from April 2020 committee meetings will be held **virtually** via online video conferencing with committee members **in remote attendance only**. Any member of the public or press may observe a committee meeting (except where exempt information is to be discussed) via a link published on the Council's website **24 hours** before the scheduled start time. In order to allow committee members to take decisions without disruption, only those Councillors who are members of the Committee or are presenting a report will be entitled to join the meeting feed. All other non-Committee members must view the meeting through the public feed. Exceptions to this will be made at the Chair's discretion and requires advanced consent. There will no public question time at any Council meeting while virtual Committee meetings are being held. All written questions submitted in **advance and accepted** in line with the Constitution will be published within a supplementary agenda. These will be read to the Committee and be followed by a response. The questioner will receive an emailed copy of the response given at the meeting. There will be no supplementary questions.

Please contact Democratic Services if you have any queries regarding this agenda.
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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 and Whipping Declarations	
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.	
Councillors must also declare if they are subject to their party group whip in relation to any items under consideration.	
3. Minutes	5 - 12
To approve as a correct record the minutes of the Overview and Scrutiny Commission held on 23 November 2020.	
4. Public Question Time	
To consider any written questions that were submitted in advance and accepted in-line with the Constitution. These will be read to the Committee and be followed by a response. The questioner will receive an emailed copy of the response given at the meeting. There will be no supplementary questions.	
5. Petition – “Save Crawley's Adventure Playgrounds”.	13 - 18
To consider report HCS/26 of the Head of Community Services and the Petitions Officer.	
6. Climate Change Scrutiny Panel Final Report	19 - 56
To consider report OSC/292 of the Chair of the Climate Change Scrutiny Panel.	
7. Proposed Article 4 Directions - Planning Change of Use from C3 (dwellinghouses) to C4 (houses in multiple occupation)	57 - 78
To consider report PES/366 of the Head of Economy and Planning.	
8. 2021/2022 Budget and Council Tax	79 - 120
To consider report FIN/514 of the Head of Corporate Finance.	
9. Treasury Management Strategy 2021-2022	121 - 146
To consider report FIN/517 of the Head of Corporate Finance.	

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10. 2020/2021 Budget Monitoring - Quarter 3	147 - 164															
To consider report FIN/516 of the Head of Corporate Finance.																
11. Community Grants Future Options	165 - 170															
To consider report HCS/24 of the Head of Community Services.																
12. Health and Adult Social Care Scrutiny Committee (HASC)																
To receive a brief update on the Health and Adult Social Care Scrutiny Committee (HASC).																
13. Forthcoming Decision List - and Provisional List of Reports for the Commission's following Meetings																
To consider any requests for future items . Those highlighted items have been referred to the Commission.																
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Annual Community Infrastructure Levy (CIL) Statement	9 Sept 2020	No														
Proposed Extension of Air Quality Management Area Boundary	4 Jan 2021	No														
14. Supplemental Agenda																
Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.																

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Crawley Borough Council

Minutes of Overview and Scrutiny Commission

Monday, 23 November 2020 at 7.00 pm

Councillors Present:

T G Belben (Chair)

T Rana (Vice-Chair)

M L Ayling, R G Burgess, R D Burrett, R A Lanzer, S Malik, A Pendlington and R Sharma

Also in Attendance:

Councillor P K Lamb and P C Smith

Officers Present:

Natalie Brahma-Pearl	Chief Executive
Elizabeth Brigden	Planning Policy Manager
Heather Girling	Democratic Services Officer
Karen Hayes	Head of Corporate Finance
Sallie Lappage	Forward Planning Manager
Chris Pedlow	Democratic Services Manager
Clem Smith	Head of Economy and Planning
Paul Windust	Chief Accountant

Apologies for Absence:

Absent:

Councillor T McAleney

1. Disclosures of Interest and Whipping Declarations

The following disclosures were made:

Councillor	Item and Minute	Type and Nature of Disclosure
Councillor R D Burrett	Submission Crawley Local Plan 2021 - 2037 (Minute 4)	Personal Interest – Member of WSCC
Councillor R D Burrett	Budget Strategy 2021/22 – 2025/26 (Minute 5)	Personal Interest – Deferred member of pension scheme

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Councillor R A Lanzer	Budget Strategy 2021/22 – 2025/26 (Minute 5)	Personal Interest – Member of WSCC
Councillor R D Burrett	Health and Adult Social Care Select Committee (HASC) (Minute 8)	Personal Interest – Member of WSCC

2. Minutes

The minutes of the meeting of the Commission held on 2 November 2020 were approved as a correct record and signed by the Chair.

3. Public Question Time

No questions from the public were received.

4. Submission Crawley Local Plan 2021 - 2037

The Commission considered report [PES/367](#) of the Head of Economy and Planning. The report sought to recommend to Full Council to approve the submission draft Local Plan for Publication consultation, to approve the submission draft Local Plan for Submission to the Secretary of State for Examination by an independent Planning Inspector, (subject to minor amendments deemed necessary following consultation for the purposes of clarity) and the approval of the publication and submission of the supporting documents for the Local Plan.

During the discussion with the Cabinet Member for Planning and Economic Development, Forward Planning Manager and the Policy Planning Manager the following comments were made:

- Confirmation that the advice sought through the Planning Inspectorate advisory service had been carried out previously as part of the process with the current adopted Local Plan. It allows areas of concern to be addressed prior to full inspection.
- Explanation was provided regarding the removal of S106 contribution requirements towards education which was a new proposal in the previous draft Plan consulted on in January. Instead this would continue to be met through the Community Infrastructure Levy (CIL) to respond to Viability evidence. The viability study assesses the economic viability of development proposed across the area covered by the Crawley Local Plan and the ability of these developments to make contributions to infrastructure through S106 and CIL. The education authority would put forward their projects and obtain their contributions via the CIL rather than S106.
- Concerns raised over the proposed allocation of the Gatwick Green employment area and whilst there was a need for employment provision within the borough, the location was questionable as the strategic gap between Crawley and Horley would be eroded. In response it was noted that it was understandable that some residents may be uncomfortable with the proposal within the Crawley Local Plan, however it was recognised that there was a balance of conflicting priorities and the Crawley Local Plan covered the needs of the community in terms of employment as well as safeguarding green space. The evidence showed that in order to support the creation of new jobs and support the local economy, Crawley needed approximately 24 hectares of employment floor space. The NPPF required the council to meet its development needs for employment purposes where possible. Due to the safeguarding requirements for a potential future

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southern runway at Gatwick Airport, it was felt this was the only area capable of accommodating a strategic employment location. However, the sensitive location had been recognised and the policy allocating the site had been carefully drafted, including many parameters the developer would need to address. The allocated site was much larger than the anticipated built area of any development scheme, to ensure it can accommodate sufficient infrastructure, landscaping and open space to provide an appropriate landscape buffer with the countryside and ensure the protection of the amenity of neighbouring properties. The proposed allocation of the site is one of the main reasons the Regulation 19 consultation was being repeated to give residents and businesses in the area the opportunity to make formal representations on the allocation and the details of the policy.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commissions' Comment Sheet.

5. Budget Strategy 2021/22 – 2025/26

The Commission considered report [FIN/508](#) with the Leader of the Council, Head of Corporate Finance and Chief Accountant. The report set out the projected financial position for 2021/22 to 2025/26 for the General Fund, Housing Revenue Account, capital programme and the underlying assumptions. The report also set the policy framework for the budget process, recognising that there were a range of options for capital investment, income generation, savings and Council Tax levels; none of which were to be considered in isolation. The overall objective was to work towards a balanced General Fund budget over a four year period, this however may be difficult due to the impact of the Coronavirus pandemic.

The Commission received clarification on a number of points within the report during the discussion with the Leader of the Council, Head of Corporate Finance and Chief Accountant.

Councillors made the following comments:

- It was noted that the pension fund benefits from effective investment and there were advantages to keeping the pension fully funded. Whilst local government pay was negotiated nationally, should a pay freeze be agreed this would assist in the committed reserves.
- Confirmation that whilst the town centre would require additional support post-Covid, the newly formed Town Centre BID intended to have a positive impact on the area, to work hard to create a safer Town Centre for shoppers, businesses, their employees and grow the number of visitors. The Economic Development Team would work with the BID, retail, key partners and stakeholders within the town and continue to provide its services, using various different methods following the pandemic.
- Confirmation that whilst the overall objective had in the past been to work towards a balanced general fund budget over a three year period, due to the pandemic the recommendation was to work towards balancing this over a four year period.
- Explanation that the final year for New Homes Bonus for four years was 2019/2020, resulting in 2022/23 for the final legacy payments. The New Homes Bonus received for the current year was for one year only.
- Confirmation that the budget gap within the budget projections was a cumulative figure.
- Acknowledgement that table 4 within section 6.2 should commence with years 2021/2022.

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- Recognition that the report had assumed that all contracts would be fully operational on 1 April 2021 with no financial impact. Whilst at this stage this was unlikely and a Covid reserve had been established.
- Confirmation that the government grant for 'Transparency' had not been ring-fenced and there were no conditions attributed to the grant.
- Explanation that the investment properties listed within the Capital Strategy linked to those within the Treasury Management Strategy and were purchased for the sole purpose of achieving a yield. Further properties still achieved a yield but were either already owned or purchased for another reason (Telford Place achieved a yield as a car park, however the primary purchase purpose was affordable housing). It was queried if the cost of acquisition could be included. However the cost price may not bear relation to the valuation or include any property works.
- Concerns were raised regarding the earmarked reserves for the town centre market transferring to a Covid support reserve. In response it was noted that the nature of the town centre as a result of the pandemic would be undergoing rapid change and this included the market. Different options needed to be considered for retail as a whole.
- Confirmation that the amount attributed to the works at Milton Mount flats were the total costs. The income was then accounted from the leaseholders separately.
- Clarification sought and provided on retained business rates and the details provided within the appendices.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet.

6. Treasury Management Mid Year Review 2020-2021

The Commission considered report [FIN/512](#) with the Leader of the Council, Head of Corporate Finance and Chief Accountant which provided an update on the Council's Treasury Management Strategy for the first two quarters of 2020/2021. The Council prioritises its investments as being security of capital, liquidity and yield.

Councillors made the following comments:

- The Commission received clarification on a number of points within the report. In terms of detailed holdings, it was confirmed that Leeds building society was a covered bond, backed by a secure government bond and thus attributed the AAA rating.
- Recognition that investing at 0% had taken place where the council had reason to invest for relatively short periods of time.
- Confirmation that investments with banks offered a higher risk during the pandemic and lower rates at the present time than investments with local authorities.
- Confirmation that appendix 1 included the overall weighted average for the portfolio of detailed holdings.
- Queries sought and obtained regarding details within appendix 2.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet.

7. 2020/2021 Budget Monitoring - Quarter 2

The Commission considered report [FIN/510](#) of the Head of Corporate Finance. The report set out a summary of the Council's actual revenue and capital spending for the quarters to September 2020 together with the main variations from the approved spending levels and impact on future budgets.

During the discussion with the Leader of the Council, Head of Corporate Finance and Chief Accountant, the following comments were made:

- Confirmation that the favourable and unfavourable indications within the budget monitoring variations referred to the projected variances against the original budget.
- Recognition that with reference to the sports, leisure and community facilities, lost Covid income related to the contractual value due to the council. The Covid additional expenditure referred to costs such as maintaining venues open at a reduced capacity.
- Acknowledgement that staffing resources increased during the first lockdown within the contact centre. However it was not anticipated that the services would undergo similar demands or pressures in the future.
- Confirmation that at the start of the pandemic the council was maintaining shorter investments as the impact on income for the rest of the year was unknown. Longer term investments have tended to result in higher interest rates (although interest rates were continuing to fall).
- Acknowledgement that in terms of the capital programme there were a few schemes which may slip to next year (for instance the town hall and purchase of properties).
- It was confirmed that an Unsupervised Play Investment Plan Working Group had been established to investigate the different play area improvements. The Wakehams Green site and investment would be discussed as part of this group. The various projects receiving S106 contributions indicated balances from previous schemes and had been re-allocated to the new programme.
- Explanations sought and obtained on the contribution to reserves within the general fund. Adequate reserves were required throughout the pandemic and to fund the capital programme, both of which were addressed within the Budget Strategy report. The council's budget position had been raised with the external auditors who believed the council had good governance, project and risk management where appropriate.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet.

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

An update was provided from the most recent HASC meeting. Key items of discussion included:

As a result of Covid19 a decision was taken in April to merge the several CCGs in West Sussex into an overall CCG for the county.

During the year a variety of surveys were carried out by Healthwatch in Sussex and Sussex NHS Commissioners 'Accessing Health and Care Services'. Whilst it was recognised that there were some people and communities not represented and therefore further work would be carried out to establish views and experiences, some key headlines included:

- A large minority of all respondents chose not to make an appointment during the pandemic despite having a need to access health, social or emotional care.
- Those with disabilities were more likely to delay appointment making.

Whilst not exhaustive, several recommendations emerged:

- The report emphasised that the message from the NHS was 'it is open for business' and that the campaign 'Help us Help you' had merit but needed strengthening especially amongst those more likely to delay appointments.
- Any communication must be in appropriate forms and should both be received and understood.
- There needed to be engagement with those who were more likely to delay appointments and encourage them not to delay.
- Patients should be allowed to choose their preferred method of engagement including face to face.
- Patients should have the opportunity to choose appointments with their regular GP.
- Health and care services should provide remote appointments for specific times.
- The technology skills of some health professionals involved in remote appointments needed improving.
- There will need to be significant changes to ways the system operates not least because of the increase in both population and housing need.
- There were high levels of satisfaction by those who made appointments by phone, video or online.
- The preferred way of contact for routine visits was by phone and a large proportion of those with mental health conditions were least satisfied to receive any form of remote appointment as were those with disabilities.
- Older people preferred face to face appointments with a GP (particularly their regularly GP).
- Several people chose to delay appointments despite having a need. Comments such as 'felt condition was not serious enough' 'did not want to burden the NHS' 'thought I would wait until pandemic was over' were very common.

HASC considered 4 key areas for developing the work.

1. Restoration and Recovery.

Work needed to be done to restore services to pre-Covid 19 levels. This included advertising and social media. It was important to remember there were many frail

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and elderly living on their own in their own homes and not in care homes and could be receiving better care.

2. Digital Technology.

There needed to be better referrals to reduce workload and the need to avoid any barriers between patient and GP so if a patient provided avoidable times these were maintained.

3. Workforce (upskilling).

New roles within GP practices providing more different services.

4. Estates (premises).

Work needed to be done with the District and Boroughs when looking at new developments – increased dwellings and householders. Community hubs needed to be integrated.

Other issues: West Sussex would not feature in the first tranche of any vaccine rollout and consequently expectations would need to be managed. The vulnerable would be the first to receive any vaccine, prior to the remainder of the population.

9. **Forthcoming Decision List - and Provisional List of Reports for the Commission's following Meetings**

The Commission confirmed the following reports:

1 February 2021

- Proposed Article 4 Directions - Change of Use from C3 (dwelling houses) to C4 (houses in multiple occupation)
- Economic Development Strategy
- Climate Change Scrutiny Panel Final Report
- 2021/2022 Budget and Council Tax
- Treasury Management Strategy 2021-2022
- 2020/2021 Budget Monitoring - Quarter 3

Given the number of items on the agenda and to ensure sufficient time to fully scrutinise the items it was agreed this meeting would commence at 6.30pm.

Closure of Meeting

With the business of the Overview and Scrutiny Commission concluded, the Chair declared the meeting closed at 9.01 pm

T G Belben (Chair)

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Crawley Borough Council

Report to Overview and Scrutiny Commission

1 February 2021

Cabinet

3 February 2021

Petition “Save Crawley’s Adventure Playgrounds”

Joint report of the Head of Community Services, and the Petitions Officer
HCS/26

1. Purpose

- 1.1 The Council’s Petitions Officer received and accepted petition of 959 valid signatures entitled ‘*Save Crawley’s Adventure Playgrounds*’ and as such is required to be debated at the Overview and Scrutiny Commission, before their views are passed to the Cabinet as the relevant decision maker for their consideration and response.
- 1.2 To help consider the petition in context, the report also provides evidence in response to Residents’ concerns about proposals to cease supervised play provision at the four adventure playgrounds (APGs), closing two sites permanently with two retained as unsupervised play areas to help.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider, the petition, the statement of the petitioner and the background report and decide what comments, if any, it wishes to submit to the Cabinet for a decision and response to the Principal Petitioner.

- 2.2 To the Cabinet:

That the Cabinet considers the findings and any comments submitted by the Overview and Scrutiny Commission, along with the petition, the statement of the petitioner and the background report, in making its decision.

3. Reasons for the Recommendations

- 3.1 To ensure the procedure for petitions as detailed in the Council’s Constitution is adhered to.

4. The Petition and the Procedure

- 4.1 The Council’s Petitions Officer received an e-petition entitled *Save Crawley’s Adventure Playgrounds* which had been ran on 3rd party petition site Change.org by the Principal Petitioner.

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- 4.2 The petition states as follows “**Save Crawley’s Adventure Playgrounds**”

Crawley Council have just announced that they will be closing all 4 of our adventure playgrounds, 2 will close completely and 2 will become unsupervised play areas.

This will leave the children of Crawley with nowhere safe to play. The adventure playgrounds are a part of Crawley’s history, they have been around for 60 years! I grew up spending most of my childhood playing in them and so have my children. They are still well used by so many local families. We love having somewhere to go that provides a safe place to be outside, socialising and exercising with toilets, staff and refreshments available to all. Us parents can meet up and we can bring the little ones along and they play here all day, they make new friends, gain confidence, get fresh air and exercise without it costing a fortune. Where will we go without these? Where can you go knowing that the kids can roam free without the worry of safety and knowing there is always a safe adult to hand if needed. What type of people could these areas attract if unsupervised?

They also offer reasonably priced childcare services throughout school holidays for those of us that don't have the ability to pay private fees whilst we are at work. For some parents this is a life line and we will be lost without it.

Where will our children go to socialise now? Out on the streets, causing mischief and creating issues due to boredom or stop going out and rely on technology?! We don't have youth clubs anymore, so these are their only options? What good will either of these do for the mental health of the next generation? Please sign our petition to ask the council to look at the options again and review this decision!

- 4.3 On reviewing the petition and in line with the Council Petitions Scheme the petition was accepted with 959 valid signatures. As a result of the size of the petition it is sent to the Overview and Scrutiny Commission for their consideration and review.
- 4.4 The petition along with view of the Commission is then submitted to the appropriate decision maker in this case the Cabinet for their consideration and responses.
- 4.5 At both meetings the Principal Petitioner is entitled to address the Councillors over their petitions. In line with Virtual Committee Procedure Rules for both meetings it will be in the form of a written statement that equates to 3 minutes in length which will be read to Councillors by a Democratic Services Officer.
- 4.6 The Cabinet is required to provide the Principal Petitioner with written confirmation of their decision. The confirmation will also be published on the Council’s website within the minutes.

5. Background behind the Petition

- 5.1 The petition requests that the Council reconsiders its intention to close the Adventure Playgrounds as supervised provision.
- 5.2 Under the backdrop of increasing financial pressures and the need to achieve a balanced budget for 2021/22, consultation took place from 8th October until 5th November 2020 which resulted in 1,212 external responses from residents who gave their views on potential service changes. This had the highest response rate for any Crawley Borough Council consultation. The results of the consultation are [available on the Council's website](#). Only 26 per cent of respondents to the budget consultation

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disagreed with the proposal to review Play Service provision while 51 per cent agreed.

5.3 Members agreed in principle to a number of fundamental changes to the Play Service that affected the status of all four APGs and supported a move to a community based outreach play model.

5.4 Cherry Lane and Waterlea Adventure Playgrounds will be converted into unsupervised play areas while Creasys Drive Adventure Playground in Broadfield and Millpond Adventure Playground in Bewbush will be closed. The council will also investigate if it is possible to enhance any existing play provision in Broadfield and Bewbush.

5.5 It has also been recognised that the Council's approach to delivering its play offer required review, the last review taking place in 2011. With Crawley facing unprecedented economic challenges in the wake of the Covid-19 pandemic, there will be social challenges facing the town that require new approaches that create capacity to maximise impact.

6. Key Areas for Consideration

6.1 The key areas for the consideration are as follows:

- As part of the budget setting process for 2021/22, the Council has stated its intention to reduce the overall Play Service revenue budget by £210,000. This contributes to the Council achieving a balanced budget position as part of its [Budget Strategy 2021/22 - 2025/26 FIN/508](#).
- Additional capital resource, in the region of £500,000 - £750,000, would be required to invest in two of the outdated sites to meet necessary quality and safety standards. This is over and above the funds earmarked to redevelop Waterlea APG, these would have to come forward as new capital bids and bid against other priorities as agreed in the [Budget Strategy](#).
- The average cost per visit to the council across all four adventure playgrounds is high, at more than £30. This ranges from £4.11 to £85.22 across the different sites. This is very expensive when you consider that the annual amount that Crawley Borough Council receives for a band D council tax household is £208.89.
- There has been a 68% reduction in the total number of children attending activities provided by the play service over the past twenty years. In 2002/3 the total no of visits to the play service was 94,918 compared with 30,386 in 2019/20.
- The provision of a one-off 'Lower Tier Services' government grant allocation within [The Provisional local government finance settlement England 2021 to 2022](#) has afforded the Council the opportunity to make 2021/22 a transitional year in delivering its Play offer, allowing time for the future community outreach model to embed. This is outlined in report 2021/22 Budget and Council Tax FIN/514 elsewhere on this agenda in section 8.4.
- There are a wide variety of existing play facilities provided by the Council across the Town that are free of charge.

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- The Council can provide a better, outcome focused, service for children and young people through the proposed Community Outreach play model, facilitated by our play team.
- The Council is working with West Sussex County Council and existing established holiday child care providers to support affordable access. It is possible that this will be delivered at one or more of the APG sites.
- The Play Service is primarily aimed at five to thirteen year olds. It is not intended as an alternative to youth provision. Youth Service provision falls within the remit of West Sussex County Council.

7 Information & Analysis

- 7.1 The Head of Community Services has consulted with the Head of Corporate Finance regarding the issues raised.
- 7.2 The adventure playgrounds have low usage and are outdated. It is acknowledged that some residents have a strong connection to the sites but children and families no longer visit them in the numbers they once did. The Head of Community Services has established that there has been a 68% reduction in the total number of children attending activities provided by the play service over the past twenty years. In 2002/3 the total no of visits to the play service was 94,918 compared with 30,386 in 2019/20. The Head of Corporate Finance confirmed that the service cost the council £376,000 in 2019/20, equating to an average cost per visit of more than £30, at a time where the Council needs to make significant savings to achieve a balanced budget. As part of the budget setting process for 2021/22, the Council has stated its intention to reduce the overall Play Service revenue budget by £210,000. This contributes to the Council achieving a balanced budget position as part of its [Budget Strategy](#).
- 7.3 The Council would need to make additional significant investment into three of the APG sites, far exceeding the £400,000 capital budget available, these would form future capital bids. This is at a time where traditional funding sources such as developer contributions through the Section 106 and Community Infrastructure Levy are less available.
- 7.4 The provision of a one-off 'Lower Tier Services' Government grant allocation within the recent provisional finance settlement has afforded the Council the opportunity to make 2021/22 a transitional year in delivering its Play offer. This will see two of the adventure playgrounds (Cherry Lane and Millpond) remain open until 31st October 2021 alongside the implementation of the community outreach model. During this period, a third APG site, Waterlea, would be refurbished and re-open in 2022 as an unsupervised play area.
- 7.5 Creasys Drive continues to be an unviable site, as highlighted in the most recent independent site inspection report. The location of the site does not support easy access to many local residents so is considered to be less favourable in terms of large capital investment. Plans for this site will be developed in time but this site is to remain closed as a play facility from April 2021.
- 7.6 There are a wide variety of existing play facilities provided by the Council across the Town that are free of charge, including our numerous parks and open spaces, 80+ unsupervised play areas and sport / recreation courts, Skate Park and BMX track.

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We know that many of these facilities are well used and enjoyed by children and their families.

- 7.7 The Council has committed £400k capital funds to invest in Waterlea APG and improvements to existing play facilities in Broadfield and Bewbush.
- 7.8 The Council does not intend to remove supervised play provision entirely, simply it will be delivered in a different way through a community outreach model rather than focused at four fixed APG sites. This will provide the opportunity to take play out to our communities, engaging families and delivering informal and structured activities where they are most needed, offering better outcomes for our children and value for money. A team of experienced play staff will support the delivery of these community play activities, alongside other partners.
- 7.9 New proposed, play staff led sessions will provide reassurance to those parents and carers who are concerned about allowing their child to play independently in an unsupervised setting. It is important to acknowledge that the play staff do not currently act in loco parentis at any of our APG settings (the exception is the formal childcare provision) or community locations. Parents and Carers are responsible for their children at all times.
- 7.10 The Council's Community Warden service respond to incidents of antisocial behaviour at all of our unsupervised sites within core service hours (08:00 – 21:30, seven days a week), however any concerns relating to possible criminal activity should continue to be reported to the police.
- 7.11 We are working with existing established holiday child care providers to support affordable access and to build capacity for provision for Crawley children as part of the transitional delivery plan. It is possible that this will be delivered at one or more of the APG sites through one or more of the providers already operating preschool provision at our sites.
- 7.12 The Play Service is primarily aimed at five to thirteen year olds, albeit some younger and older children do access the service. It is not intended as an alternative to youth provision. Youth Service provision falls within the remit of West Sussex County Council.

8 Implications

- 8.1 Retention of the Adventure Playgrounds in their current form would create a £210,000 revenue budget shortfall. This would need to be addressed and alternative savings found to ensure that the Council meets its obligation to deliver a balanced budget.
- 8.2 Additional capital resource, in the region of £500,000 - £750,000, would be required to invest in two of the outdated sites to meet necessary quality and safety standards, these would form part of future bids and have to meet the criteria set out in the Budget Strategy.
- 8.3 Usage of the APG sites is likely to decline further without investment.
- 8.4 Sustaining the APG centred delivery model will limit the number of children and their families that we can effectively engage across the town. It will also limit how quickly and flexibly we can respond to the evolving needs of our residents and wider

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community, in the context of historic issues and those emerging from the Covid-19 pandemic.

9 Background Papers

Consultation outcomes [available on the Council's website](#).

Cabinet report 25 November 2020 [Budget Strategy 2021/22 - 2025/26 FIN/508](#)
2021/2022 Budget and Council Tax FIN/514 (elsewhere on this Agenda)

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Crawley Borough Council

Report to Overview and Scrutiny Commission 1 February 2021

Report to Cabinet 3 February 2021

Climate Change Scrutiny Panel Final Report

Report of the Chair of the Climate Change Scrutiny Panel,
Councillor K L Jaggard **OSC/292**

1. Purpose

- 1.1. In July 2019, Full Council declared a Climate Emergency with Councillors pledging to take local action to aim to reduce carbon emissions generated by Crawley Borough Council's workings and activities by at least 45% by 2030 and to zero by 2050.
- 1.2. The motion to Full Council also asked the Overview and Scrutiny Committee (OSC) to convene a Scrutiny Panel to look into and make recommendations focusing upon the workings and activities of Crawley Borough Council relating to carbon emissions and to report to Council as soon as is practicable. It further requested that OSC co-opts a member or members of the Youth Council to the Scrutiny Panel. However despite repeated requests, unfortunately a co-optee was not forthcoming from the Youth Council.
- 1.3. A Scrutiny Panel was subsequently setup by the OSC in September 2019 to take the work forward with the first Panel meeting commencing in November 2019.

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 agree the recommendations as set out in Section 6.

- 2.3. Following the Notice of Motion submitted in July 2019, Cabinet requests Full Council to:

- a) Endorse the Scrutiny Panel's findings and recommendations contained within report OSC/292
- b) Request that any necessary revisions to the Council's Constitution relating to paperless committee meetings be made.

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3. Reasons for the Recommendations

- 3.1. These reflect the motion agreed by Full Council and outline proposals to help the Council to achieve the ambition to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050.

4. Background

- 4.1. The 2018 Inter-governmental Panel on Climate Change (IPCC) Report is an alarming reminder of the consequences of climate change and the urgent need to ensure that global temperatures do not exceed 1.5 degrees Celsius above pre-industrial levels. The report demonstrates that there is an increasing likelihood of missing the global warming target, with the 1.5 degree Celsius temperature "guard rail" expected to be exceeded in just 11 years.
- 4.2. The report found that limiting warming to 1.5°C may still be possible with ambitious action at a local, national and international level. There is no single definition of the term 'climate emergency' and in many respects it can be seen primarily as "a novel framing... (that) amplifies the scientific and policy understandings on the causes and consequences we have known about for some time". (Chatterton, P (2019), Building the 1.5 degree, socially-just city, University of Leeds)
- 4.3. The 'climate emergency' movement is typically associated with the recognition for a need to implement urgent policies to deal with "the devastating impact that volatile and extreme weather will have on UK food production, water availability, public health and through flooding and wildfire damage" (Smith L, et al (2019). Climate change and the environment. House of Commons Library), and it is habitually aligned with carbon-neutral ambitions. Bristol became the first UK local authority to declare such an emergency in November 2018.
- 4.4. In May 2019, the UK Parliament also declared a climate emergency. This called for a change to the UK's climate change targets (from the Climate Change Act 2008) in order to achieve net zero emissions before 2050.
- 4.5. In the changing national context, much attention has focused on the role of local authorities and how they can tackle climate change at a local level.
- 4.6. The challenge ahead for councils such as Crawley Borough Council is twofold: firstly, to translate the current momentum into coordinated action across all areas for which the Council has a direct responsibility (with these actions being embedded into policies, strategies and action) and secondly to ensure that a long-term commitment is made to tackling climate change, using their influence with the wider community to ensure that a longer-term commitment is achieved.
- 4.7. Local authorities can influence the issue of climate change in a number of different areas. For district councils, the LGA (2019) recommends the focus of action be:
 - Energy efficient buildings and assets;
 - Changes to vehicle fleet and travel arrangements;
 - Changes to procurement and contract management;
 - Working practices i.e. home-working; embracing reduce/reuse/recycling;
 - Improved flood protection;
 - Planning and Regeneration;
 - Community development;
 - Educating/enabling communities to be more greenhouse gas emissions aware.

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5. Description of Issue to be Resolved

- 5.1. A key consideration for local authorities will be the impact that climate change will have on the services they provide.
- 5.2. The Notice of Motion presented in July 2019 included many factors but it was very clear regarding the Scrutiny Panel's focus:
"upon the workings and activities of Crawley Borough Council relating to carbon emissions".
- 5.3. The Scrutiny Panel has utilised themes to complete its work as it was recognised that the climate change agenda encompassed a wide area:
- Baseline Audit
 - Transport
 - Business/commercial
 - Domestic/residential
 - Blue/green infrastructure
- 5.4. The Scrutiny Panel dedicated various meetings to these above themes, acknowledging that there may be overlaps between them. However it was also recognised where work had already been achieved.
- 5.5. The Centre for Governance and Scrutiny '10 questions to ask if you are scrutinising climate change' (2020) documents the overall need for local climate action. It asks the following:

How well does the council understand the need to take local action?

Has the council carried out research to understand what it can do and what it needs to do?	<ol style="list-style-type: none"> 1. Baseline audit completed 2. Notice of Motion 3. Scrutiny Panel 4. Officers Group 5. CfGS seminars 6. Desktop research 7. Action Plan
Has the council declared a climate emergency?	July 2019
How does the council propose to act immediately on the declaration of a climate emergency (if relevant)?	<ol style="list-style-type: none"> 1. Baseline audit completed, monitored and updated 2. Points within Notice of Motion actioned 3. Scrutiny Panel recommendations to be incorporated into Council's Climate Emergency Action Plan
What commitments is the council making by such a declaration?	<ol style="list-style-type: none"> 1. Pledge to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). 2. Call upon central government to provide the powers and resources to make these targets possible. 3. Work with other councils and partners to determine and implement

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	<p>best practice methods to reduce carbon emissions and so limit Global Heating to less than 1.5 degrees Celsius</p> <ol style="list-style-type: none"> 4. Request that the Overview and Scrutiny Commission (OSC) urgently sets up a Scrutiny Panel to look into and make recommendations focusing upon the workings and activities of Crawley Borough Council relating to carbon emissions and to report to Council as soon as is practicable. Council further requests that OSC co-opts a member or members of the Youth Council to the Scrutiny Panel. 5. Request that the Head of Corporate Finance will undertake a review of the ethical investment policy in the Treasury Management Strategy with a view to incorporating the Council's climate change declaration. 6. Encourage all Crawley residents to commit to the West Sussex County Council Climate Pledge published in May 2019.
<p>How if at all, have these commitments been recast as a result of the Covid-19 pandemic?</p>	<p>Commitments not re-cast but in terms of (3) above, emission figures for venues / facilities and activities will have been affected by the pandemic (K2 Crawley, Hawth, community centres etc)</p>
<p>Does the council have a carbon neutral or zero carbon target?</p>	<p>Aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC).</p>
<p>Does a carbon neutral or zero carbon target cover council activities only or is it broader?</p>	<p>The submitted Notice of Motion covered various points:</p> <ol style="list-style-type: none"> 1. Pledge to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). 2. Call upon central government to provide the powers and resources to make these targets possible. 3. Work with other councils and partners to determine and implement best practice methods to reduce carbon emissions and so limit Global Heating to less than 1.5 degrees Celsius

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	Consequently the council will look to influence where appropriate and seek to promote energy saving initiatives and projects to local residents, particularly when trying to influence the need for green tariffs and energy efficiency. The Council will look to encourage and engage with residents on various environmental projects.
Has there been a climate risk assessment in the local area?	Baseline audit completed, monitored and actioned
What is the council's structure of gathering and analysing the existing research and expertise?	Council's Sustainability Team work with officers across the council and stakeholders to obtain data. The Officers group will work to progress the Climate Emergency Action Plan, incorporating the Scrutiny Panel's views and recommendations, together with those sought through the Review.
How can the council establish a benchmark for this data so evaluation of the effectiveness of climate action is possible?	For some venues figures have been obtained over several years. The baseline audit does the following: <ul style="list-style-type: none"> • Provides evidence base to support the council in its response to the Climate Emergency • Outlines the current emissions profile of the council • Outlines the emissions profile of the borough • Assists in understanding the scale of change needed to meet our 2050 net zero carbon ambition. • Assists in understanding the proportion of emissions that can be influenced locally
How will information gathered (including public views and partners' opinions and priorities) pre-Covid be subjected to analysis to ensure its continued relevance?	Scrutiny Panel had community engagement sessions pre-Covid and also invited partners and stakeholders as witness both pre-Covid and to virtual meetings throughout the pandemic to obtain views.

5.6. The Centre for Governance and Scrutiny '*10 questions to ask if you are scrutinising climate change*' (2020) states that "both Covid-19 and the continuing threat of climate change demonstrates the needs for places and communities to become more resilient. They (local councils) have convening power in the local area – the ability to bring together a range of individuals and organisations and to work with them to develop a coherent and consistent approach to the issue".

6. Scrutiny Panel Recommendations

6.1. The Scrutiny Panel considered all the evidence relating to the workings and activities of the council and has drawn up the following recommendations:

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Transport

- a) As part of the implementation of the New Directions for Crawley Transport Strategy, continue to improve and promote active and sustainable transport options, working for example through the Crawley Growth Programme and in partnership with Manor Royal Business District, public transport operators and other partners.
- b) Consider the introduction of community car, bike sharing and car clubs within the borough.
- c) Request officers investigate the extension of the Hazelwick Air Quality Management Zone (at Three Bridges to the boundary area of the existing Hazelwick Air Quality Management Area (AQMA)) and consider other low emission zones to improve air quality.
- d) Continue to work with partners to increase the number of electric vehicle charging points across the borough, in particular to benefit those residents without access to off-street parking, and consider incentives for electric vehicles along with any necessary infrastructure.

Commercial and Business

- e) Continue to invest in renewable energy technologies and/or energy efficiency measures on the council's own estate, including domestic buildings.
- f) With K2 Crawley being the biggest single contributor of CO₂ of Crawley Borough Council's estate in the town, consider lowering the pool temperature (taking into account the acceptable industry standard) to reduce energy consumption.
- g) Commit to consider the use of new technology fuel such as hydro-treated vegetable oil which could be used immediately in diesel engines (noting however there would be a cost implication of 10-12 pence per litre more than diesel).
- h) Commit that as part of any fleet replacement, consider an innovative approach (in terms of moving to low carbon technologies), including the option to work with other partners in other sectors (for example Metrobus and hydrogen fuel).

Blue and Green Infrastructure

- i) Commit to strengthening the protection of the borough's blue and green infrastructure within its neighbourhoods, in particular any replacement of trees if felled, as referenced in the Crawley Local Plan 2021-2037.
- j) Commit to increase the number of sites for Wildflower Verges across the town, and increase the use of sustainable planting, (particularly drought resistant planting).
- k) Seek to promote pedestrianisation where practicable including the establishment of trees and seating areas.
- l) Request that as part of the Climate Emergency Action Plan, officers explore opportunities for maximising the contribution that the borough's green and blue infrastructure can make to biodiversity net gain, air quality improvements, carbon sequestration and flood prevention/management.

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Domestic Buildings

- m) Continue efforts to deliver new build housing to zero carbon standards that would ensure they would not need to be retrofitted by 2050 at great expense, including increasing the number of electric vehicle charging points across these developments.
- n) Agree to compile an efficiency plan following the analysis of Net Zero Collective data to progress further energy efficiency improvements within Crawley Homes.

General

- o) Agree that a Climate Change Impact Assessment Document be completed for all new services/projects/programmes (similar to an EIA). This will ensure all services approved by the council are shown to be considering the importance of the climate change agenda and their contribution towards the Council's carbon reduction targets. (See example of a local authority climate change impact assessment in Appendix A).
- p) Promote energy saving initiatives and projects to local residents, particularly when trying to influence the need for green tariffs and energy efficiency; to encourage and engage with residents on various environmental projects.
- q) Endorses the Cabinet Member for Resources previous decision that from May 2018, all newly elected members will be paperless for committee meetings and that with effect from the new municipal year May 2021 all members will be paperless for committee meetings, especially as all Councillors have devices to enable this to happen.
- r) Assert the Council's aspirations for improving air quality and tackling climate change in all relevant responses to Government and regional consultations.
- s) Agree that the Climate Emergency Officer Advisory Group creates a Climate Emergency Action Plan for Crawley, taking into account the Scrutiny Panel's views and recommendations. This action plan should identify resources, sources of funding and timescales required for completion in order to ensure the council remains on target to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050.

7. The Panel's Work - Information & Analysis Supporting Recommendation

Baseline Audit

- 7.1. The key challenge was undertaking a new 'baseline' audit. This body of work provided an evidence base to support Crawley Borough Council in their response to the Climate Emergency, by outlining the current emissions profile of the council and the borough and understanding the scale of change needed to meet their 2050 net zero carbon ambition. This evidence then allowed Crawley Borough Council to model different emission reduction pathways for each energy system.
- 7.2. Figure 1 illustrates the emissions within Crawley Borough as a whole. In 2017, these accounted for 594 ktCO₂ (excluding aviation). To meet the emissions reduction ambitions for the borough, reducing energy and transport demand needs to be prioritised, as these types of measure can be undertaken now, without the need for significant advances in technology. Transport emissions are on an upward trend, demonstrating the need for a shift towards lower carbon transport modes.

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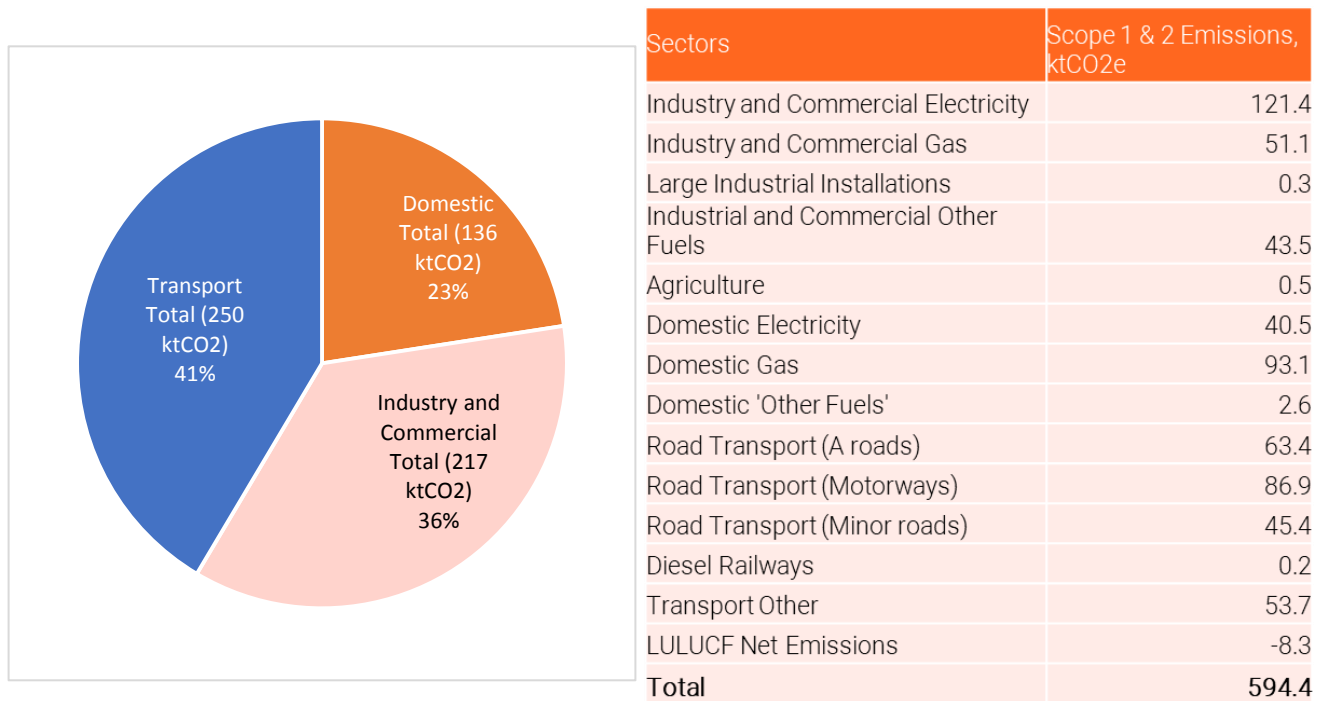


Fig 1: Crawley Borough Current Emission Profile - BEIS sector inventory for direct and indirect emissions within Crawley (excludes aviation), 2017

7.3. Overall Crawley Borough had higher emissions per capita compared to other areas of West Sussex due to its industrial strength, motorways adjoining urban areas, compact town, and lack of rural land (see figure 2). In contrast its domestic emissions were lower than other districts and boroughs. Transport emissions are on an upward trend across all of West Sussex, despite advances in low emissions vehicles. This can in part be attributed to the increased number of SUVs (with higher carbon emissions) on our roads. There would be a need to compare structurally similar areas in order to obtain a direct comparison.

	ktCO2 Industry and Commercial	Domestic	Transport	Grand Total	Per Capita Emissions (t)
Adur	47.4	87.0	100.8	231.6	3.6
Arun	145.4	239.0	215.3	573.2	3.6
Chichester	259.4	207.8	318.3	664.0	5.5
Crawley	216.9	136.2	249.6	594.4	5.3
Horsham	197.6	226.7	308.2	663.9	4.7
Mid Sussex	167.3	228.7	321.1	650.0	4.4
Worthing	97.5	152.3	93.6	340.4	3.1

Fig 2: Carbon Emissions across West Sussex (source BEIS, data for 2017)

7.4. In terms of the Council's own emissions they represented approximately 6% of the borough wide emissions (see figure 3). Emissions are divided into three categories referred to as Scope 1, 2 and 3 depending on whether they are direct or indirect

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emissions associated with the Council's workings and activities as illustrated in figure 4. Baseline emissions were reported as carbon dioxide equivalents (CO₂e) taking into account emissions not just from carbon dioxide but all greenhouse gases.

Emission Source	FY1819				
	Activity Data	Unit	tCO ₂ e	% of total emissions	
Scope 1					
Buildings & Other Assets: Council Operated	Natural Gas	3,030	MWh	557	1.59%
	Total			557	1.59%
Buildings & Other Assets: Contractor Operated (K2 & The Hawth)	Natural Gas	7,478	MWh	1,375	3.92%
	Total			1,375	3.92%
Vehicle Fleet	HGV Rigid >3.5-7.5t	1,000	miles	0.79	0.00%
	HGV Rigid >7.5-17t	9,834	miles	10	0.03%
	HGV Rigid >17t	99,549	miles	153	0.44%
	Pool Cars	5,008	miles	1.46	0.00%
	Fuels (Diesel)	337,148	Litres	337	0.96%
	Fuels (Unleaded)	13,682	Litres	32	0.09%
	Total			534	1.52%
Total Scope 1 Emissions			2,466	7.04%	
Scope 2					
Buildings & Other Assets: Council Operated	Purchased Electricity	3,508	MWh	993	2.83%
	Total			993	2.83%
Buildings & Other Assets: Contractor Operated (K2 & The Hawth)	Purchased Electricity	2,464	MWh	630	1.80%
	Total			630	1.80%
Total Scope 2 Emissions			1,623	4.63%	
Scope 3					
Buildings & Other Assets: Council Operated	Natural Gas - WTT	3,030	MWh	77	0.22%
	UK Electricity - T&D	3,508	MWh	85	0.24%
	Water Supply	52,216	m3	18	0.05%
	Water Treatment	52,216	m3	37	0.11%
	Total			217	0.62%
Buildings & Other Assets: Contractor Operated (K2 & The Hawth)	Natural Gas - WTT	7,478	MWh	179	0.51%
	UK Electricity - T&D	2,464	MWh	53	0.15%
	Water Supply	49,264	m3	17	0.05%
	Water Treatment	49,264	m3	35	0.10%
	Total			284	0.81%
Contractor Vehicles	Vans (Class II)	52,577	miles	10	0.03%
	Vans (Class II)	23,199	Litres	62	0.18%
	Total			73	0.21%
Grey Fleet	Average Car: Petrol	59,867	Miles	27	0.08%
	Average Car: Diesel	89,801	Miles	17	0.05%
	Motorbikes	60	Miles	11	0.03%
	Total			55	0.16%
Employee Commute	Walk / Bicycle	980,169	Miles	-	0.00%
	Private On-Road Transport	3,690,966	Miles	1,063	3.03%
	Public On-Road Transport	357,957	Miles	64	0.18%
	Public Off-Road Transport	441,069	Miles	31	0.09%
	Total			1,158	3.30%
Procurement Spend	Input/Output	£64	million GBP	29,171	83.24%
	Total			29,171	83.24%
Total Scope 3 Emissions			30,957	88.33%	
Total Emissions			35,045		

Figure 3: Crawley Borough Council's own emissions (Scope 1, 2 and 3) for 2018/19

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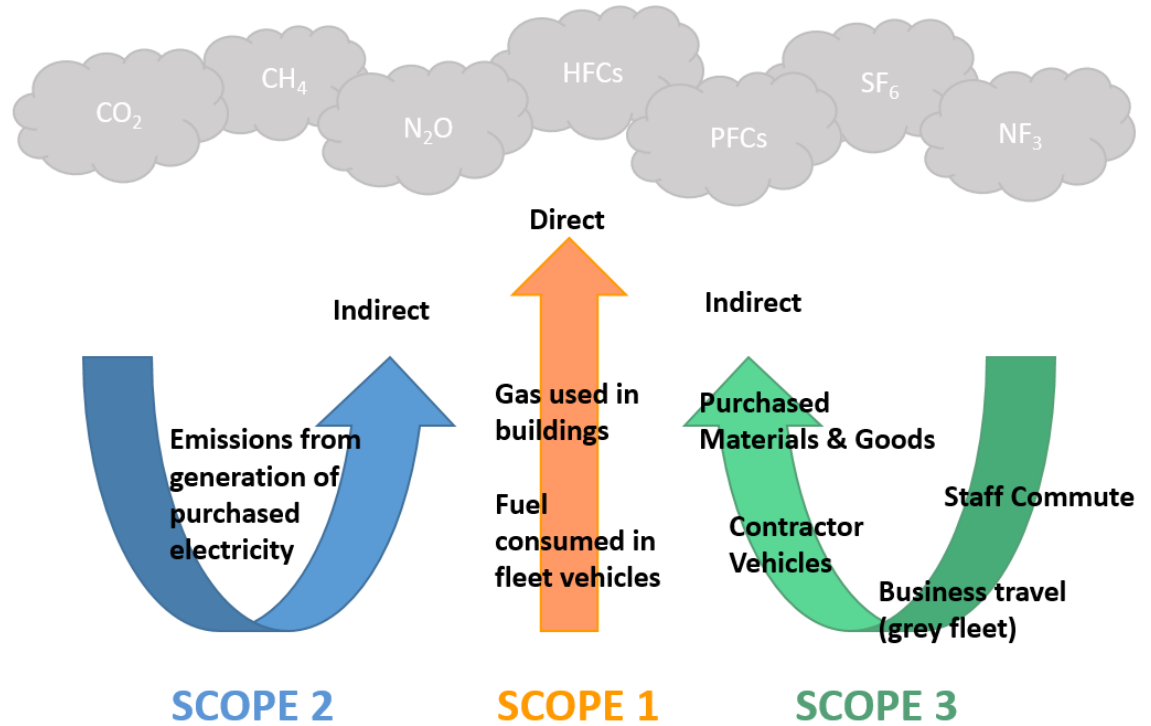


Figure 4: Illustration of the sources of direct and indirect emissions in Scope 1, 2 and 3

- 7.5. The largest single emissions source category from Indirect, Direct and Other emissions was from the Council's procurement spend, contributing to 83.2% of total emissions (see figure 3). Direct and Indirect impacts included Buildings & Other Assets – with K2 Crawley, the Town Hall and the Hawth the largest individual contributors to the Council's own emissions from energy use, together with other emissions including our Vehicle Fleet and the employee commute.
- 7.6. The baseline audit provided a platform to monitor and focus actions to support the Council in reducing its current emissions.
- 7.7. The approach needed - at a local and national level - can be summarised as follows: "If there was ever an idea that we could approach this as a 'sequential' transition – moving from power, to transport, to heat, to industry and agriculture – then that thought needs to be re-examined... We will need to shift from the current piecemeal approach, relying on departments and sectors to make incremental improvements, to something much more broad-based." (Stark, C (2019). Towards net-zero. Committee on Climate Change).

Transport

- 7.8. The Council developed its [New Directions for Crawley](#) Transport Strategy in March 2020. The New Directions plan is to undertake a technical transport study to create a framework for future decision-making, guided by a principle of planning for people and places. It aims to use a range of available economic, census, transport and employment data, the study will identify where people need to get to and from and model the impacts these trips have on traffic and space. This will provide evidence to enable us to develop an action plan with clear options and ambitious targets and timescales beyond currently planned activity. This action plan will need to align with the aims of the emerging Crawley Local Plan, West Sussex' planned revised Local Transport Plan, the final Transport for the South East (TfSE) strategy and the National Planning Policy Framework.

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- 7.9. Within the New Directions for Crawley the vision suggests Crawley could be a town where:
- Popular walking and cycling routes are safe, direct and attractive. Buses are smart, with zero emissions, traffic signal priority and Wi-fi, using new bus shelters with live information and serving all the neighbourhoods. We are keen to be more active, more productive and healthy, so the first choice for going to work, particularly to Manor Royal, Gatwick or the town centre is to walk, cycle or take a bus.
 - Phone apps, dedicated online local information and other technologies tell us when and where buses and trains are available and provide ticketing, so we don't have to wait around.
 - The town centre has attractive, affordable and market apartments within a very short walk of the new smart, accessible Crawley rail and bus stations, along new leafy walkways and priority crossings. Many out-of-town commuting, college, shopping or business trips are easiest by train or bus.
 - The increase in town centre residents has created demand for independent food shops, bars and cafes within a short walk. Queens Square, Queensway, Broadway, the High Street and The Boulevard are lively in the evenings.
 - When you need to use a car, the Crawley car club electric cars are available at nearby dedicated parking spaces with a swipe of a card and car hire is on hand locally for use for longer periods. With the mix of transport services on the doorstep and car availability when it is needed, private car use has dropped.
 - Resident and visitor car parking in all Crawley neighbourhoods includes electric vehicle charge points, but lower car ownership has also freed up street parking space for a safer, more attractive environment.
 - Bike rental is available across town, including zippy electric bikes, alongside more secure cycle parking. Upgraded cycle routes in safer, traffic-calmed neighbourhoods mean that many more children and adults who were previously wary of cycling, are happy to nip around on two wheels.
 - The air is cleaner, Crawley residents are healthier and the town is a great place to be!
- 7.10. Furthermore, the government's 2017 Cycle and Walking Investment Strategy (CWIS), aims to double numbers of cycling trips and significantly increase walking by 2025. Having shown commitment to supporting cycling and walking as key transport elements, it is hoped that the Department for Transport (DfT) will develop its ambitions for the CWIS. It was proposed that Local Cycle and Walking Infrastructure Plans (LCWIP) should be introduced as a way of local authorities progressing the CWIS. As a result, the council developed its [LCWIP](#) in June 2020 ([PES/363](#)) which detailed a borough-wide cycle network and walking zones/routes to enable a significant increase in cycling and walking. It enabled clear discussions with developers on providing safe, accessible, connected, people-centred neighbourhoods for homes and business, ensuring full linkage with the wider town cycle network and formally evaluated walking routes.
- 7.11. In terms of the council's fleet, this consisted of mostly Light Commercial Vans. The current policy is to consider electric vehicles first for replacement vehicles where available. There are currently 4 electric vehicles on the CBC fleet (pest control, 2 x parking team, NHS Patch Leader, with 2 x Hybrid vehicles on order for Community Wardens). The Waste & Recycling fleet was made up of 16 front line vehicles. These were last replaced in 2014. All new Euro VI diesel were capable of using up to 7% bio diesel. The RCV's have electric bin lifts which were quieter and reduce fuel consumption.
- 7.12. The Council, along with the other districts and boroughs across West Sussex, had recently partnered with WSCC in an electric vehicle charging scheme to develop an

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extensive county-wide network, by nominating sites in its ownership to be part of a [EV charging network](#).

Evidence

- 7.13. Patrick Warner, (Head of Innovation Strategy - Metrobus), Darryl Hemmings, (Planning and Transport Policy Manager - WSCC), Steve Sawyer, (Executive Director - MRBD), together with Councillor Peter Smith (Cabinet Member for Planning and Economic Development - CBC) provided information for the Transport meeting.
- Metrobus had an innovative approach to reducing emissions. The current ultra-low emission diesel buses were amongst the cleanest vehicles on the road, particularly compared to passenger cars.
 - Trials of pure electric buses have previously taken place in Crawley and Brighton however there were limitations with battery range and operating hours and consequently impractical for intensive commercial operation.
 - There was an ambitious target to full zero emissions bus operation fleet powered by clean hydrogen made from renewable wind energy and water by 2030. Crawley could see introduction by 2021, or much earlier for the high frequency services. Until this time, some areas were seeing a new generation of extended range of hybrid electric buses, with on-board Euro6 diesel generator and the ability to geo-fence an area of electric only mode.
 - The future brought challenges; cost and behaviour change. It will be important to make bus travel an attractive choice; making them easily accessible, include free wi-fi, promote the advantages and improve the waiting environments.
 - It was important to work with partners to maximise and enhance the potential, including working with the Road Haulage Association for example with refuse trucks.
 - It was recognised that Crawley had approximately 11% of bus use. This was compared with other West Sussex use of approximately 4%.
 - Currently there was a West Sussex Transport Plan (2011-2026) which was currently being reviewed to include reference to the Climate Change Strategy and provide equal weight to access to services and health.
 - There was a question as to what transport infrastructure needed to be in order to meet the future needs of climate change.
 - The current challenges were highlighted that presently within the annual capital scheme and Crawley Growth Programme (CGP) there was no prioritisation for climate change and there was no discretion as to how the money was spent. It was recognised that the funding had to be spent on specific schemes. Potentially in future the criteria may alter. The deliverability of the schemes was key in order for them to be successful but also change travel behaviour. Partnership working was paramount.
 - Manor Royal Business District covered over 600 businesses – 80% of people travel by car.
 - Gateway 1 in Manor Royal was the busiest entrance.
 - It was important to consider what kind of transport was necessary – there was a need to design a place for “People & Places”.
 - Irrespective of the environment it had to be accessible, comfortable, cost-effective and services had to be effective.
 - How people use a space was important; safe, welcoming, well maintained. In terms of buses this equated to the waiting environments or Superhubs within Manor Royal.
 - The place making in Manor Royal, along with the partnership working and pedestrianisation had benefited the economy

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Future Developments

- 7.14. Attractive and effective public transport is essential in order to facilitate and encourage a shift to sustainable modes of transport.
- 7.15. In order to make effective use of land, the identification and delivery of improved public transport needs to be focused on optimal routes and this will help to provide a viable, dependable and sustainable transport alternative. Together with enabling active travel, cycling (including bike sharing), car clubs and walking, this will lead to reduced carbon emissions, improved air quality, and a reduction in traffic volumes and the borough's over-dependence and reliance on private vehicles for getting around. The council continues to work with public transport operators through the Quality Bus Partnership and Public Transport Forum to improve and promote travel by public transport.
- 7.16. One option may be the introduction of car clubs and bike sharing. Car clubs can help policy makers reduce congestion, reduce emissions, reduce parking pressure, improve air quality and increase the uptake of sustainable transport modes. Car clubs have a big role to play helping to deliver economic, social and environmental goals. The following have introduced car clubs: [Co-wheels car club](#) in Horsham and Chichester and [Enterprise car club](#) in association with Guildford Borough Council, with the following have introduced bike sharing: Bournemouth Borough Council, Norwich City Council and [Brighton and Hove City Council](#).
- 7.17. Issues regarding the air quality within the town, particularly between the Hazelwick 'flyover' and Three Bridges station have been raised at Licensing January 2020 and OSC previously, given the increased traffic in that area (pre-Covid). The Hazelwick Air Quality Management Area was agreed in July 2015 ([PES/186](#)). The Panel therefore recommends that it is investigated that the Air Quality Management Zone be extended between the Hazelwick flyover and Three Bridges (and Haslett Avenue East) as soon as possible.
- 7.18. The Council should continue efforts to deliver an increased number of electric vehicle charging points across the District borough at new homes, places of work, council car parks and on street. This is particularly necessary for those that do not have access to off street parking and/or if the infrastructure may need adapting as a result. The [Office for Low Emission Vehicles \(OLEV\)](#) announced the continuation of the [On-street Residential Chargepoint Scheme \(ORCS\)](#), to increase the availability of plug-in vehicle charging infrastructure for residents who do not have access to off-street parking. The On-street Residential Chargepoint Scheme provides grant funding for local authorities to install on-street chargepoints.
- 7.19. It is estimated that electric vehicles will add 6.8% to global electricity demand in 2040, and drive a growth in demand for Lithium-ion batteries from 151 GWh in 2019 to 1,748GWh by 2030. ([New Directions for Crawley – issues and options for Crawley Transport Strategy - March 2020](#)). Cambridge City Council has developed its Electric Vehicle and Infrastructure Strategy covering:
- Rapid chargers
 - On street lamp chargers (not technically feasible within West Sussex)
 - Commercial chargers
 - Fleet review
 - EV
 - Street charging for residents without parking
 - Home chargers
 - EV public transport
 - Sources of funding

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Recommendations

- a) As part of the implementation of the New Directions for Crawley Transport Strategy, continue to improve and promote active and sustainable transport options, working for example through the Crawley Growth Programme and in partnership with Manor Royal Business District, public transport operators and other partners.
- b) Consider the introduction of community car, bike sharing and car clubs within the borough.
- c) Request officers investigate the extension of the Hazelwick Air Quality Management Zone (at Three Bridges to the boundary area of the existing Hazelwick Air Quality Management Area (AQMA) and consider other low emission zones to improve air quality.
- d) Continue to work with partners to increase the number of electric charging points across the borough, in particular to benefit those residents without access to off-street parking, and consider incentives for electric vehicles along with any necessary infrastructure.

Commercial and Business

- 7.20. The top emissions source within the council's buildings and other assets was from K2 Crawley, accounting for 1,920 tCO₂e (47%) of total emissions from purchased electricity, with the swimming pool operation using a high proportion of energy consumption (Climate Emergency Baseline Audit, January 2020).
- 7.21. In addition, poorly insulated homes waste energy, lead to high emissions and unnecessary high energy bills for residents. It is estimated that as few as 40% of homes in the borough are well insulated. Therefore, the Council should consider an ambitious programme working with partners to improve the insulation of homes and energy efficiency. Crawley Homes is committed to reducing our carbon emissions by 40% before 2030 with the aim of reaching zero carbon before 2050, by developing the correct solutions for each property dependant on its age and construction type.
- 7.22. Crawley Homes previous projects have included gas boiler upgrades, solar thermal panels for hot water, Photovoltaic (solar) panels, air source & water source heat pumps, loft, cavity and external wall insulation, LED Lighting, all of which produce better energy efficient homes for our tenants. Some of our newer homes are already fitted with energy monitoring devices, measuring temperature, humidity and electrical energy usage. This data can be difficult to use and to work out which heating systems are the most beneficial.
- 7.23. In terms of procurement, the council adopted the [Social Value Charter](#) in February 2020 ([FIN/488](#)) and this included "applying environmentally friendly and sustainable business practices" during any procurement.

Evidence

- 7.24. Steve Sawyer (Executive Director, MRBD), Nigel Sheehan (Head of Major Project and Commercial Services - CBC), Graham Rowe (Partnership Services Manager - CBC) together with Councillor Peter Smith (Cabinet Member for Planning and Economic

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Development - CBC) and Councillor Mullins (Cabinet Member for Wellbeing – CBC) provided information for this meeting:

- It was acknowledged that during lockdown people had attached increasing value to their environment: People had been shopping local and enjoying green and open spaces. Arguably climate change had become more important.
- How people use a space was important; safe, welcoming, well maintained. Quality green and open spaces were maintained within the Business District to assist in people's health and enhancing the maintenance within Manor Royal so people enjoyed spending time in the space, rather than just passing through.
- It was important to consider what kind of transport was necessary – there was a need to have a place shaping role to look at how an area functions and how to add value to key partners to achieve its potential.
- Re-Energise Manor Royal Project was a vision to create a more sustainable business park. The aim was to increase all forms of renewable energy on Manor Royal. The energy supply would be more sustainable, secure and locally generated, reducing the carbon footprint and lower the cost for businesses.
- A more sustainable Business Park relied on co-operation in order for it to be a success.
- There was an acknowledgement that an innovative approach was needed in the future.
- 80% of people travel by car into Manor Royal, as the town had its challenges: parking, congestion, pollution, Air Quality Management Area.
- There was a need to find ways to encourage and incentivise schemes such as solar panels on sustainable new builds. Whilst the council's policies such as Planning ensure the infrastructure and policies were in place, there had be a compromise on what was achievable.
- Hydrogen buses were due to be introduced and it was envisaged that an Electric Vehicle charging infrastructure scheme would be rolled out to include Manor Royal.
- Environmental considerations formed part of the procurement weighting and evaluation for the council's contracts, thus ensuring that the climate change agenda was taken seriously by the current contractors in place.
- K2 Crawley Combined Heat and Power (CHP)
 - Unit replaced in May 2019, resulting in improved energy efficiency, reducing the carbon footprint, overall energy costs and generating free electricity to serve the building. Savings have contributed towards the improved management fee position achieved for K2 Crawley. Whilst there were some teething issues in synchronising to the building this was now running on average 12 hours per day (70%).
- Solar PV
 - 1,200 Panels installed over three phases in 2013, 2015 & 2016. This has provided 300 kWp or 252,000 kWh pa of free electricity to site and reduced the carbon footprint and running costs by over £36,000 pa thereby contributing to the improved management fee.
- LED replacement scheme
 - Two largest sporting areas were completed and this reduced wattage by 40%.
- Energy efficient pumps fitted to pool filtration system.
- LED Replacement scheme is ongoing in other areas.
- All areas fitted with Passive Infra-Red (PIR) detectors.
- The Hawth Solar PV
 - 190 solar PV panels installed Jan 2017, given 47 kWp and generating over 50,000 kWh of electricity pa and provided a saving of £7,200 pa
- LED Lighting
 - Main Theatre and Studio (two largest areas) were upgraded to LED lighting, which has significantly reducing consumption. The main car park and all external areas were also upgraded to LED lighting and a feasibility study is

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currently ongoing looking at LED replacement throughout the main circulation areas.

- Vehicle Workshop Depot - Solar PV
 - 120 solar PV panels were installed Jan 2016, which providing 30 kWp or 27,700 kWh pa and produced an annual saving of £4,700 in running costs
 - LED lighting throughout since 2017
- Vehicle Fleet consists of mostly Light Commercial Vans. The policy is to consider electric first on replacement where available.
- Currently there are 4 electric vehicles on the CBC fleet:
 - Pest control, 2 x parking team, NHS Patch Leader
 - 2 x Hybrid vehicles on order for Community Wardens
- Handheld electric equipment was being trialled:
 - Trialling small tools: hedge cutter, strimmer, etc
- Refuse Vehicles - currently the Waste & Recycling fleet was made up of 16 front line vehicles.
- Last replaced in 2014 - all Euro VI diesel, are capable of using up to 7% bio diesel. RCV's have electric bin lifts which are quieter and reduce fuel consumption.
- In terms of performance, they do the following:
 - 109,000 miles
 - 157,000 ltrs of diesel
 - Average 4 MPG
 - 324,000 kg CO₂
- Contract has been extended to 2024 giving 10 year life on current fleet.
- This also gives time for new technologies to develop to a point of commercial viability. The new technology could include the following:
 - Hydro Treated Vegetable Oil – HVO: drop in fuel, 100% renewable, 12% less CO₂, 10% less NO_x, 80% less CO” production, 10-12 pence per litre more than diesel.
 - Gas to Liquid – GTL: drop in fuel, Chemically identical to HVO, colourless, odourless and biodegradable,
 - B100: 100% bio-diesel, requires a different engine, increased maintenance, not recommended below -10^c.
 - CNG/LNG: Heavier chassis so reduced payload, lower torque so higher revving.
 - Electric: Very quiet operation, zero emission at tailpipe, now available and working in City of London and Sheffield, Range 6-9hrs, price premium £420k v £170k, cost of charging infrastructure a consideration as may need to fund a new substation c£250k
 - Hydrogen fuel cell: Production starting this year, currently only on Mercedes chassis, 100% clean, no CO₂ or NO_x at tailpipe, hydrogen would need to be produced by renewable energy, Price premium £500-£600k v £170k, refilling infrastructure needed.

Future Developments

- 7.25. There are a number of Major Factors in reaching the council's 2030 45% Carbon reduction requirements that will help with reaching the Councils corporate climate change commitment
- New Build – Construction Methodology/Specification
 - Net Zero Collective
 - Partnership Contractors
 - Estate Regeneration

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- 7.26. The Panel has not specifically identified energy efficiency measures (such as solar PV, heat pumps, insulation, LED lighting, energy switching or meter installations) as some of these are already in place. Additionally each energy efficiency measure will be dependent on the type of property as a 'one size fits all' approach may not be appropriate and the decision will need to be taken following the necessary feasibility study by officers.
- 7.27. As highlighted from the discussions and the data audit, with K2 Crawley accounting for 47% of the council's CO2 emissions from gas and electricity use across its estate, with the swimming pool using the most energy, the Panel recommends a further need to consider investigating opportunities to utilise the CHP and BMS more effectively. It is recommended with the swimming pool operation using the most energy consumption, that consideration is given to lowering the pool temperature (taking into account the acceptable industry standard) to reduce energy consumption.
- 7.28. In terms of the council's fleet, as previously mentioned this consists of mostly Light Commercial Vans. The current policy is to consider electric first where available. It is recommended that an innovative approach is considered as and when any fleet replacement is required to moving to low carbon technologies. This should include the option to work with other partners in other sectors (eg hydrogen and Metrobus).
- 7.29. Similarly the Panel discussed the options of new technologies, in particular vegetable oil which can be used as diesel fuel just as it is, without being converted to biodiesel. Hydrotreating of vegetable oils (HVO) is a modern way to produce very high-quality biobased diesel fuels without compromising fuel logistics, engines, exhaust aftertreatment devices, or exhaust emissions. These fuels are now also referred to as "renewable diesel fuels" instead of "biodiesel" which is reserved for the fatty acid methyl esters (FAME). (Aatola, Larmi, Sarjoavaara, Mikkonen)
- 7.30. Sunde, Brekke and Solberg (2011) conducted a study (Environmental Impacts and Costs of Hydrotreated Vegetable Oils, Transesterified Lipids and Woody BTL - A Review) assessing three biodiesel fuels: (1) transesterified lipids, (2) hydrotreated vegetable oils (HVO), and (3) woody biomass-to-liquid (BTL) and found that using HVO produced from used cooking oil, tall oil and tallow or BTL from forest residues are wise environmental measures for the transport system in a short term.
- 7.31. It however worth noting however HVO is not as widely available as other fuel sources and it does apply a cost premium. There would be a cost implication of 10-12 pence per litre more than diesel. That being said, even Ford has now commenced the use of Hydrotreated vegetable oil (HVO) in its transit vans.
- 7.32. It was acknowledged that the District Heat Network (DHN) would provide more energy efficient heat and power to the new Town Hall site, the neighbouring Kilnmead site, and have the potential to be expanded to supply other sites in the vicinity. The scheme would bring the following benefits:
- Compliance with Crawley Borough Council Local Plan Crawley Policy ENV7 ('District Energy Networks') that requires any development located within a district energy network priority zone (this includes the town centre) to connect to a network where one exists. Given the proposed programme of new residential development in the town centre, the DHN enables the economic and carbon benefits to be secured from these schemes.
 - Delivery of Crawley Borough Council's Carbon and Waste Reduction Strategy (2012), and the subsequent Climate Emergency Declaration (agreed by Full Council in July 2019) commits the council to zero carbon by 2050. The council met its initial 20 per cent reduction target within five years – one year early – and now aims to reduce its emissions by 45 per cent by 2030. The town centre DHN will play a significant part in achieving both of these goals going forward

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- 7.33. The Combined Heat and Power Unit (CHP) in the DHN would be powered by a gas engine. Both gas and biomass were evaluated as possible cost-effective fuel choices for the DHN for the first phase. Investigation revealed that biomass was not feasible at this stage, because a delivery and storage solution for the biomass fuel could not be identified and there were concerns about the air quality implications of using this fuel source.
- 7.34. In the future, by having a network infrastructure, the council would be able to adopt alternative low carbon fuel sources to power the DHN more easily and efficiently. This meant that the DHN could further decarbonise as new technologies mature and become cost-effective (for example hydrogen or heat pumps). These can be added to the system with little disruption to individual householders. Heat networks also provide system benefits such as thermal storage and reducing the energy demand of the grid at peak times.
- 7.35. With its connection to the new DHN, the new Town Hall has been designed to meet the BREEAM 'Excellent' rating. BREEAM is a sustainability assessment method which rates buildings for their environmental, social and economic sustainability performance. BREEAM rated developments aim to be more sustainable environments that enhance the wellbeing of the people who live and work in them and help protect natural resources.
- 7.36. The DHN itself will provide higher efficiency and better pollution control than individual boilers for the residential and commercial buildings that will connect to it. The DHN will use a CHP, which is essentially 'a mini power station' that is a highly efficient process that captures and utilises the heat that is a by-product of the electricity generation process. By generating heat and power simultaneously, the CHP can reduce carbon emissions by up to 30 per cent compared to the separate means of conventional generation via a boiler and power station. This approach will also allow for quick and wholesale transition to other more carbon efficient power units as and when technology and price allows.

Recommendations

- e) Continue to invest in renewable energy technologies and/or energy efficiency measures on the council's own estate, including domestic buildings.
- f) With K2 Crawley being the biggest single contributor of CO₂ of Crawley Borough Council's estate in the town, consider lowering the pool temperature (taking into account the acceptable industry standard) to reduce energy consumption.
- g) Commit to consider the use of new technology fuel such as hydro-treated vegetable oil which could be used immediately in diesel engines (noting however there would be a cost implication of 10-12 pence per litre more than diesel).
- h) Commit that as part of any fleet replacement, consider an innovative approach (in terms of moving to low carbon technologies), including the option to work with other partners in other sectors (for example Metrobus and hydrogen fuel).

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Blue and Green Infrastructure

7.37. The Green infrastructure SPD provides detail on determining the priorities and future opportunities for green infrastructure together with ensuring the existing green infrastructure is protected and maintained. It supports the Crawley Borough Council Local Plan key policies:

- Policy SD1 – Presumption in Favour of Sustainable Development
- Policy SD2 – Enabling Healthy Lifestyles & Wellbeing
- Policy GI1 – Green Infrastructure
- Policy GI2 – Biodiversity and Net Gain
- Policy GI3 – Biodiversity Sites
- Policy OS1 – Open Space, Sport and Recreation
- Policy OS2 – Provision of Open Space, Sport and Recreational Facilities
- Policy DD4 – Tree Replacement Standards

Evidence

7.38. Elizabeth Brigden, (Planning Policy Manager - CBC), Richard Mosinghi, (Planning Officer - CBC), Kate Wilson, (Head of Community Services - CBC), Karen Rham, (Neighbourhood Services Manager - CBC), together with Councillor Jhans (Cabinet Member for Environmental Services and Sustainability - CBC) and Councillor Mullins (Cabinet Member for Wellbeing - CBC) provided information for this meeting:

- The Environment Bill currently progressing through Parliament requires development to conserve and enhance the natural environment to a higher level than that previously determined.
- There was a balancing act across local authorities which sought to determine developments which were important, necessary and beneficial to each local area.
- The Local Plan must be followed in accordance with government legislation. This encourages tree planting in accordance with policy CH6. Landscape proposals for residential development should contribute to the character and appearance of the town by including at least one new tree for each new dwelling, of an appropriate species and planted in an appropriate location. Where development proposals would result in the loss of trees, applicants must identify which trees are to be removed and replaced in order to mitigate for the visual impact resulting from the loss of the trees. It was confirmed that the additional, replacement tree planting requirements (including maintenance for a certain period of time) would normally be expected to be met within the development site. But where the local planning authority agrees that this is not feasible or desirable, commuted sums will be sought in lieu on a per tree basis, taking account of constraints to planting. This would usually be determined through the Development Control process when considering spending the Section 106 monies or a wider strategy if deemed set up through that agreed process.
- In terms of tree species it was confirmed that UK trees were the preference and there may be a requirement for drought resistance trees in some areas but the inclination would be to opt for UK native trees for the purposes of biodiversity and these were determined on a site by site basis.
- The Green Infrastructure SPD supports the local planning policy, national legislation, policy and guidance, whilst providing a greater level of detail to explain how they can successfully be implemented. There is a priority focus of protecting biodiversity sites and securing a net gain on new sites. It was acknowledged that securing a net gain in biodiversity was a new requirement for national planning policy. There was a critical balance between green infrastructure and development, yet it was recognised

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that any biodiversity issues would be undertaken throughout the planning application process.

- It was confirmed that as part of the evidence to support the emerging Local Plan there was currently 3 studies being undertaken; Indoor Built Strategy, Playing Pitch Strategy, Open Space, Sport and Recreation Assessment. The Indoor Built Strategy explored indoor sporting facilities, together with athletics facilities, whilst the Open Space, Sport and Recreation Assessment identified Community Food Growing Initiatives, whereby food growing areas could be envisaged in limited open spaces (roof tops, community spaces or balconies).
- There was likely to be a deficit in the majority of open space typologies by 2035 as a result of future population growth. It was recognised it would be paramount to protect and enhance existing open space for multi-functional purposes, whilst providing multiple benefits to residents, nature and the climate.
- The Neighbourhood Services division maintains the green and blue infrastructure across the borough and this included the tree lined areas of the town, central reservations and the grass cutting on behalf of WSCC. The blue infrastructure typically focuses on a watercourse management role, although this also includes a flood prevention programme together with a reactive function.
- It was estimated that the total green infrastructure within Crawley was 1,931 out of 4497 hectares, divided up via three main areas of managed open space, sport and recreation; designated sites and reserves; habitat spaces. It was predicted that the green infrastructure removed just 1-1.5% of the overall emissions (Centre for Ecology & Hydrology). However it was important to note that other contributing factors were equally important such as carbon sequestration and storage, air quality, water management and urban cooling together with habitat and wildlife.
- It was estimated that Crawley has 250,000 trees and consequently it was welcomed that the government was currently consulting on accelerating tree planting.
- The scale of green infrastructure means that green spaces have multiple demands that frequently result in a conflict of uses. There is a requirement to ascertain the best solution and often means changes would only have a marginal impact.
- The wilding of grass verges was one such area whereby the conflict with aesthetics and preference for “managed wild” existed. The wild verges also posed issues with dog poop management yet there were still requests for additional sites for wildflower verges and engagement with councillors was due to be undertaken to identify potential sites where it was practical. It was noted these sites required investment as well as programmed maintenance.
- It was discussed that unfortunately littering not only created significant costs but also impacted on climate change. Whilst fixed penalty notices were able to be served this only impacted marginally and it was behaviours that needed to change through publicity and campaigns.
- It was acknowledged that the recent grass cutting through lockdown had been successful although had impacted on the machinery and potentially reducing cuts may be an option.
- The Panel wished to pass on its thanks to the Head of Community Services, Neighbourhood Services Manager and Teams during the pandemic for their ongoing hard work.
- It was recognised that green infrastructure has an important role to play and as severe weather becomes more frequent it was important that the infrastructure the council brings in is resistant to the changes, for example drought resistant trees.
- There was a need to reduce flood risks, create natural flood storage areas, sustainable drainage systems, carbon storage using trees for example.
- Maintenance is a central part to maximising the benefits of green infrastructure.
- The tension was recognised between the resources required to maintain green spaces versus the benefits and reconciling the dynamic between potential climate benefits and financial cost.
- It was noted that a survey conducted by Imperial College London (*Integrating Green and Blue Spaces into our Cities – Making it Happen*) had highlighted some barriers

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to provision of blue and green infrastructure, including a lack of compulsory standards for local authorities to have a minimum amount of blue and green infrastructure in new or existing development.

- The amount of open and green spaces within the borough was acknowledged, including parks and recreation grounds, football pitches, play space and allotments. These were in addition to the other recreational facilities such as K2 Crawley, The Hawth and community centres.
- It was important to maintain the use not only for individuals' health and wellbeing (particularly during this current lockdown period), but also the environment and the climate to ensure everyone benefited.

Future Developments

- 7.39. The submission Crawley Local Plan 2021 – 2037 – states that “...ensure that retained trees that make a contribution to the streetscene are not at risk of being removed because they significantly reduce the usability of new gardens for residents or because new buildings are placed in close proximity. Tree losses through development that are accepted by the local planning authority should be mitigated by new planting”. “Existing trees can significantly contribute to the setting of new development, and can give the impression of early maturity and increased design quality. Development should retain individual specimens or groups of trees that make a positive contribution to visual and biodiversity amenity”.
- 7.40. “Proposals which reduce, block or harm the functions of green infrastructure should be avoided. Any loss will be required to be adequately justified, minimised, mitigate against any loss or impact or as a last resort compensate to ensure the integrity of the green and blue infrastructure network is maintained”.
- 7.41. The strategic green infrastructure network is afforded the highest protection due to its high value from existing or identified potential multiple functions, for example as recreation, route ways, access to the countryside, wildlife and climate mitigation
- 7.42. “Proposals should maximise the opportunity to maintain and extend green infrastructure links to form a multi-functional network of open space, providing opportunities for walking and cycling, and connecting to the urban/rural fringe and the wider countryside beyond”.
- 7.43. EcoServ – GIS Report (January 2020) maps the open spaces within Crawley on the basis of their abilities to support: The local climate – local climate regulation reflects the ability of different ecosystems and habitats to absorb or intercept sunlight and reflected heat, controlling local temperatures & reducing the urban heat island effect.
- 7.44. Securing wider Green Infrastructure benefits from new tree planting and alternative soft landscaping where whole-scale tree planting may not be appropriate or where alternatives offer better outcomes – including air quality, climate change adaptation/mitigation, pollination, flood alleviation
- 7.45. A significant loss is incurred even when a new tree is planted to replace an older one that has been felled. Depending on the species, it takes between 15 and 40 years for a tree to grow a sufficiently large canopy to deliver meaningful aesthetic, air pollution removal, rainwater management and other benefits. In terms of biodiversity, the older the tree the richer the wildlife that it supports. To ensure that adequate compensation is delivered the diameter measurement is used as a basis for the number of replacement trees that would achieve a similar canopy cover. The policy DD4, in conjunction with the requirements of Policy GI2 on Biodiversity and Net Gain, ensures that the green character and appearance of the borough is maintained.

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- 7.46. Green Infrastructure can also offer benefits as a “Nature Recovery Network”. This is a joined-up system of places important for wild plants and animals. It allows plants, seeds, nutrients and water to move from place to place and enables the natural world to adapt to change. It provides plants and animals with places to live, feed and breed. It can only do so effectively if, like the road network, it is treated as a joined-up whole.
- 7.47. The Panel felt it was important that the council should seek to promote pedestrianisation where practicable in order enhance the establishment of open spaces, trees and seating areas. The quality of the spaces between buildings is as important as the buildings themselves. Successful spaces and streets contribute to the quality and character of a place, allowing for increased trees and sustainable urban design, bringing people together in well-designed places – including walking, cycling, access to facilities, employment and convenience of public transport.
- 7.48. An Ecological Services study has been undertaken for Crawley, which identified the opportunities of Crawley’s Green Infrastructure to meet a wide range of positive functions, including air quality, noise mitigation and ecological connectivity. In terms of wildflower verges, the submission Crawley Local Plan 2021 – 2037 - “Wild flower meadows and flower-rich habitats, in particular, are crucial to supporting pollinators by providing good sources of nectar and pollen throughout the summer and also shelter and nest sites. The council is committed to securing such enhancements wherever possible”.
- 7.49. In this aspect traditional planting schemes could be adapted and to provide adequate shaded areas to ensure parks and open spaces are resilient to the changing climate.
- 7.50. EcoServ GIS Report (January 2020) maps the open spaces within Crawley on the basis of their abilities to support-
- Pollination - capacity reflects the ability of different ecosystems to support wild pollinators, using an estimate of likely visitation by pollinators. Pollination demand indicates areas of land that are expected to benefit from wild pollinators. Areas where crops in farmland, allotments or orchards are likely to benefit from wild pollinators from nearby semi-natural habitats.
 - Water Purification – Areas where vegetation may help to purify water and reduce pollution impacts before reaching watercourses. Areas of land that may generate pollution risks to watercourses. Areas where people may be benefiting from the water purification effects of vegetation near streams.

Recommendations

- i) Commit to strengthening the protection of the borough’s blue and green infrastructure within its neighbourhoods, in particular any replacement of trees if felled, as referenced in of the Crawley Local Plan 2021-2037.
- j) Commit to increase the number of sites for Wildflower Verges across the town, and increase the use of sustainable planting, (particularly drought resistant planting).
- k) Seek to promote pedestrianisation where practicable including the establishment of trees and seating areas.
- l) Request that as part of the Climate Emergency Action Plan, officers explore opportunities for maximising the contribution that the borough’s green and blue infrastructure can make to biodiversity net gain, air quality improvements, carbon sequestration and flood prevention/management.

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Residential/Domestic Buildings

- 7.51. The current Crawley Homes housing stock is a mixture of flats and houses built between 1915 and the current day, of either traditional or non-traditional construction type. A new build programme continues and has included Passivhaus homes as well as more traditionally built homes.
- 7.52. The Crawley Homes projects include the following:

Previous Completed Energy Efficiency Measures

TSB funded retrofit Properties – (Technology Strategy Board), alongside decent homes programme	4 homes all of different construction type were identified and extensive retrofit carried out using all new technology methods
Own Solar PV – Sheltered Schemes	We currently have four sheltered schemes and four hostels providing the Council with an annual feed in tariff income totalling £13,806. This produces 47,000kw of electricity per quarter, and in turn equates to an approximate saving of 52000 kg of CO2 per year.
YES/WSCC Partnership - PV programme	236 solar PV installations carried out in partnership with WSCC who own & maintain the PV installations and take the FIT (feed in tariff). The tenants then get the benefit of the free electricity produced
Air Source Heat pumps	Heat pump installed as a free trial. At 151 London Road as a retrofit, where the tenant gets the benefit of the lower cost energy The new build properties at Dobbins Place have also been installed with Air Source Heat Pump Technology
Water Source Heat Pump – Schaeffer House	This significant installation now provides all the heat & hot water to Schaeffer House sheltered scheme communal areas. This was complex to set up as arrangements with the Environment Agency etc. were required (river water extract licence)
Passivhaus Construction: Gales Place / Dobbins Place	New development with all properties designed & built to Passivhaus standards
Cavity Wall, Insulation Programmes	Ongoing programme to insulate cavity walls (main focus on properties suffering from damp & mould)
LED Lighting installations	Various communal areas in flats have been converted to general LED lighting & LED emergency lighting. We are therefore phasing out the use of fluorescent tube lighting across all communal areas.

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Working in partnership with Robin Hood Energy (Nottingham City Council) for energy switching and smart meter installations	All void properties over the past 18 months have been switched to a 'Robin Hood energy supply and a smart meter installed
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Current Projects underway

Net Zero Collective sign up	<p>Crawley Homes have joined the 'Net zero collective initiative.</p> <p>This is a growing collaboration of property landlords, equipment manufacturers and building owners - including local authority and social housing landlords, who are working with university researchers to find answers to the challenge of decarbonizing UK buildings and homes.</p> <p>NetZero Collective initial study will be to look at current energy performance and monitor the stock across 10 to 20 pilot properties. A full data study/analysis will be carried out in conjunction with Southampton University research team, before making any recommendations with regards to retrofitting properties with zero carbon heating, cooking and cooling solutions. This takes a building fabric and data first approach. After the retro fit completion, properties will continue to be monitored for performance which will result in a future methodology for carbon efficiency across all Crawley Homes housing stock.</p>
External wall Insulation (EWI)	Programme of installing external wall insulation to the timber framed properties within Broadfield & Bewbush is now in its 3 rd phase.
LED Lighting Upgrades	Our larger sheltered housing schemes have been upgraded with LED lighting and occupied switching, to produce further energy savings.
Cavity Insulation Fill	Ongoing cavity fill to properties identified as most in need (tenants with damp & mould issues)
Loft Insulation Top-ups	Following void scope asset surveys, lofts are topped where a need is identified
Solar PV & Battery Storage trial	A further 620 kw of PV installations has been identified on other blocks to utilise battery storage solutions for their communal areas or fed back into the grid. A trial battery

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	storage installation has recently been installed to assess its savings, production and payback. If successful and cost effective, further sites could be upgraded.
Smart Meter Installation and energy Supply switch for all void properties	Robin Hood Energy has now transferred all its business customers to British Gas. We continue to work with BG regarding void properties switching to a BG supply and smart meter
Installation A-Rated Combination Boilers (see later more on their future)	Liberty Gas currently continue to supply new A-rated boilers
John Brackpool Ct	John Brackpool Ct is now connected to its own temporary communal boiler.
Bridgefield House	Stand-alone combined heat & power (CHP) currently supplies the building
Partnership contractors –energy efficiency & carbon reduction is key sub-group focus area	A sub-group has been set up with CBC and its key maintenance partnership contractors. The purpose of the group is to ensure that all parties work together and deliver their tender commitments with regard to carbon efficiency programmes.
New builds / Passivhaus / Part L building reg's or better: review planning policy	A current review is underway of all our new build energy/carbon efficiency specifications
Renewable technology – Current study underway	Discussions are currently taking place with regards to a design service and training for Crawley Homes and Liberty Gas engineers
Future of Gas boiler provision	We are currently in discussion with an energy management consultant to model our future boiler/heating system requirements. We are considering when best to stop installing gas boilers - (possibly 2025) Also looking at the best alternatives with regard to renewable technology to replace the existing boilers as and when they fail
Energy monitoring	We currently have a number of existing stock properties, as well as some new build homes being monitored for their energy usage & performance by Raleigh instruments. This system is adaptable to monitor many energy production and energy usage in a home and shown on one platform for an app or PC. Our larger plant boiler rooms use is monitored by Trend systems.

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	<p>All systems allow for performance and monitoring results to be available locally. These platforms are used for metering and billing, performance reviews, complaints or for fault finding. We also have separate metering and billing systems for our District heat networks.</p>
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7.53. There are a number of Major Factors in reaching our 2030 45% Carbon reduction requirements that will help with reaching the Councils corporate climate change commitment

- New Build – Construction Methodology/Specification
- Net Zero Collective
- Partnership Contractors
- Estate Regeneration

7.54. New Build – Construction Methodology/Specification

Currently the Councils Employers Requirements (ER) specifications require 19% carbon reduction above current building regulation requirements. This is currently under review, looking to see if/how this could be improved. This could be by the increased use of the specification of certified Passivhaus or taking the Passivhaus fabric first approach and having reduced ventilation losses with added renewables. The current requirements are already very close to Passivhaus fabric standards. Ventilation rates/losses and could be further reduced, but then the council is almost specifying Passivhaus as standard. The council has yet to revisit the carbon credentials of construction types, eg Timber frame versus masonry thin bed joint. Other considerations will be the provision of electric car charging points to be standard across all new build developments, although it is anticipated that near future building regulation revisions are likely to recommend this.

7.55. NetZero Collective

CBC are very pleased to be joining the NetZero Collective and look forward to working together with other organisations across the UK to make a positive impact on reducing our carbon emissions with a view to having data driven future energy efficient development programmes at Crawley Borough Council. NetZero Collective has developed a Programme in conjunction with Southampton University to gather Data from domestic and commercial properties, and, based on an analysis of the Data to make recommendations (if applicable) for the installation of an intervention to reduce carbon emissions. It is intended that the Data collected from all Project Participants will be pooled by NetZero to be processed by its Analytic Partners to produce the most appropriate form of intervention recommendations for as many differing property archetypes as possible from the Data. Crawley Homes are committing ten different properties to the programme for the data study phase. The ten homes will reflect different property types, of varying age and build, allowing us to explore the range of options for each. On completion of the extensive data study supported by Southampton University, Crawley Homes will then be in a position to make an informed decision on the measures required to enable future retrofit programmes to be developed.

7.56. Partnership Contractors

Crawley Homes has recently procured some new long term maintenance contracts with 3 well established maintenance contractors. As part of the new contract an alliancing group has been formed to look at a number of key development areas, one being energy efficiency & carbon reduction. A sub-group has been set up with the purpose to ensure that all parties work together with regard to energy efficiency and carbon reduction programmes. All three contractors made commitments within their tenders to work in collaboration with Crawley in driving energy efficiencies and carbon reduction

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throughout the lifetime of the contract. These measures include looking at transferring their fleet of vehicles to all electric, to reducing energy in the home and investing in the local community as projects are identified.

7.57. Estate Regeneration

As part of Crawley Homes future asset management strategy, we have recognised the need to explore the option of estate regeneration. Crawley Homes have a number of non-traditionally constructed properties that were system quick-built as part of the new town development. These homes require extensive maintenance to ensure they maintain a fit for habitation status. All options need to be considered in order to provide higher energy efficient standards, improve dwelling density and ensure homes are fit for future generations and feasibility study appraisals will be undertaken.

Evidence

7.58. Karen Dodds (Head of Crawley Homes - CBC), Russell Allison (Housing Enabling and Development Manager - CBC), Alan Moore (Mechanical and Electrical Surveyor - CBC), Louise Skipton-Carter (Sustainability Manager - CBC) and Clem Smith (Head of Economy and Planning - CBC), together with Councillor Irvine (Cabinet Member for Housing – CBC), provided information for this meeting:

- Crawley Homes was currently working towards the Government's target of carbon neutral homes by 2050.
- There was a programme of loft insulation, cavity wall insulation and external wall insulation to improve the energy performance of homes and in particular to address aspects of fuel poverty. Work had been undertaken since 2012 which had included a retrofit programme to reduce energy output in homes.
- Different approaches and technology worked for existing properties and new builds. It was important to identify the best solution and approach to ensure homes were future proof.
- It was important to understand how residents live and how best to use the technology to evaluate the ideal solution.
- Confirmation that smart meters were currently only being installed on void properties due to a current shortage. However at the DHN sites, these were automatically fitted with smart meters.
- Acknowledgement that historically a programme had been completed around insulation. Now a timetable was in place to complete those sites where previously access was unobtainable, there was an option to install deeper insulation for leaseholder flats where grants were available.
- There had been significant improvements in performance of cavity wall insulation but it was noted that whilst this had benefits for properties and energy efficiency this could become costly for leaseholders.
- Some homes may require extensive maintenance to ensure they maintain a fit for habitation status. All options needed to be considered in order to provide higher energy efficient standard, including retrofitting or potential regeneration to improve dwelling density and ensure homes were fit for future generations. Feasibility study appraisals would be undertaken when required.
- Confirmation that with regards to the installation of electric vehicle (EV) charging points within future developments these were reviewed as part of the new build specifications and would also form part of any regeneration. It was noted that quite often EV points fall out of the Crawley Homes remit, and were being planned as part of the current West Sussex wide EV Charging Network project. However with the increase in town centre housing locations offering limited parking spaces it was felt that car clubs may provide alternative provision.
- Acknowledgement that the air source heat pumps that were installed as a trial were not a 'one size fits all' approach. The Net Zero Collective initial study would

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look at current energy performance and data. It would be important to ascertain the best fit for the each property type. It was noted that a full data study would be carried out in conjunction with Southampton university research team. Volunteer tenants had been identified across a range of property age/construction types and survey equipment had been fitted. It was estimated that full data would be available summer 2021 whereby it was anticipated that a retro-fitting plan could be developed. There could also be the option to liaise with Crawley College to assist and train individuals to fit the technology, however funding would need to be made available.

- Recognition that the energiesprong (whole house approach to energy retrofit or new build) whilst effective was also costly, particularly for leaseholders. It was noted that the funding was for Crawley Homes' properties and tenants.
- Confirmation that UPVC windows were currently still the best approach, although this was assessed regularly as part of the specification reviews. However they had been used for a long period due to the cost effectiveness and performance. There was a need to strike a balance between budget and value for money together with the environmental concerns and lack of maintenance required.
- Whilst the Government's current Green Homes Grant could not be utilised by Crawley Homes' tenants, the council would identify any funding opportunities when they became available.
- In order to assist and influence home owners there were various initiatives available:
 - Solar Together Scheme – This was a group buying programme for solar PV panels and battery storage, whereby home owners and SMEs could apply. It was run in conjunction with most district and borough councils within West Sussex. Residents register their interest and a reverse auction takes places with the winning bidder setting a competitive price for all solar and battery systems. All installers were pre-vetted and must comply with criteria to guarantee the quality of the offer. Installations for the first auction in October 2020 would be completed by May 2021.
 - Energy Switching - Robin Hood Energy, who provided the white label company for Your Energy Sussex, had been sold to Centrica, the parent company of British Gas. Existing Your Energy Sussex customers had been contacted and were able to continue with their existing energy tariff for the duration of their current supply agreement or be able to switch supplier, as Robin Hood Energy had offered a green energy tariff.
 - iChoosr - an alternative for energy switching. iChoosr hold three auctions in February, May and October in which energy companies bid their best prices to beat competitors and gain a large number of new customers. The more people who take part, the greater our chances of getting a competitive energy deal.
 - Green Homes Grant - homeowners or residential landlords could apply for a Green Homes Grant voucher towards the cost of installing energy efficient improvements (primary and secondary measures – criteria applies). Vouchers cover two-thirds of the cost of eligible improvements, up to a maximum government contribution of £5,000. Individuals in receipt of certain benefits may be eligible for a voucher covering 100% of the cost of the improvements. The maximum value of the voucher was £10,000.
 - Warmer Sussex – whilst still in its infancy, the Whole House Plan provided homeowners with an overview of their home and its current energy requirements. Using the information gathered during a home survey and a conversation with an energy advisor this would demonstrate all of the possible improvements to be made, indicative costs of these measures and the impact these will have on the energy efficiency, comfort and environmental impact of an individual's home. A report was then prepared and expert advice outlining the next stages including

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finalising specification, gathering prices from several vetted contractors, putting contracts in place, overseeing the quality of the work, dealing with any disputes and signing off the work.

- Towns Investment Fund – this incorporated a number of areas including (if successful) £5m green retrofitting grant fund for homes across the borough from April 2021 over a period of five years, £2.5m green tech business grants to assist businesses with expertise in installing the new technology and green construction skills training at Crawley College to help up-skill the local workforce. It was noted that the Towns Investment Fund was currently under consideration, with the outcome due imminently and councillors would be updated accordingly.

Future Developments

- 7.59. It was stated by the Committee on Climate Change in 2019, that “designing efficient homes from the outset is a one-time opportunity”. As a result the Panel recommends building new build housing to zero carbon standards from the start, avoiding the need to retrofit in the future. Thus designing energy efficient homes and making savings at the outset. “When already faced with the challenge of upgrading the energy performance of the entire housing stock, it is nonsensical to be continuously making the problem worse by allowing new homes to be built that will also need to be retrofitted”. (Committee on Climate Change 2019). The full Energy Efficiency: building towards net zero publication can be found [here](#).
- 7.60. These developments should include increasing the number of electric vehicle charging points across any new build developments. These should be reviewed as part of the new build specifications and would also form part of any regeneration. It is estimated that electric vehicle will add 6.8% to global electricity demand in 2040, and drive a growth in demand for Lithium-ion batteries from 151 GWh in 2019 to 1,748GWh by 2030. ([New Directions for Crawley – issues and options for Crawley Transport Strategy - March 2020](#)).
- 7.61. In order to assist with progressing further energy efficiency improvements within Crawley Homes, it is suggested an efficiency plan is completed following the analysis of NetZero Collective Data. CBC has joined the NetZero Collective and are working together with other organisations across the UK to make a positive impact on reducing our carbon emissions with a view to having data driven future energy efficient development programmes at Crawley Borough Council
- 7.62. NetZero Collective has developed a Programme in conjunction with Southampton University to gather Data from domestic and commercial properties, and, based on an analysis of the Data to make recommendations (if applicable) for the installation of an intervention to reduce carbon emissions. It is intended that the Data collected from all Project Participants will be pooled by NetZero to be processed by its Analytic Partners to produce the most appropriate form of intervention recommendations for as many differing property archetypes as possible from the Data. Crawley Homes is committing ten different properties to the programme for the data study phase. The ten homes will reflect different property types, of varying age and build, allowing us to explore the range of options for each.
- 7.63. NetZero Collective initial study will be to look at current energy performance and monitor the stock across 10 to 20 pilot properties. A full data study/analysis will be carried out in conjunction with Southampton University research team, before making any recommendations with regards to retrofitting properties with zero carbon heating, cooking and cooling solutions. This takes a building fabric and data first approach. On completion of the extensive data study (approx. summer 2021) supported by

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Southampton University, Crawley Homes will then be in a position to make an informed decision on the measures required to enable future retrofit programmes to be developed.

Recommendations

- m) Continue efforts to deliver new build housing to zero carbon standards that would ensure they would not need to be retrofitted by 2050 at great expense, including increasing the number of electric vehicle charging points across these developments.
- n) Agree to compile an efficiency plan following the analysis of Net Zero Collective data to progress further energy efficiency improvements within Crawley Homes.

8. Evidence and Engagement

8.1. Members considered a range of evidence including the Council's current carbon footprint and comparative, background information and desktop research from other local authorities, witness sessions, the Council's existing policies and contracts together with information from the Centre for Governance and Scrutiny. Prior to the Coronavirus Pandemic the Scrutiny Panel sought to engage local residents and community groups in the process.

8.2. Listed below were many of the key issues and themes that were raised during the consultation:

- The need for replacement trees once others were felled. It was noted there was current planning policy surrounding the investment and replacement of trees. Furthermore the submission Crawley Local Plan 2021 – 2037, had been revised with regards to the protection and enhancement of biodiversity.
- Recognition that changes in transport provision needed to reflect a variety of issues; those in transport poverty, isolation of people on low income, young, elderly, disabled, together with the condition of streets.
- There was support for community garden projects and potential links to working with the voluntary sector and obtaining future funding.
- It was queried whether the Council could obtain its energy through green energy.
- There was a keenness to work with the Council to progress actions and it was suggested the Council consult and compare with other Councils. It was confirmed that the Panel had and were continuing to investigate other councils and undertake further research.
- It was felt by some that reducing the target date for cutting carbon emissions to zero from 2050 to 2030 would highlight ambition, intent and commitment. However it was stressed that it was important to have the finances and resources to deliver the changes.
- It was hoped the climate change agenda would feature highly throughout each area of the council's work.
- It was questionable how much influence and power the Council had with partners, stakeholders and businesses.
- Confirmation was provided that any action plan needed to be practical in terms of what the Council could achieve and actually deliver with assistance with partners and stakeholders. It was anticipated this would be costed and combine CBC and private funds. The action plan would be available for consultation as and when available.
- The council was commended for the 'New Directions for Crawley' document.

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- There would be a need for the council to consider how to deal with the use of petrol and diesel usage, both now and in the future.
- Would an emissions charge be feasible for the town
- There was support for promotion and education to highlight the advantages of use of sustainable transport, particularly bus and rail use.
- Whilst it was acknowledged that it was important to have the finances to deliver the changes, it would be beneficial if Metrobus could roll out the entire fleet to fuel cell electric buses powered by clean hydrogen by 2025 instead of 2030.
- There was support for greater pedestrianisation of the town centre, particularly The Boulevard.
- It was questioned if funding could be ring-fenced for climate change in the future.
- It was noted that Luxembourg had just allowed free cost public transport across the country.
- An acknowledgement that the traffic flow throughout the town needed improving and this would assist in reducing congestion and carbon emissions.
- There was support for further solar panels to be introduced wherever possible.
- There was support for ride share/car clubs.

9. Other Council Workings and Activities

- 9.1. The Panel has been mindful throughout the review to focus on where the Council can add value and influence. The scale of the challenge is unprecedented, but it is one that Council should pursue in good faith as ignoring climate change and its impact is not a viable option. The Council's challenge will be made easier if it successfully inspires both staff and residents. The Group has been consistently impressed with the scale of activity already underway across the borough and when researching committee reports from other local authorities and those action plans featured it is clear that this council already has in place those actions featured in other authorities' recommendations.
- 9.2. In order to respond to the climate emergency and embed environmental sustainability in decision making across the council it is recommended a Climate Change Impact Assessment is completed prior to establishing any new services, projects or programmes. This should be similar to an Equality Impact Assessment and submitted with the Cabinet report. This will ensure all services approved by the council are shown to be considering the importance of the climate change agenda and their contribution towards the Council's carbon reduction targets. Whilst some contractors and tenders are requested to consider environmental implications this is not the case for all new services, projects and programmes. By requesting the completion of a CCIA with a Cabinet report – similar to an EIA this will ensure that officers are at least considering the environmental and climate change implications – together with Cabinet and raising the climate emergency response agenda across the Council (see example of a local authority climate change impact assessment in Appendix A).
- 9.3. In order to instil the need to respond to the climate emergency through the town, it is felt that more promotion is required. Panel Members were not aware of the recent 'Solar Together Sussex' initiative that was being undertaken by the Council, together with other schemes being run. Consequently there is a need to promote energy saving initiatives and projects to local residents – including the benefits, particularly when trying to influence the need for green tariffs and energy efficiency; to encourage and engage with residents on various environmental projects. Decarbonising energy across the Borough is a key challenge and therefore consideration should be given to promoting initiatives that will increase the use of these technologies across the Borough, including the auctions, solar panels etc. Similar to a previous recommendation, the Panel has not identified specific energy efficiency measures (such as smart meters, solar PV, heat pumps, insulation, LED lighting, energy switching or meter installations) as some of these are already in place. Additionally each energy efficiency measure will be dependent on the type of property as a 'one size fits all'

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approach may not be appropriate and the decision will need to be taken following the necessary feasibility study.

- 9.4. The Scrutiny Panel was confident that zero carbon can be achieved by 2050. However, even this will take a cultural shift from the Council and the genuine embedding of actions. For instance, prior to the Coronavirus pandemic, 22 councillors were paperless. However following the pandemic, councillors were issued with tablets and committee meetings have been run on Live Events since April 2020 with other meetings being run on MS Teams. Work was undertaken by Democratic Services and IT to ensure the technology was consistent and councillors received training by Democratic Services on Live Events (and using a split screen and Modern.gov where appropriate, or allowing access to meeting papers on the intranet using a password).
- 9.5. However, a decision was made that all councillors were to receive hard copies of agendas and reports on a trial basis whilst they became accustomed to the new IT equipment, even though training was deployed (unless requesting not to). As a result the environmental and financial impact of printing agendas and reports for all councillors has certainly increased and been evident. This has also had repercussions on the digital modernisation and transformation agenda where there is a future commitment to move towards paperless working. May 2021 municipal year therefore provides a lead in time.
- 9.6. The current (and future) committee papers are available on the Intranet (and website). Both the intranet and Modern.gov app approaches allow papers to be securely disseminated to Councillors whilst also having the papers on personal devices should this be the preference whilst having Live Event committee meetings on the Council devices, or using a split screen on Council devices should this be the preferred approach.
- 9.7. The Council originally began issuing tablets in 2015. Following this, the Cabinet Member for Resources took the decision that any newly elected councillor would be paperless from May 2018, whilst remaining compliant under the Equality Act. Since then any individual newly elected to the council has received a device and automatically been paperless (with the exception of the Full Council agenda unless also requested to be paperless). The Constitution states "*All Councillors will be notified and receive access to Committee papers electronically on the date of publication, including those containing exempt and/or confidential information. Those Councillors attending a Meeting may request a paper copy of the paperwork*". With the Coronavirus pandemic Councillors now have devices and can access papers electronically. Committee agendas, minutes and reports will continue to be published and distributed electronically to all members of the council.
- 9.8. A number of Councils have completed a transition to paperless meetings over recent years and there is a clear direction of travel in this regard, such it is expected to become standard practice in local government. Indeed, Stratford Upon Avon, Guildford, Wolverhampton and Epping Forest are just a number of other councils that have recently committed a move to paperless meetings. Furthermore the report from the [Independent Remuneration Panel and Recommendations for the Scheme of Allowances and Expenses from May 2021](#) published by WSCC, recognised that virtual meetings have had a positive impact on the sustainable environment. It concluded that virtual meetings resulted in not only cost savings, but also in CO₂ reduction and that the council should try to maintain this level of carbon saving. In addition it hoped that by 2030, at least 70% of members' vehicles would be electric or other non-fossil-fuelled vehicles. The report of the [Crawley's Independent Remuneration Panel Final Report](#) considered the HMRC approved mileage allowance payments (AMAP) rates and suggested it be emphasised that the rates were also applicable to electric cars. It hoped that this would be an incentive toward a reduction in carbon emissions in Crawley.

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- 9.9. Across a wide number of service areas, the Council is increasingly encouraging its residents to access services electronically. Moving to paperless meetings provides Councillors with an opportunity to lead by example in this regard and demonstrate that they too are prepared to embrace new forms of technology to deliver savings, embrace more efficient working practices and reduce the Council's carbon footprint, having voted unanimously at July Full Council in 2019. To ensure paperless committee meetings are successful, the core principles will be adopted:
- Chairs will continue to be provided with guidance.
 - Officers will endeavour to produce all reports in a format that can be used on a compatible device.
 - That Councillors participate in training from IT or Democratic Services when required.
 - That any Councillor who is "an expert" in Modern.gov provide peer to peer support.
- 9.10. According to Standard Carbon (Standard Carbon LLC is a leader in the development and aggregation of carbon offset credits), a single sheet of paper is equivalent to 0.004173 kg of CO₂.
- 9.11. The printing costs together with the amount of CO₂ for each committee agenda from April-December 2019 and 2020 (which takes into account non-virtual and virtual meetings) are documented below. This does not take into account any internal briefings or meetings.

Ctte April - Dec 2019	Pages	No of copies	Total Pages	Sheets of Paper	CO2 lbs	CO2 kgs	Cost £s
Audit	296	8	2368	1184	10.89	4.94	£118.40
Cabinet	444	15	6660	3330	30.64	13.90	£333.00
Climate Change SP	6	6	36	18	0.17	0.08	£1.80
Full Council	400	22	8800	4400	40.48	18.36	£440.00
Governance	34	8	272	136	1.25	0.57	£13.60
Licensing	194	6	1164	582	5.35	2.43	£58.20
OSC	364	15	5460	2730	25.12	11.39	£273.00
Planning	419	5	2095	1047.5	9.64	4.37	£104.75
TOTAL	2157	85	26855	13427.5	123.53	56.03	£1,342.75

Figures do not include the entire year - merely a comparison between 2019-2020 and virtual meetings v non-virtual meetings.

Ctte April - Dec 2020 (virtual meetings)	Pages	No of copies	Total Pages	Sheets of Paper	CO2 lbs	CO2 kgs	Cost £s
Audit	270	9	2430	1215	11.18	5.07	£121.50
Cabinet	332	15	4980	2490	45.82	20.78	£249.00
Climate Change SP	48	6	288	144	2.65	1.20	£14.40
Full Council	414	36	14904	7452	137.12	62.20	£745.20
Governance	38	8	304	152	2.80	1.27	£15.20
Licensing	60	13	780	390	7.18	3.25	£39.00
OSC	328	15	4920	2460	45.26	20.53	£246.00
Planning	352	10	3520	1760	32.38	14.69	£176.00
TOTAL	1842	112	32126	16063	284.38	128.99	£1,606.30

NB - The figures in either of these tables do not include costs or CO2 relating to:

- Any internal briefings or meetings
- Any additional printing (eg spares)
- Fuel costs for Councillors' Mail Delivery (including special delivery for Full Council)
- Staff resources and time for Councillors' Mail Delivery (including special delivery for Full Council)

- 9.12. The scale of the challenge outlined by the Motion is unprecedented, but it is one that Council should pursue in good faith as ignoring climate change and its impact is not a viable option. The Scrutiny Panel has attempted to match this ambition and present a realistic way forward focusing on the Motion and the workings and activities of the Council. Pursuing the goal may mean there are some extremely difficult and potentially unpopular decisions ahead. It is imperative that in any relevant consultation the Council's aspirations for improving air quality and tackling climate change are included in all responses to Government and regional consultations.
- 9.13. It is proposed that the recommendations should be incorporated into an action plan being developed by the Climate Emergency Officer Advisory Group (as per the final

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recommendation). The officers' group is best placed to have the expert knowledge and skill to identify actions, activities and timescales within the council's services. This action plan should identify resources, sources of funding and timescales for completion of actions in order to ensure the council remains on target to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050. This corporate Climate Change Action Plan will be cross cutting, led by the Climate Emergency Officer Advisory Group who have in-depth, enhanced expert knowledge of specific projects and have a crucial view on the council's services. This action plan should be subsequently monitored through CMT. Responsibility lies with the Cabinet Member for Environmental Services and Sustainability (for Climate Change and Sustainability) within the Constitution. The action plan and progress can be regularly reported back to Overview and Scrutiny Commission and Cabinet.

Recommendations

- o) Agree that a Climate Change Impact Assessment Document be completed for all new services/projects/programmes (similar to an EIA). This will ensure all services approved by the council are shown to be considering the importance of the climate change agenda and their contribution towards the Council's carbon reduction targets. (See example of a local authority climate change impact assessment in Appendix A).
- p) Promote energy saving initiatives and projects to local residents, particularly when trying to influence the need for green tariffs and energy efficiency; to encourage and engage with residents on various environmental projects.
- q) Endorses the Cabinet Member for Resources previous decision that from May 2018, all newly elected members will be paperless for committee meetings and that with effect from the new municipal year May 2021 all members will be paperless for committee meetings, especially as all Councillors have devices to enable this to happen.
- r) Assert the Council's aspirations for improving air quality and tackling climate change in all relevant responses to Government and regional consultations.
- s) Agree that the Climate Emergency Officer Advisory Group creates a Climate Emergency Action Plan for Crawley, taking into account the Scrutiny Panel's views and recommendations. This action plan should identify resources, sources of funding and timescales required for completion in order to ensure the council remains on target to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050.

10. Implications

- 10.1. Financial – There are financial implications with the continued printing of agendas, reports and minutes. Further financial implications will be addressed via the corporate Climate Emergency Action Plan for Crawley (to come forward at a future Cabinet meeting) as this identifies resources and funding attributed to specific areas and projects. An assessment and evaluation can then be individually conducted. Any recommendations with financial implications will feature in future Cabinet reports.
- 10.2. Environmental – The environmental implications are addressed throughout the report.

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- 10.3. Legal – The legal implications have been highlighted within the report where necessary. The Council's Constitution takes account of the Local Government Act 1972, the Local Government (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and Local Government (Electronic Communications) (England) Order 2015.

11. Background Papers

Anthesis Baseline Audit Report – June 2020

[Bath and North East Somerset Council Climate Emergency Study Pack September 2019](#)

[Bath and North East Somerset Climate Emergency Project Report October 2019](#)

[Centre for Governance & Scrutiny webinar – Scrutinising Climate Change September 2020](#)

[City of Bradford – Reducing your Emissions](#)

[City of Bradford – What is Climate Change & how will it affect the UK?](#)

[Climate Change Scrutiny Panel Minutes 20.11.19](#)

[Climate Change Scrutiny Panel Minutes 28.1.20](#)

[Climate Change Scrutiny Panel Minutes 27.2.20](#)

[Climate Change Scrutiny Panel Minutes 30.6.20](#)

[Climate Change Scrutiny Panel Minutes 10.9.20](#)

[Climate Change Scrutiny Panel Minutes 12.10.20](#)

[Climate Change Scrutiny Panel Minutes 11.11.20](#)

[Climate Local Tunbridge Wells](#)

[Crawley Borough Council New Directions for Crawley – issues and options for Crawley Transport Strategy - March 2020](#)

[Energy Efficiency: building towards net zero – Parliament publication](#)

[Evaluation of a Hydrotreated Vegetable Oil \(HVO\) and Effects on Emissions of a Passenger Car Diesel Engine, Dimitriadis, Natsios, Dimaratos, Katsaounis, Samaras, Bezergianni and Lehto \(2018\)](#)

[Hydrotreated Vegetable Oil \(HVO\) as a Renewable Diesel Fuel: Trade-off between](#)

[NOx, Particulate Emission, and Fuel Consumption of a Heavy Duty Engine. In Proceedings of the Powertrains, Fuels and Lubricants Meeting, Aatola, H.; Larmi, M.; Sarjoavaara, T.; Mikkonen, S. 2008](#)

[Leeds City Council – Climate Emergency Update Report January 2020](#)

[Royal Borough of Kensington and Chelsea Air Quality and Climate Change Action Plan January 2019](#)

[York Climate Change Action Plan](#)

[York Climate Change Framework](#)

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EXAMPLE of a Local Authority Climate Change Impact Assessment

Completed by	
Date	
Approved by Head of Service	
Date Submitted to Sustainability Team	

Section 1 An CIA is applicable to the attached report because it	(Yes / No)
Proposes a new project (including new buildings and refurbishments) or service	
Proposes a change in service delivery	
Proposes a change/increase/decrease in assets, resources, equipment or products e.g. buildings, staff, vehicles, IT equipment, heating/lighting systems etc.	
Proposes a change in management of sites owned or rented by CBC (including those operated by others for CBC or for themselves)	

Section 2 Environmental impacts					
Consider the environmental impact the report's recommendations will have on the following		Assessment of Impact	Brief description of impact	If negative, how is it to be mitigated? If positive, how it being enhanced? State person(s) responsible for implementation	
Procurement	<ul style="list-style-type: none"> Accounting for social, economic and environmental outcomes in procurement and delivery in line with the Public Services (Social Value) Act 2012 	Choose an item.	Where a positive or negative impact has been selected, please summarise the expected impact of the proposals.		

	<ul style="list-style-type: none"> • Stimulating commitment to improving environmental impact and innovation in the supply chain and by contractors • Waste generation • Use of natural resources such as raw materials, water, and energy • Supporting the local economy and reducing miles travelled by materials by using local suppliers. 			
<p>New builds and refurbishments</p>	<ul style="list-style-type: none"> • Build, energy, and thermal efficiency standards of new or refurbished buildings owned or rented by CBC e.g. Passivhaus, CBC Fabric First, Building Regs • Energy consumption (electricity/gas/oil/LPG etc) for lighting and heating • Water consumption • Waste generated and recycled • Natural lighting • LED lighting • Generation of renewable energy 	<p>Choose an item.</p>		
<p>Facilities Management</p>	<ul style="list-style-type: none"> • Build, energy, and thermal efficiency standards of new or refurbished buildings owned or rented by CBC (including those operated by others) e.g. Passivhaus, CBC Fabric First, Building Regs • Change in frequency of use • Energy consumption (electricity/gas/oil/LPG etc) for lighting and heating • Water consumption • Waste generated and recycled • Natural lighting • LED lighting • Generation of renewable energy 	<p>Choose an item.</p>		

<p>Travel</p>	<ul style="list-style-type: none"> • Business miles travelled by staff/contractors • Providing / improving / promoting alternatives to car based transport (e.g. public transport, walking and cycling) • Efficient use of vehicles (car sharing, low emission vehicles, community transport, environmentally friendly fuels and technologies) • Efficient/lower emission vehicles e.g. purchasing improved vehicles 	<p>Choose an item.</p>		
<p>Equipment</p>	<ul style="list-style-type: none"> • New or changes to equipment and how has electricity, gas, oil, LPG, water etc. use in offices, leisure and culture facilities been considered • E.g. IT equipment, heating systems, interactive equipment in public venues and How has electricity, gas, oil, LPG, water use 	<p>Choose an item.</p>		
<p>Workforce</p>	<ul style="list-style-type: none"> • Change in number of office based staff and related energy use. 	<p>Choose an item.</p>		
<p>Adaptation to Climate Change</p>	<ul style="list-style-type: none"> • Adapting to and mitigating against the expected effects of climate change in Crawley (e.g. building and contingency planning for warmer wetter winters and hotter summers, heavy precipitation, flooding, heatwaves and other weather extremes) 	<p>Choose an item.</p>		
<p>Carbon emissions</p>	<ul style="list-style-type: none"> • Current and future emissions expected and the impact on CBC’s corporate or borough greenhouse gas emissions target. <p>Sustainability Team can provide assistance.</p>	<p>Current emissions (CO₂e tonnes) State 0 if applicable Proposed/estimated (CO₂e tonnes)</p>		

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Crawley Borough Council

Report to Overview and Scrutiny Commission
1 February 2021

Report to Cabinet
3 February 2021

Proposed Article 4 Directions: Planning “Change of Use from” C3 (dwelling houses) to C4 (houses in multiple occupation)

Report of the Head of Economy and Planning, PES/366

1. Purpose

- 1.1 To propose, for “change of use” applications defined above, the introduction of new Article 4 Directions that would apply specifically to ten residential zones within the borough (paragraph 3.3. and Appendix A). The directions would apply to just over 300 residential addresses in total.
- 1.2 Such Directions would have the effect of removing permitted development rights that currently allow ordinary residential dwellings (Use Class C3) to change their use into Houses of Multiple Occupation of 3 to 6 unrelated people (Use Class C4) without planning permission.
- 1.3 These Article 4 Directions would be put in place using the “non-immediate” procedure which requires the local authority to carry out a 12 month notification period to consult with local residents and stakeholders prior to the Council confirming formally the Article 4 Directions, subject to full consideration of all representations made during the consultation period.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet

- 2.2 The Cabinet is recommended to:

- a) Approve the making of 10 non-immediate Article 4 Directions under the Town and Country (General Permitted Development Order) 2015. These will remove the permitted development right for dwelling houses (Use Class C3) to change their use into houses of multiple occupation (Use Class C4), in the 10 zones referred to in paragraph 3.3 and outlined on the plans within Appendix A.
- b) Delegate authority to the Head of Economy and Planning in consultation with the Cabinet Member for Planning and Economic Development to formally confirm the non-immediate Article 4 Directions following the 12 month notification period, if having fully considered all representations made during the consultation period, they are of the opinion that the Article 4 Direction should be made. (*Generic Delegation 3 will be used to enact this recommendation*).

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3. Reasons for the Recommendations

- 3.1 The proposed Article 4 Directions are intended to enable the council to use its planning powers to manage and limit concentrations of houses of multiple occupation (HMOs) in areas which are considered susceptible to them, so as to mitigate and avoid the cumulative impacts on local amenity associated with concentrations of this type of accommodation. The rationale for such Directions is explained below in sections 4 and 5.
- 3.2 HMOs remain an important part of the range of accommodation available in the borough and cater to the needs of specific groups. The intention is therefore not to reduce or restrict their delivery in the borough as a whole, but merely to resist the development of significant clusters of them in particular locations, and to promote strong, balanced communities.
- 3.3 The ten residential zones where these Article 4 directions would apply are in the following locations (the extent of each zone is indicated on the maps within Appendix A):

- Weald Drive, Furnace Green
- Victoria Mews, West Green
- Caburn Heights, Southgate
- Aintree Road & Epsom Road, Furnace Green
- Ardingly Close, Ifield
- Farmleigh Close, Pound Hill
- Beverley Mews, Three Bridges,
- Ringwood Close, Furnace Green
- Rillside and Winterford, Furnace Green
- Arden Road, Furnace Green

The rationale for selecting the above 10 residential zones is explained in Section 6.

4. Background

- 4.1. **Definition of an HMO** - The Housing Act 2004 defines various 'tests' for identifying HMOs. Most fall within the terms of what is known as the 'standard test' whereby a unit of accommodation occupied by three or more people forming two or more households and sharing basic facilities is counted as an HMO.¹
- 4.2. **A Summary of the Benefits of HMOs** - HMOs represent an important source of relatively affordable accommodation serving the needs of specific groups within the community, and supporting economic growth by allowing greater mobility within the workforce. This form of accommodation is particularly likely to be accessed by younger people up to age 35: a significant group within Crawley's population, among whom the rate of formation of new households is understood to be suppressed by the lack of housing affordability. HMOs are considered to be particularly important for single people within this age group, who have been a significant source of approaches to the council's Housing Options service in recent years, and of whom over 150 are currently on the council's Housing Register.²
- 4.3. **The Need to Regulate HMOs** - HMOs can be associated with more intense patterns of

¹ HMOs are defined in Sections 254-260 of the Housing Act 2004, subject to exceptions in Schedule 14 of the same act and in the Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006. Where one of the occupants is the landlord of a property, a property does not become an HMO on the basis of the 'standard test' until the number of additional occupants who are not part of the landlord's household reaches three.

² UK Census 2011; North West Sussex Strategic Housing Market Assessment 2019: Final Report, Icen Projects, 2019, pp. 92-110; information from CBC Strategic Housing.

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activity than homes inhabited by a single household. To some extent this is to be expected as the natural effect of a property being more fully occupied than a typical house of equivalent size. There are, however, risks of more significant impacts, which mean that HMOs are subject to specific forms of regulation.

- 4.4. **The Housing Act 2004 Mandatory licensing regime** is in place with regard to HMOs. Whereas the planning system can consider wider spatial issues, the licensing system is largely separate and is primarily concerned with issues related to the management of individual properties, the standard of the accommodation, and adherence to safety and other standards.
- 4.5. As of August 2020 there are 196 licensed HMOs in Crawley, of which 77 are of three-storeys, with the rest being in almost all cases two-storey. Only 10 licensed HMOs exceed the six-person threshold above for which planning permission is required. The precise number of HMOs not needing a license is unknown. Estimates of the total number of HMOs in the borough, provided in returns to central government in recent years, have been at or above 500.³
- 4.6. **Introduction by HMG of Permitted Development Rights for smaller HMOs** - Most 'standard test' HMOs arise through the change of use of ordinary residential dwellings (in use class C3). Such conversions required planning permission as a matter of course until government reforms in 2010 created the C4 use class to cover 'small' HMOs of 3 to 6 people, and created a national permitted development right for changes of use between C3 and C4.
- 4.7. **Larger HMOs Require Planning Permission** - HMOs occupied by 7 or more people remain a separate 'sui generis' ('class of its own') use, and still require planning permission. Proposals are assessed against a range of national and local planning policies. In particular policy H6 of the adopted Local Plan specifically relates to HMOs, setting out criteria including the appropriateness of the location; impact on the character of the area and the amenity and privacy of neighbouring properties; and whether the proposal meets its operational needs, including servicing and parking. Proposals concerning HMOs are also assessed against other relevant Local Plan Policies.
- 4.8. **Rationale for the Use of Article 4 Directions to Restrict the above PD rights** - Where development comprises 'permitted development', it does not require express planning permission, and in the case of the C3/C4 change of use right, there are no council checks or requirements for notification from a planning perspective (e.g. such as 'prior approval'). The policies outlined above in section 4.7 therefore cannot be applied.
- 4.9. As in the case of most permitted development rights, the council can make a Direction withdrawing this right within specified locations under Article 4 of the Town and Country Planning (General Permitted Development) (England) Order 2015 (the General Permitted Development Order). The effect would be that the development in question would require planning permission, and would therefore be assessed against the HMO policy H6 in the Local Plan and other relevant policies. Article 4 powers can be used where a local planning authority considers that this is necessary to protect the wellbeing and amenity of the area.
- 4.10. Procedures for the introduction of Article 4 Directions are set out in Schedule 3 of the General Permitted Development Order issued by the government. An Article 4 Direction may be 'immediate', i.e. taking effect immediately, or 'non-immediate', whereby the changes only take effect upon confirmation following consultation and an extended notice period (usually of 12 months).

³ Local Authority Housing Statistics, MHCLG.

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5. Description of Issue to be resolved

- 5.1. **Article 4 Directions cannot address incidents of anti-social behaviour** - HMOs sometimes generate concerns and complaints about ASB. Where a significant issue arises this may relate to an individual resident, or an individual HMO, and issues of management and behaviour which may fall within the scope of the licensing system or nuisance legislation. Such cases cannot be addressed through Article 4 directions and the planning system.
- 5.2. **Article 4 Directions can restore Council planning powers to mitigate HMO Clustering** The council has received complaints and a petition regarding HMO clustering and Council Member concerns have been raised in respect of these. At the same time, most of the HMOs in question are 'small' HMOs benefitting from the associated permitted development right, which as explained above, currently fall outside the council's planning control.
- 5.3. A report related to these matters was considered by Overview and Scrutiny Commission in January 2018. The report concluded that there was not sufficient justification to proceed with any Article 4 Directions at that time, but that the situation would continue to be monitored, and that any decision to proceed would be subject to Cabinet approval.
- 5.4. The recommended **introduction** of Article 4 Directions removing the permitted development right for the conversion of ordinary dwellings to small HMOs in 10 zones represents the most appropriate response available to the council in the context of the management of HMO clustering.
- 5.5. **The Reasons for Increased Concentration of HMOs** - Over time there has been a tendency for particular residential areas within Crawley to become a focus of concentrations of HMOs. This has happened for two principal reasons:
 - I) HMO landlords seeking additional properties close to their existing ones, for greater convenience of management and servicing.
 - II) Certain housing types are more attractive to HMO landlords, irrespective of their location, in particular terraces of three-storey townhouses. These occur in a number of neighbourhoods, and represent one of the typologies of development characteristic of Crawley's 'new town' expansion. A combination of these two factors is considered to be the principal cause of Crawley's HMO clustering.
- 5.6. **HMO clusters in areas containing three-storey terraces** - Since the expansion of the HMO licensing regime in 2018 it is now more evident that certain areas containing three-storey terraces have become a focus of clustering to an extent not found elsewhere. The explanation is understood to lie in the relatively large amount of floorspace available in such houses, compared with their value, which enable fully occupied HMOs to achieve a relatively high yield.
- 5.7. **The Rationale for Article 4 Directions to restrict small HMO PD Rights** - The aim of limiting concentrations of HMOs in particular locations is consistent with the overall role of the planning system in promoting strong, balanced communities. Where HMOs form clusters within a wider residential area this has the potential to cause negative impacts for existing residents because of cumulative impact. These typically relate to issues which can be controlled by the planning system, as distinct from those controlled by licensing, i.e. impact on the character of an area and the amenity of neighbouring properties, and greater pressure on space for parking and servicing. Introducing an Article 4 means that a planning application would have to be made which would enable these cumulative impact issues to be taken into account.

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- 5.8. **Proposed Scope of the Article 4 Directions** - It is therefore proposed that Article 4 Directions be introduced in ten zones, comprising roughly 300 residential properties, where there is a coincidence of terraces of three-storey housing with the presence of clusters of multiple HMOs, as explained in section 5.5 above. The ten zones are listed above in section 3.3 with maps for each shown in Appendix A.
- 5.9. **The use of ‘non-immediate’ Article 4 Directions**, which formally withdraw the permitted development right 12 months after the notification date of the Article 4 Directions being made, is recommended. This has some potential disadvantage in so far as there would be scope for further conversions to occur during that 12 month period of time in advance of the restrictions. However this is on balance preferable to the “immediate” Article 4 Directions route which runs a significant risk of compensation claims to which the council might otherwise be exposed on grounds of abortive expenditure by landowners. The “non-immediate” approach is consistent with previous Article 4 Directions instigated by the Council.
- 5.10. Through the current Local Plan review process, it is intended to support the implementation of the proposed Article 4 Directions by further clarifying the council’s approach to applying planning policy in respect of HMOs. Current local planning policy protections referred to in para. 4.7 above are being carried forward as part of the Local Plan Review. Policy H9 in the submission Local Plan (the successor to H6 in the current plan) is also supported by new criteria for consideration of cumulative impact and concentration. The policy proposes further supplementary guidance to aid consideration of planning applications, both within Article 4 Areas and outside them, where proposals for large HMOs will continue to require permission.

6. Information & Analysis Supporting Recommendation

- 6.1. **The Reason for historic HMO demand in Crawley** - The use of Article 4 Directions in this way to control numbers of HMOs in particular locations is reasonably common in larger urban areas, albeit that it tends to be found in larger, more densely populated cities, and in areas with sizeable student populations, rather than in smaller, less dense settlements such as Crawley. In Crawley’s case demand for HMO accommodation is likely to have historically reflected high levels of job density within the borough, associated in particular with Manor Royal and Gatwick Airport.
- 6.2. **The Impact of COVID-19 – A Reduction in demand** - As such this demand is understood to be experiencing disruption as a result of the Covid-19 pandemic and the associated economic recession. These effects are apparent in a slowing of the rate of issue of new HMO licenses in the borough since the lockdown. This reduces the likelihood of significant increases in the short term and lowers the risk that non-immediate Article 4 Directions would generate a spate of conversions seeking to forestall the restrictions. At the same time, given current economic uncertainties, and various national, sub-regional and local proposals for economic recovery and stimulus, it does not seem safe to assume that the currently depressed state of demand for this accommodation will continue for years into the future.
- 6.3. **The Rationale for Article 4 Directions in the 10 zones selected (Appendix A)** The proposed introduction of Article 4 Directions across the 10 selected residential zones is considered the preferred option as it will limit further concentration of HMOs in these zones where 10 or more three-storey houses are present (making up at least 60% of the properties within the zone), and where either:
- l) the proportion of properties in the zone which are licensed HMOs exceeds 20% (or would do if a single further HMO were added) (this applies to zones 1 to 6 in Appendix A);
- Or:

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- II) At least 2 licensed HMOs are present. (In zones 7 to 10 despite HMO numbers remaining relatively lower at present, further interest from HMO investors is anticipated due to the predominance of three storey properties).

These Article 4 Directions would therefore target specifically the 10 residential zones in Crawley where there is a clear majority of residential dwellings that are 3-storey properties - a minimum of 60% of all properties, with zones 1 to 6 already experiencing significant HMO clustering.

- 6.4. The Article 4 directions would thus cover some 303 properties, which represent around 0.7 per cent of all housing stock within the borough, and (assuming all of them to be 4+ bedroom properties) around 4 per cent of the estimated total of 6,850 homes with four or more bedrooms.⁴ The extent to which these areas have become a focus for HMOs is highlighted by the fact that they contain 53 licensed HMOs, representing 27 per cent of all licensed HMOs within Crawley, and 69 per cent of the borough's licensed 3-storey HMOs.
- 6.5. This relatively targeted approach means that the areas in question are relatively small compared with areas which have been subject to Article 4 Directions restricting HMO conversions elsewhere in the country. These frequently cover larger residential districts, whole wards, combinations of wards, and even whole council areas.
- 6.6. **Alternative Options Considered** - Options involving coverage of larger (and therefore fewer) areas have been considered as part of this work, but were discounted as being disproportionate to the scale of this issue within Crawley.
- 6.7. **Alternative Option 1 – Extending the number of “Article 4” zones**- In particular, consideration was given as to whether it was appropriate to increase the number of proposed Article 4 zones to include areas of two-storey housing where there is a risk of emerging concentrations of HMOs. This approach was however discounted because the risk or emergence of HMO clustering for two-storey housing does not appear to be characterised by the concentration of a specific form of house or dwelling. The appropriate scale and extent of any Article 4 zones related to mitigating any clustering risks for 2 storey HMOs are not obvious, and there is a risk of simply displacing the issue into the neighbouring street or estate.
- 6.8. **Alternative Option 2 – Larger Zones including 2 storey HMOs** A second option might be to introduce larger Article 4 zones with significantly more extensive residential dwelling coverage than those currently proposed, for example covering thousands of properties rather than hundreds. However:
- there is no evidence of HMO clustering at such a broad level of geographic coverage in Crawley and at the same time there is the risk of adversely affecting the overall supply of this form of accommodation, which could adversely impact younger residents. Without tangible evidence to justify such larger zones, this could well be subject to challenge from central government.
 - the application of planning policies involving quantitative measurement of HMO concentrations would be more complicated in such larger areas, where a significant proportion of HMOs present are likely to be outside the scope of licensing and therefore difficult to identify. This would make it significantly more difficult for the planning services to apply the restrictions in a consistent way, and as such increase the risk of challenges at appeal, and potentially the award of costs against the council where these appeals are allowed.
- 6.9. **Alternative Option 3 – A smaller number of “Article 4” zones** - Expressions of concern by residents have tended to be focused in areas with larger concentrations and numbers of HMOs, so one option would be to limit the Article 4 Directions to those

⁴ Based on the 2011 Census figure of 6,657 households with access to 4 or more bedrooms, combined with net increase of 209 4+ bedroom dwellings since 2011.

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areas where the proportion of properties which are licensed HMOs has reached or exceeded a threshold of 20 per cent, which would reduce the scope from the 10 zones being proposed to 6.⁵ The remaining 4 areas precluded could then be monitored (zones 7 to 10), with further Directions being introduced as appropriate at a later date.

- 6.10. The preferred option explained above in sections 6.3-6.5 is considered the best approach because:
- There is a relatively straightforward rationale to its scope (i.e. the coincidence of 3- storey terraced housing and multiple HMOs).
 - Those residential zones included with lower concentrations of HMOs but a higher propensity of three storey housing will in time see an increase in HMOs as such properties in those locations come up for sale. Properties of this type have a demonstrable appeal to would-be HMO landlords, and the areas in question are clearly known to the market. By anticipating this, and avoiding the need to introduce further Directions in such areas at a later date, the proposed approach is considered to represent a more efficient use of council time and resources.
- 6.11. **Views of Ward Members:** A summary of the above proposals and the borough wide map from Appendix A below were included for consideration by all Members as a restricted item in the Members' Information Bulletin on 8 December. The Bulletin item highlighted the intention to proceed to cabinet on 3 February.
- 6.12. So far officers are aware of one response, from Cllr Eade, who agrees that the main issue concerns three-storey houses, but who also expressed concern about conversions to HMOs elsewhere – specifically naming Burwash Road in Furnace Green. At present officers do not feel that this area meets the criteria set out in para. 6.3 above, and there are no licenses for HMOs in Burwash Road on the council's current list.

7. Implications of the proposed Article 4 Directions

Housing

- 7.1. **A Negligible Impact on HMO Supply** - The recommended approach seeks to restrict tendencies towards the concentration of HMOs in a limited number of specific areas, rather than to restrict their numbers across the borough overall. Nonetheless, in so far as the proposed Article 4 Directions would restrict certain properties from being converted into HMOs there is a potential impact on the supply of this type of accommodation and on the groups most likely to access it. On the basis of the evidence considered above these three-storey properties are attractive in terms of stock which can economically be put to use as HMOs, and here the environmental considerations which militate against concentrations of HMOs need to be weighed against the apparent utility of this form of dwelling stock for this form of use.
- 7.2. From this perspective the approach reflects a view that on balance its environmental benefits outweigh the associated loss of potential HMO stock. Existing HMOs in the areas concerned will be able to remain in use as such and renew their licenses as appropriate without any need to secure planning permission. The small proportion of the borough's overall housing stock affected by the proposed Article 4 Directions also means that there will remain considerable scope for the provision of additional accommodation of this type elsewhere within Crawley. The overall effect on the borough's capacity to supply HMO accommodation is therefore considered to be negligible.
- 7.3. **Strategic Housing Initiatives** - There is no known impact on any specific current or forthcoming Strategic Housing initiatives.

⁵ Policy H9 of the submission draft 2021 Local Plan identifies 20% as an appropriate threshold for HMOs within an Article 4 Area.

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Staffing

- 7.4. Support from Legal Services will be required in the drafting and making of the Article 4 Directions. Work associated with the required notification, advertisement and consultation procedures set out in legislation will fall mainly to the Strategic Planning team.
- 7.5. The administration of the Article 4 Directions once in place would fall predominantly to the council's planning services, and would involve the processing of additional planning applications and the monitoring of the numbers of HMO licenses in the areas concerned.
- 7.6. Ongoing demands on other Council services are anticipated to be limited. They would include the work of the Private Sector Housing Team in maintaining the public list of HMO licenses on a quarterly basis (as at present) and in highlighting the presence of the Article 4 Directions in response to any landlord queries about council requirements.
- 7.7. Assistance from the ICT Business Applications Team may also be sought from time to time with regard to GIS data on licensed HMOs, although Strategic Planning has capacity to undertake most of the associated mapping work.

Financial

- 7.8. **Marginal impact on Council Income from HMO Licensing** – Any impact arising from this proposal is considered to be marginal, owing to the relatively small proportion of the borough's housing stock affected, and particularly given the importance which two-storey HMOs have acquired as a source of license applications since the 2018 changes to the Mandatory Licensing system. The large number of such applications since 2018 suggests considerable scope and demand to convert two-storey properties to HMOs of 5 or more people, and in this context it seems likely that landlords constrained in their ability to introduce new HMOs into the Article 4 Areas will in most cases be able to find suitable properties elsewhere in the borough in which to establish licensable HMOs.
- 7.9. **Staffing Costs** – These are covered by existing budgets and fee regimes. Planning applications for change of use to small HMOs resulting from the Article 4 Directions will be required to pay the appropriate statutory planning fee.
- 7.10. **Anticipated Additional Costs Arising from Article 4 Directions Process** – This is owing to the legal requirement to publish notices of the Article 4 Directions in a local newspaper. The precise cost will ultimately reflect the amount of advertising space required. Advertisement of one of the council's Article 4 Directions in 2020 this year cost £650 so this will amount to a cost of over £6,000 for the advertisement of 10 directions, if the council seeks to progress Directions in all 10 areas.
- 7.11. **An Additional Revenue Budget Pressure** - Whilst there is some budget remaining in the Development Management budget for public notices, this is not sufficient and the roll out of Article 4 Directions across 10 areas will therefore generate an additional budget pressure. Any unspent money at the end of March will be carried over to help with the costs associated with the advertising.

Environmental

- 7.12. The recommendations are considered to have positive environmental implications, in terms of the mitigation of negative impacts on both amenity and infrastructure which might otherwise occur in the areas identified.

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Equalities

- 7.13. The council is required under the Public Sector Equality Duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities.
- 7.14. The recommendations are not considered to involve any adverse impacts for any groups with protected characteristics identified in the Equality Act 2010 save for a marginal potential adverse impact in relation younger adults, who, as discussed in paragraph 4.2 above, are linked to greater use of HMO accommodation.
- 7.15. Since the recommendations are not considered to involve any marked shift in the proportion of HMOs across the borough as a whole, the impact from this perspective is considered to be negligible and therefore it is considered that there will be no discrimination on the basis of age.

Legal Implications

- 7.16. The legal effect of the recommendations will be that the permitted development right granted under Class L of Part 3 of the General Permitted Development Order 2015 for change of use from Dwelling houses to Houses of Multiple Occupation will be removed within the identified areas (listed in Appendix 1).

Risks – Possible Challenge from the MHCLG Secretary of State

- 7.17. The Secretary of State must be notified of an Article 4 Direction made by a Local Planning Authority and has the power to modify or cancel such a Direction. In order to inform the exercise of that power MHCLG can request further justifying evidence. Blanket Article 4 Directions covering an entire council area in particular are more likely to be subject to such challenge, although in Crawley further justification has in the past been sought even in respect of Article 4 Directions which are more limited in scope, such as the recent Article 4 Directions regarding certain changes of use in Main Employment Areas.
- 7.18. In this case it is considered that this risk is mitigated by the limited extent of the housing stock within the borough affected by the Directions, and by the existence of a clear rationale for the proposals.

8. Background Papers

Crawley Borough Local Plan 2015

<https://crawley.gov.uk/sites/default/files/documents/PUB271853.pdf>

North West Sussex Strategic Housing Market Assessment 2019: Final Report, Icen
Projects, 2019

<https://crawley.gov.uk/sites/default/files/documents/PUB354604.pdf>

‘Identifying and Monitoring HMO’s in Crawley’: Report of the Head of Strategic Housing and Planning Services to Overview and Scrutiny Commission SHAP/68 - 8 January 2018
<https://democracy.crawley.gov.uk/documents/s1901/Identifying%20and%20Monitoring%20HMOs%20in%20Crawley.pdf>

Meeting Minutes:

<https://democracy.crawley.gov.uk/documents/g216/Printed%20minutes%2008th-Jan-2018%2019.00%20Overview%20and%20Scrutiny%20Commission.pdf?T=1>

List of HMOs licensed by Crawley Borough Council – August 2020

<https://crawley.gov.uk/sites/default/files/2020-08/HMO%20licences%20issued-%20AUGUST%202020.xls>

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Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended)

<https://www.legislation.gov.uk/uksi/2015/596/contents>

Housing Act 2004

<https://www.legislation.gov.uk/ukpga/2004/34/contents>

Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006 (as amended)

<https://www.legislation.gov.uk/uksi/2006/373/contents>

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Appendix A: Proposed Article 4 Zones

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Zone 1: Weald Drive, Furnace Green

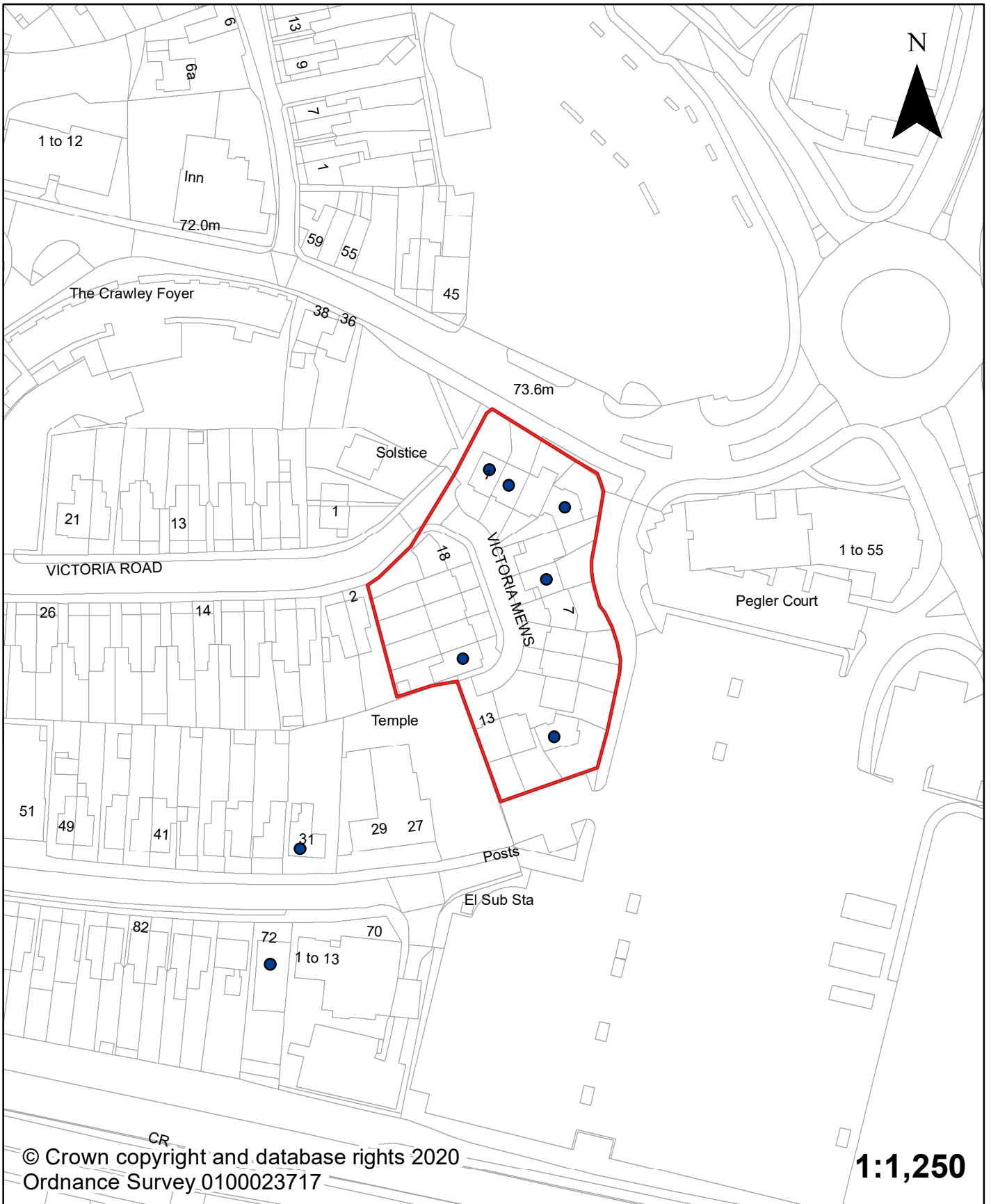


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Ordnance Survey 0100023717

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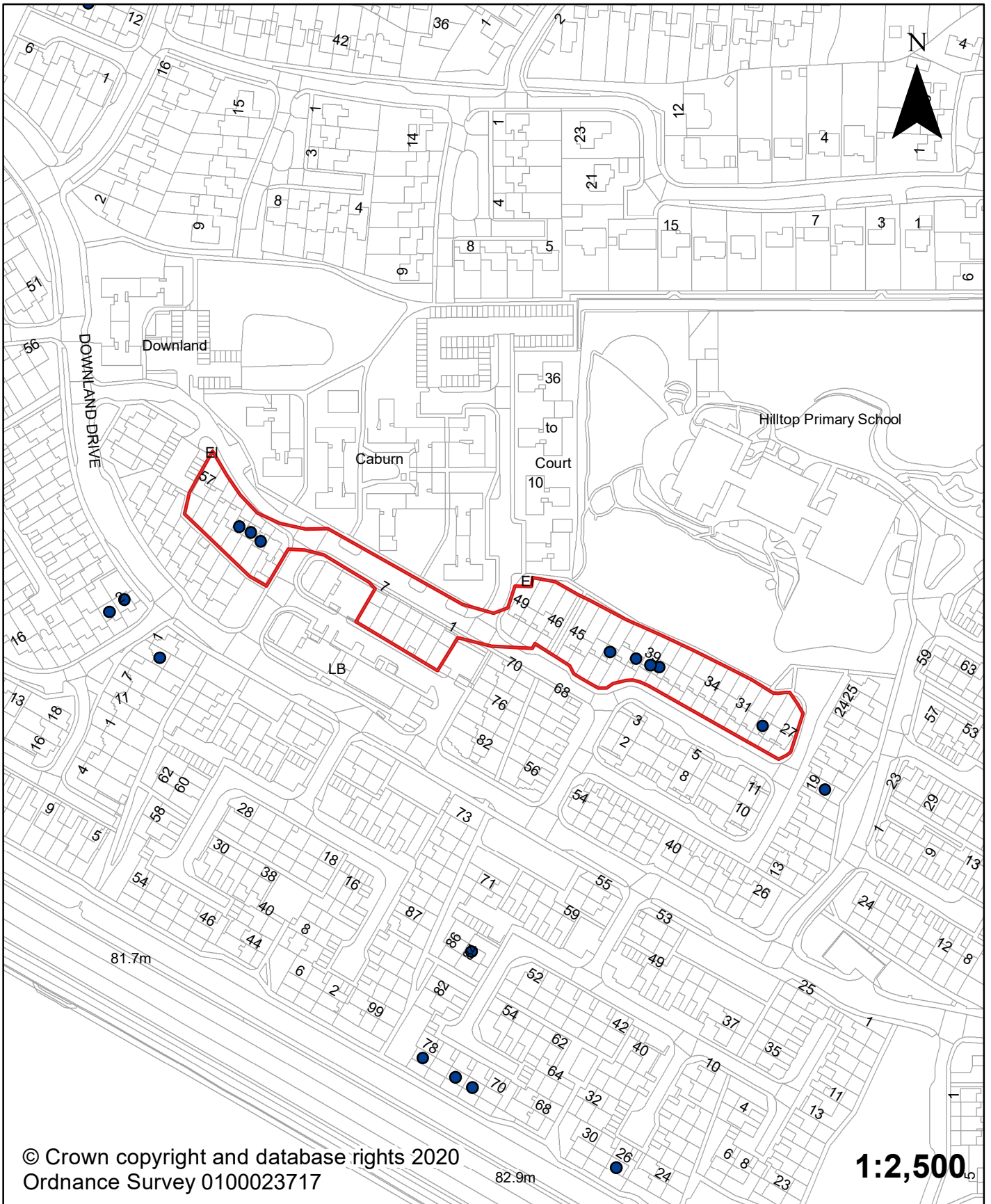
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Zone 2: Victoria Mews, West Green



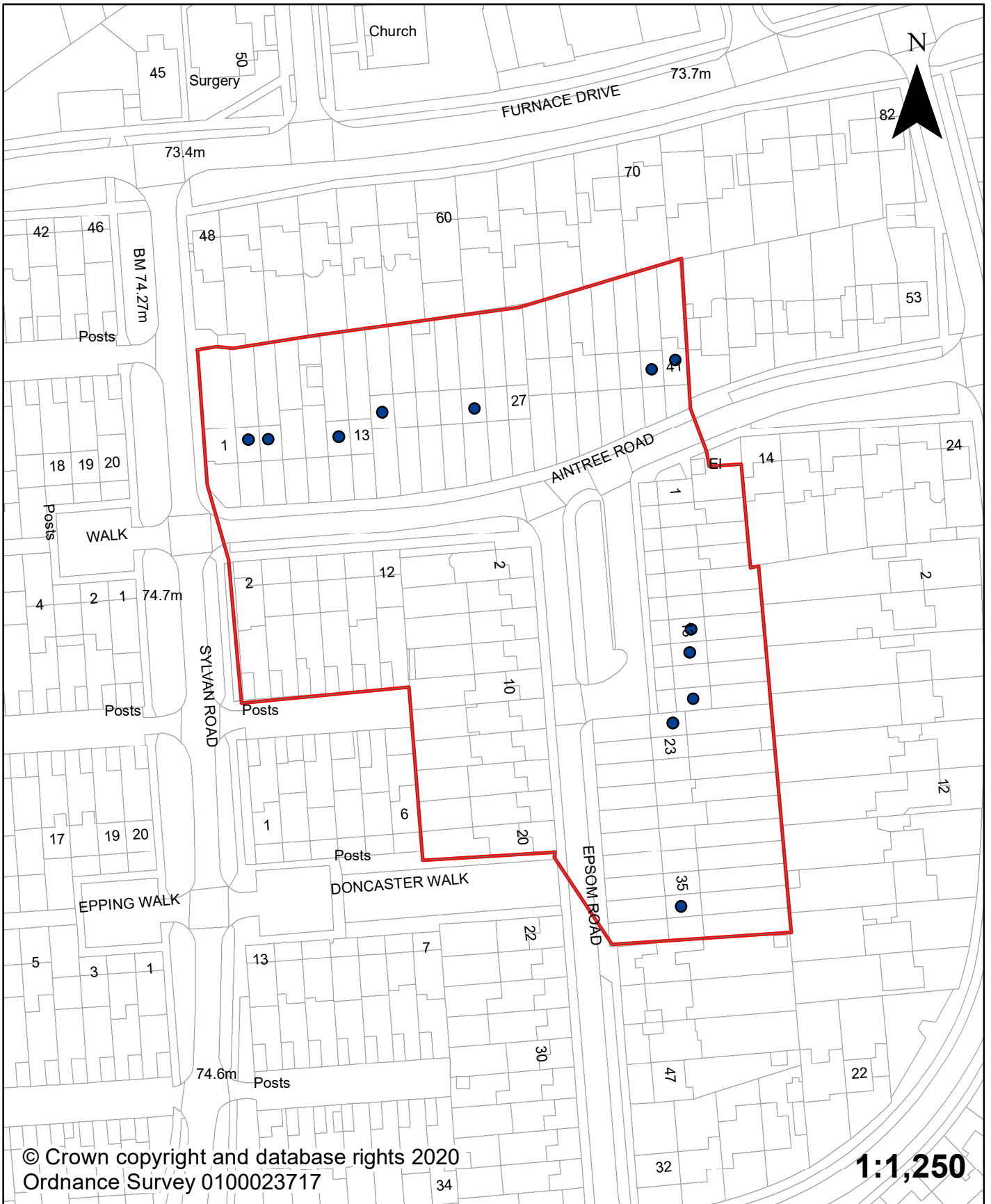
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Zone 3: Caburn Heights, Southgate



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Zone 4: Aintree Road and Epsom Road, Furnace Green



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Zone 5: Ardingly Close, Ifield

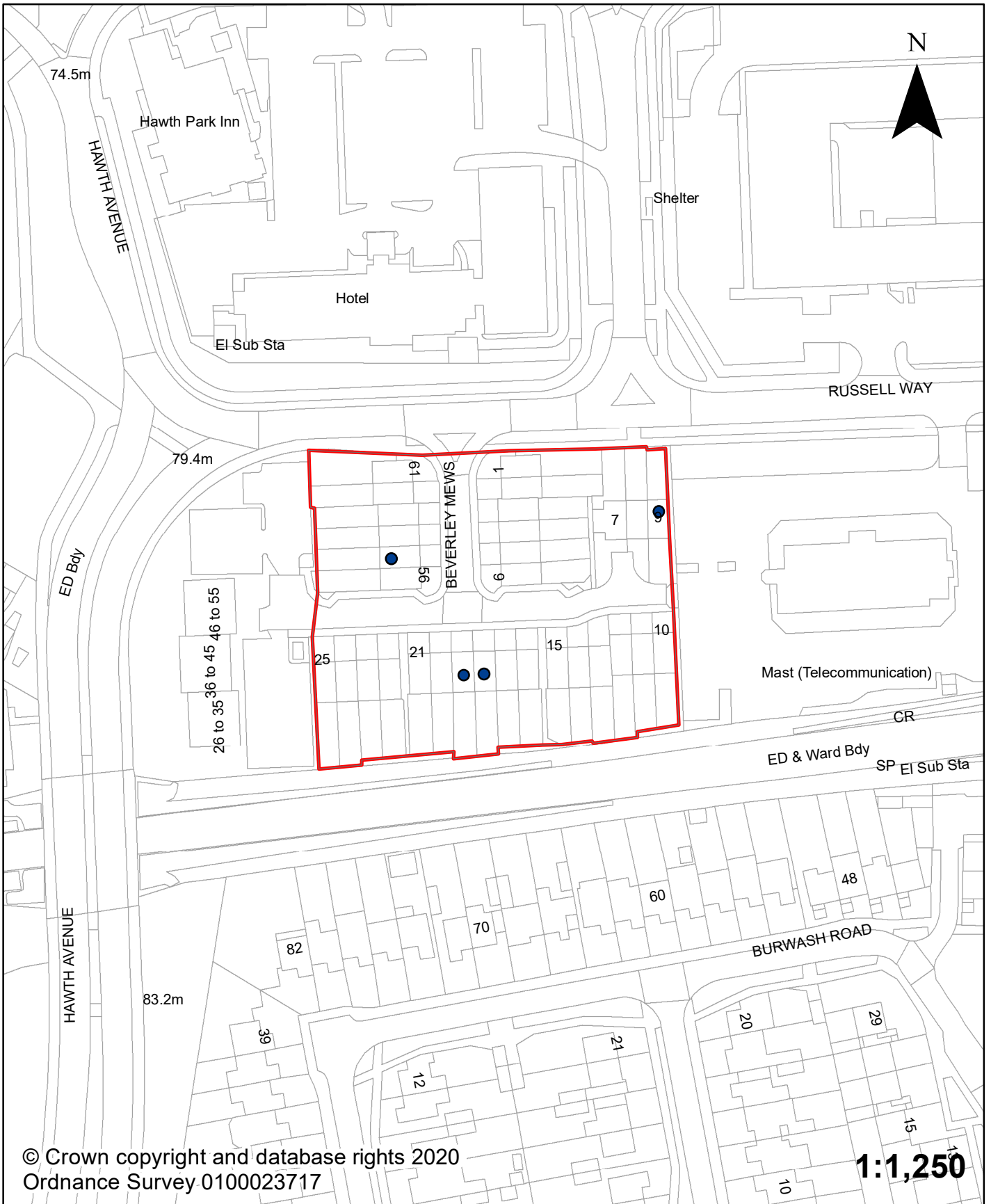


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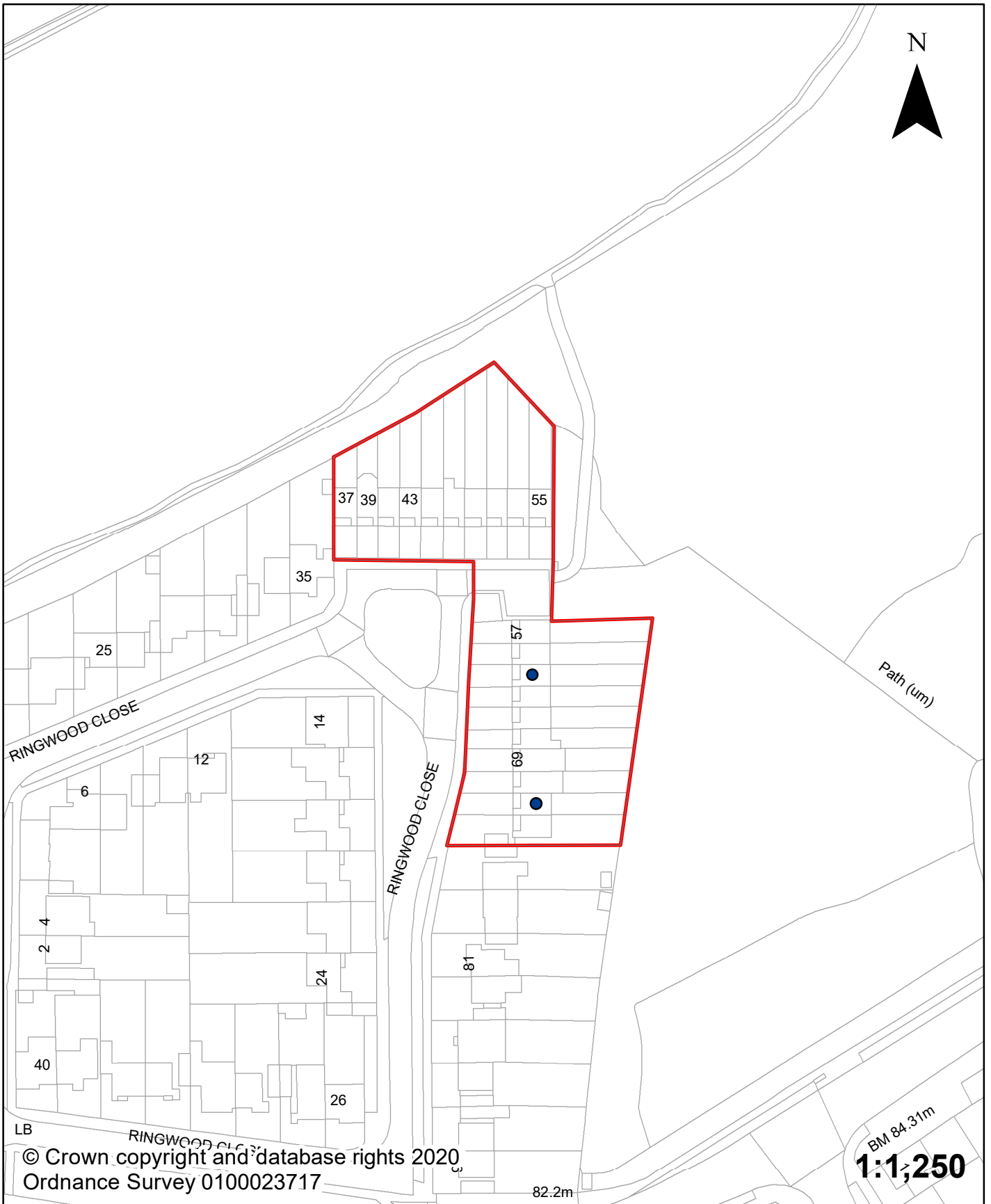
Zone 6: Farmleigh Close, Pound Hill



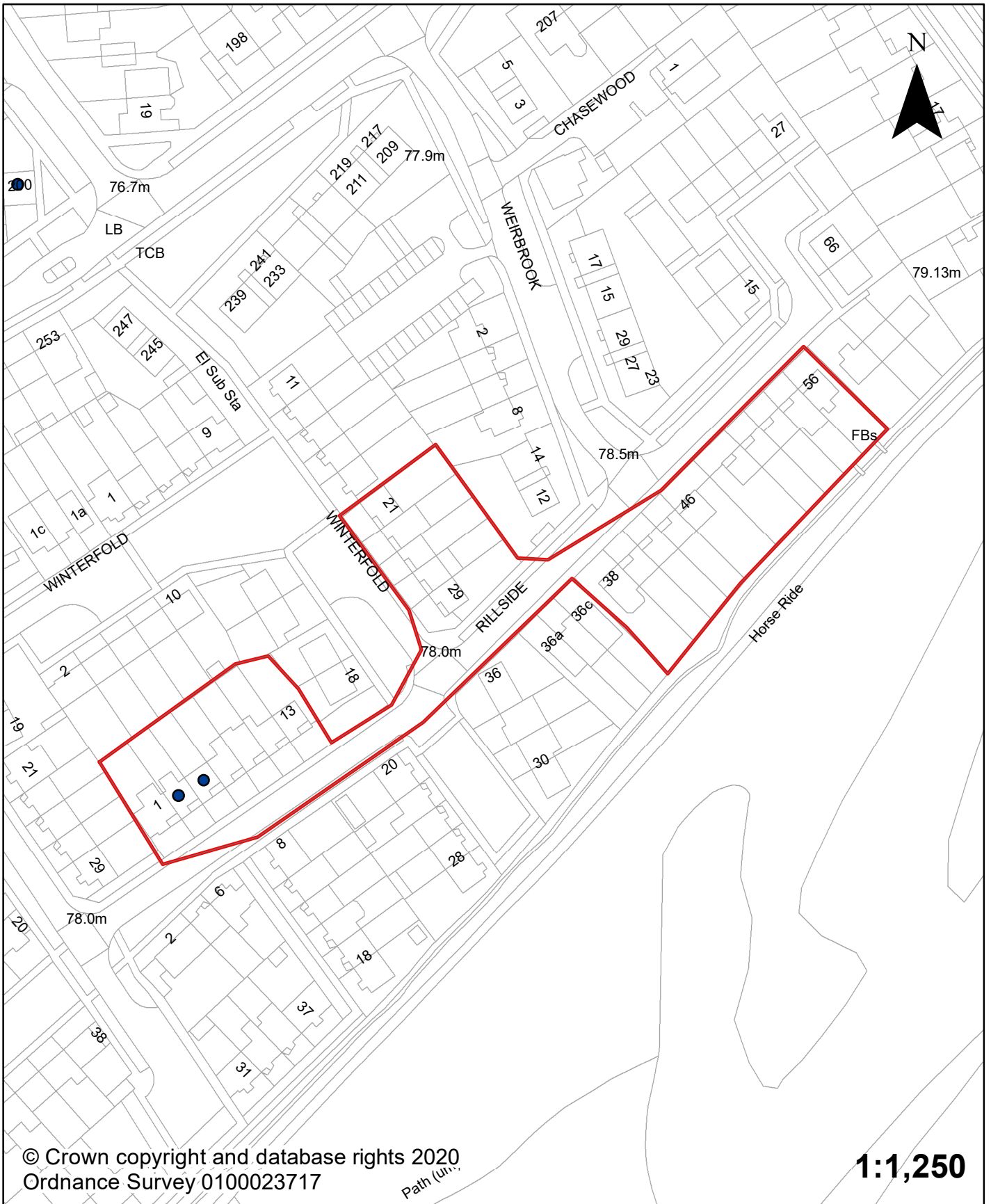
Zone 7: Beverley Mews, Three Bridges



Zone 8: Ringwood Close, Furnace Green

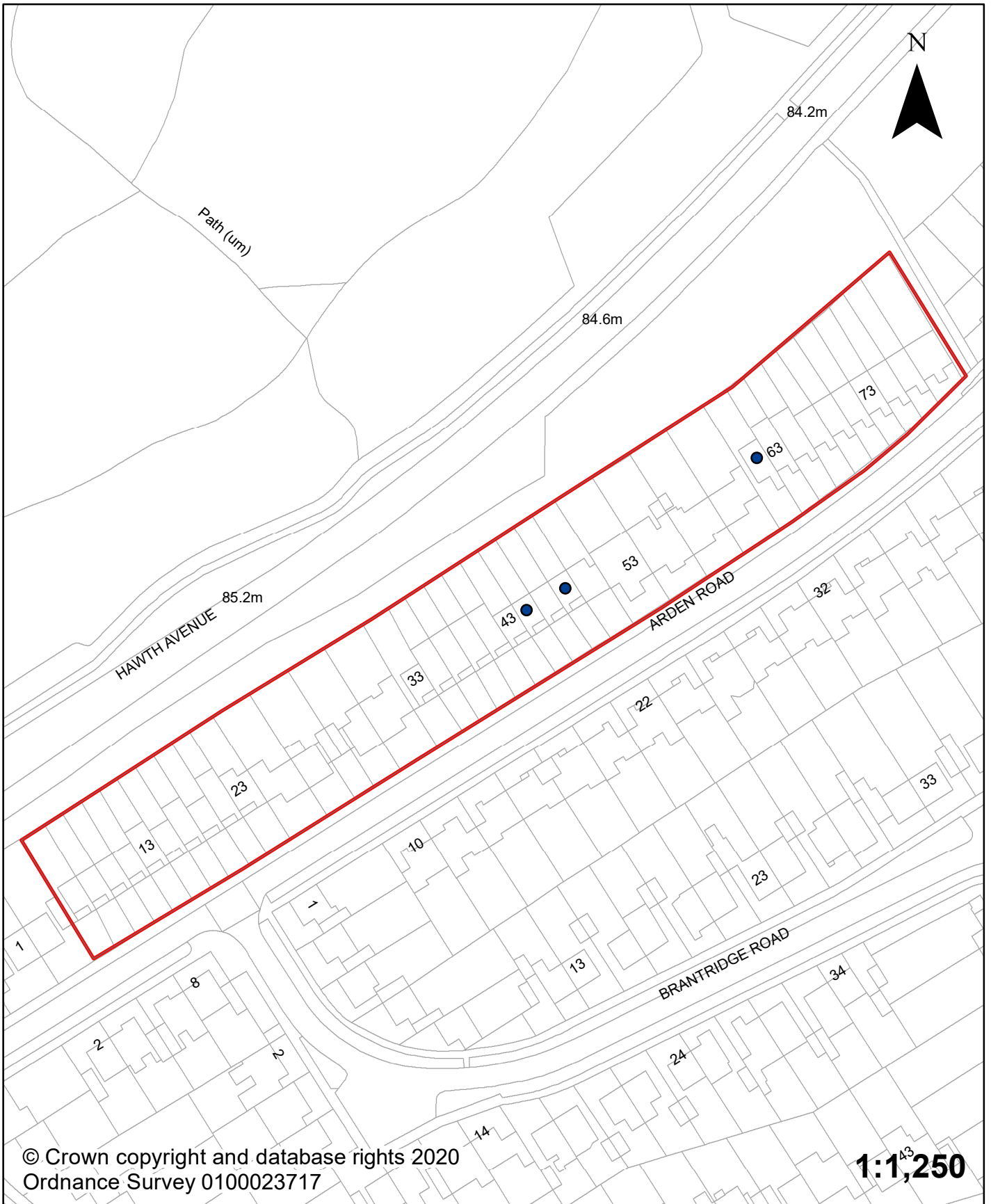


Zone 9: Rillside and Winterfold, Furnace Green

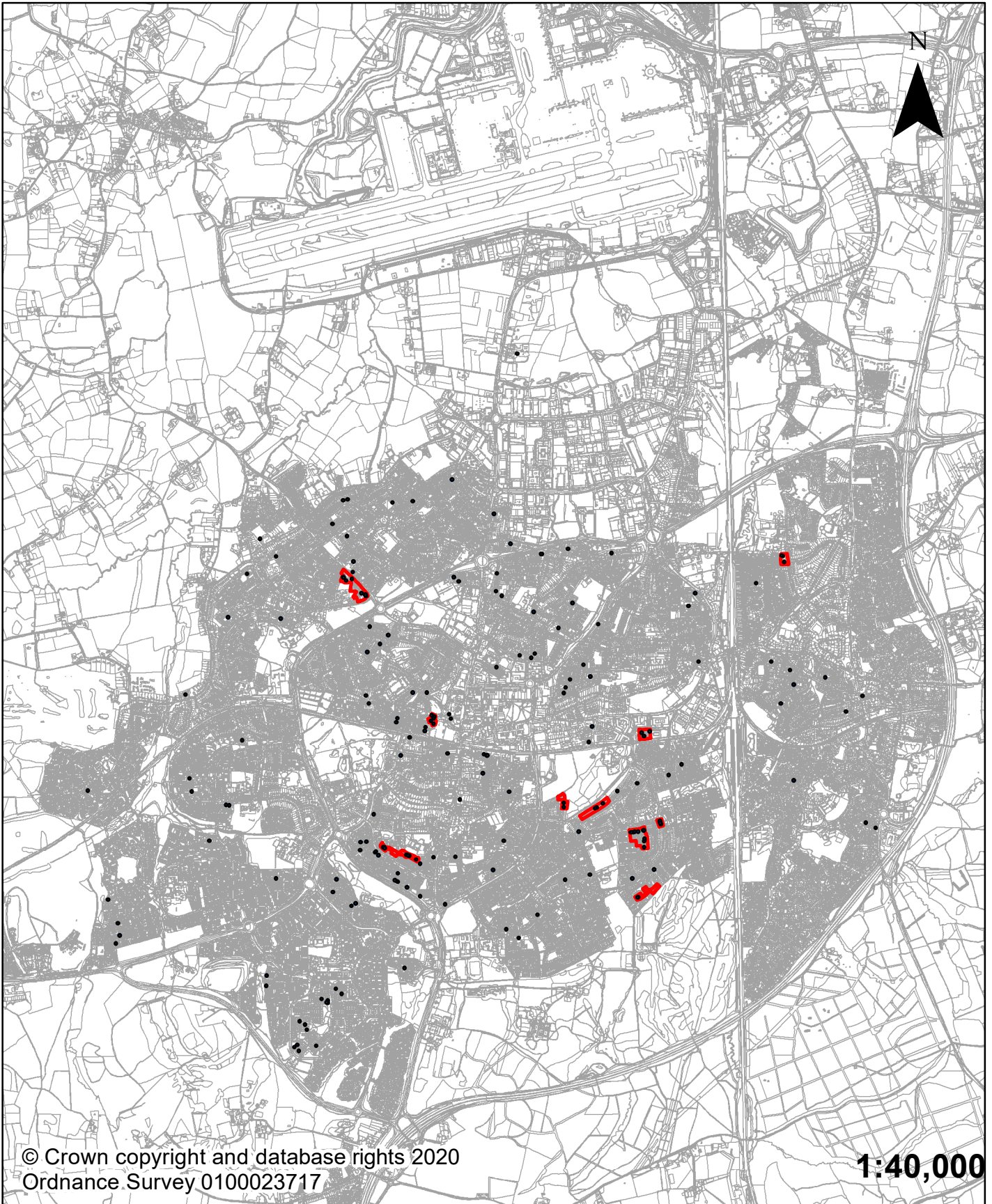


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Zone 10: Arden Road, Furnace Green



Boroughwide Map of Licensed HMOs



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Ordnance Survey 0100023717

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Crawley Borough Council

Report to Overview and Scrutiny Commission
1 February 2021

Report to Cabinet
3 February 2021

2021/2022 Budget and Council Tax

Report of the Head of Corporate Finance, **FIN/514**

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 2020 the Council continued to review its spending plans and considered options to amend spending to meet new priorities and mitigate where possible the impacts of the pandemic. This report presents the Revenue, Capital and Housing Revenue Account (The Budget) and sets the level of Council Tax for the Financial Year 2021-2022 taking into account these factors.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet

The Cabinet is requested to recommend to the Full Council the approval of the following items regarding the 2021/22 Budget:

- (a) to approve the proposed 2021/22 General Fund Budget including savings and growth as set out in paragraph 6.4,
- (b) to approve the proposed 2021/22 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,
- (c) to agree to ringfence £435,000 of useable capital receipts for investment in the Town Centre as a result of using Government funding on the Heat Network to avoid having to repay the grant,
- (d) to agree to increase the capital budget for 2021/22 for temporary accommodation acquisition by £826,300 to be funded from the earmarked homelessness acquisition reserve,

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- (e) to approve the 2020/21 and future years Capital Programme and funding as set out in paragraph 11.6 of the report,
- (f) to agree that the Council's share of Council Tax for 2021/22 be increased by 2.37% (£4.95) from £208.89 to £213.84 for a band D property as set out in paragraph 13.3,
- (g) to approve the Pay Policy Statement for 2021/2022 as outlined in paragraph 16.3 and Appendix 6 of the report.
- (h) to approve the CBC Pricing Strategy as outlined in Appendix 7 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 2021/22 General Fund and Housing Revenue Account Budgets and the 2023/24 Capital Programme will be recommended for approval by Full Council on 24th February 2021.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are council tax, rents, Government grants, retained business rates, investment income and fees and charges. The majority of the Council's services are funded from the General Fund. The main exception is the management and maintenance of the Council's housing stock, which is funded through 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 financial crisis in 2008. In common with all authorities there have been significant reductions in Government funding, which are highly likely to continue in the coming years, this has been compounded by the impacts of the pandemic on Local Government finances. The pandemic has had a significant impact on the Council's finances, there will be long term implications on both Crawley as a Town and the Council's long term budgets. The comprehensive spending review was for one year only so gives little assurance for future settlements. There are two consultation papers of which the outcome has been deferred due to the pandemic. These are a 'fair funding review: a review of relative needs and resources' and 'business rates retention reform'. The outcome of these consultations will change the way that the Council is funded in the future, however this will not be known until a later date and as a result it will be difficult to project forwards.
- 4.4 The Council's approach in the past has been to maintain or enhance levels of service whilst keeping council tax increases to a minimum. This has been achieved in a number of ways, including redesigning services, delivering efficiency savings, a budget challenge process and generating new sources of income. However the pandemic has resulted in the need to make cuts to services for the first time in 6 years. This is because fewer people will be paying council tax as they claim council

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tax reduction (formally Council Tax benefits) and income levels from contracts, sales, fees and charges have reduced due to Covid-19. In addition costs have been incurred in the council's community and business response to the pandemic.

4.5 The [Budget Strategy 2021/22 - 2025/26 FIN/508](#) was considered by the Cabinet on 25th November 2020 and recommended for approval. The Strategy was approved by Full Council on 16th December 2020. The Strategy was based on a number of key assumptions:

- Extension on the existing settlement offer including a one year only New Homes Bonus payment for 2021/22.
- Work to keep Council Tax increases low without compromising local services,
- An average investment rate of 0.45% for 2021-22 decreasing to 0.30% for 2022/23 and 1.70% for 2023/24 onwards. Expenditure on the capital programme results in reduced investment income as there are fewer resources available for investment. However, delays in the capital programme will result in higher balances available than anticipated for investment. There will be a borrowing requirement for the New Town Hall, and average borrowing rates of 0.65% have been assumed for 2021/22.
- A 2% pay award for all future financial years (see section 5 below).
- An inflation provision of 1.1% for contract expenditure in 2021/22, 2.8% in 2022/23, and 2.7% in 2023/24 and future years with no inflation allowance for general running expenses.
- An overall increase in fees and charges of 2%.

4.6 Due to the pandemic the approved Budget Strategy was amended to work towards balancing the budget over a four year period rather than three year, including putting funds back into reserves when the Budget is in surplus.

A budget deficit of £2,250,000 before savings was identified in the Budget Strategy, this assumed a £4.95 increase (2.37%) in a Band D Council tax for 2021/22.

The Budget Strategy report recommended to Full Council on 16th December 2020 savings of £506,450 per annum, these were approved and are shown in Appendix 1. In December 2020 Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund. This will result in additional income to the General fund of £808,000. Table 1 below shows the projected budget gap after these two approvals. This agrees back to Table 7 on page 10 of the [Budget Strategy](#).

Table 1

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000s	£'000s	£'000s	£'000s	£'000s
Budget Gap	2,250	2,762	2,386	2,087	2,133
Savings identified to date	-506	-506	-506	-506	-506
Garage Transfer (FIN/511)	-808	-808	-808	-808	-808
Revised Gap	936	1,448	1,072	773	819

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A long term saving target of £819,000 identified with reserves being used in the earlier years and a small transfer to reserves in 2024/25 based on the current estimates.

4.7 There have been some significant changes since the Budget Strategy was approved in December 2020 including:

- In the Spending Review the Chancellor announced that wages would be frozen ('paused') see 5.5.8 below.
- Changes to New Homes Bonus receivable
- New one off grants in the finance settlement to ensure that spending power matches the previous financial year.
- Further provisions for the impact of Covid-19 on the budget in 2021/22.

4.8 Table 2 below summarises the changes between the approved Budget Strategy and the proposed 2021/22 Budget. Further details are provided in section 5 of the report.

Table 2

	£000's	Paragraph
November Cabinet deficit per Budget Strategy	936	4.6
New Homes Bonus	-29	5.5.1
Lower Tier Services Grant	-363	5.5.2
Local Council Tax Support Grant	-169	5.5.3
Covid-19 funding for 2021/22	-649	5.5.4
Estimated additional cost / lost income as a result of Covid-19	813	5.5.5
Renewals Fund – Vehicle replacement	300	5.5.6
Loss of Subsidy for housing benefits admin	20	5.5.7
Reduction in the provision for the pay award	-218	5.5.8
2021/22 Proposed savings	-506	6.4
Other – various minor	21	
Transfer from reserves	156	

Should all savings be approved there would be a budgeted transfer from the General Fund reserve of £155,606.

The approved Budget Strategy seeks to balance the budget over a four year period, including putting funds back into reserves when the Budget is in surplus. The transfer will be from the new Covid-19 Support Reserve.

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5. Analysis

- 5.1 The Government announced its Spending Review in November 2015. A Statement to the House of Commons on 17 December 2015 said “a guaranteed budget to every council which desires one and which can demonstrate efficiency savings – for next year, and for every year of this Parliament.” A four year settlement was approved at that time. This has now been extended by a further two years, firstly due to the impasse over Brexit and then due to the pandemic.

[The Provisional local government finance settlement England 2021 to 2022](#)

provisional figures and consultation were released on 17th December 2020 by the MHCLG; they confirmed that there will be a roll forward of the 2020/21 settlement for one further year, with the business rates retention reset and fair funding review being delayed. The impact of Government funding in future years is very difficult to estimate at this stage as there is no information on the impact of these reforms.

In 2021/22 the Council will receive £60,402 in Revenue Support Grant with the assumption of no further grant in the following years.

5.2 Retained Business Rates

Although the Council will collect in excess of £110 million in business rates the amount it retains is much smaller. One of the main reasons for this is that the Government retain 50% of the rates collected and West Sussex County Council retain 10%. The second main reason is that the Council also has to pay a significant tariff to the Government. There are further complications in that the Council's retained share can be added to by a safety net payment or suffer a further levy. These are applied if a Council's retained share is more than 7.5% below Government set figure (safety net) or above it (a levy of 50%).

- 5.3 The Tables below show that we are estimating to collect almost £110.7m but will keep significantly less.

Projected non-domestic rates income	£110,685,297
Government share (50%)	£-55,342,648
West Sussex County Council share (10%)	£-11,068,530
Crawley Borough Council share (before tariff & safety net)	£44,274,119

The projected retained rates amount for 2021/22 is set out below.

	£
Council's share of non-domestic rates income	44,274,119
Tariff	-42,592,432
Safety net	1,099,318
Additional rates due to renewable energy at K2 Crawley	5,120
S31 Grants	800,025
Total retained for the year	3,586,150
Deficit in 2020/21 financial year	-16,192,955
Transfer from the Business Rates Equalisation Reserve	16,912,968
Total	4,306,163

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There is budgeted income of £800,025 in respect of Section 31 Grants. This is to reimburse the Council for business rate reliefs, including small business rate relief given by the Government which have reduced the retained rates that the Council would otherwise have received. Section 31 of the Local Government Act 2003 allows a Minister of the Crown to pay a grant to a local authority of England towards expenditure that it has incurred.

- 5.4 The transfer to and from the business equalisation reserve is due to the way billing Authorities have to account for business rates income.

As a result of the pandemic, reliefs were offered in the Chancellor's budget on 11th March 2020; significant Business Rates discounts of £34m to the retail and hospitality sector and £356,000 to local nurseries were given. The General fund is reimbursed from Government for these discounts (which were announced after the annual bills were issued) via Section 31 Grant.

The accounting treatment which was set by legislation is based on the original budgeted income. Income collected from business rates is transferred to a separate account called the Collection Fund. The Collection Fund pays the General Fund the approved budget; any differences between the budget and what is actually collected is redistributed the following year.

In the current year, the General Fund will receive the budgeted business rates income before the £34m discounts were introduced. In addition the general fund will also receive s31 Grant in respect of these discounts given.

The net effect is that there will be a substantial surplus on the General Fund in respect of business rates this financial year and a loss of the Collection Fund (£47.9m) which will be shared with West Sussex County Council and central Government.

The surplus on the General Fund will to be transferred to the business rates equalisation reserve in order to be paid back to the Collection Fund in future years as shown below. Whilst this is technically classed as a useable reserve, it is already allocated and is merely to smooth the impacts from an accounting adjustment that we have to follow despite it being counter intuitive.

On 2 July 2020, the Government who are aware of this issue announced that repayments of collection fund deficits arising in 2020/21 would be spread over three years rather than the usual period of a year. The following table shows the timing of the repayments of the deficit to the collection fund:

	2021/22	2022/23	2023/24	Total
	£	£	£	£
Crawley Borough Council	16,192,955	1,265,312	1,265,312	18,723,579
West Sussex County Council	5,162,066	316,328	316,328	5,794,722
Central Government	20,241,194	1,581,640	1,581,640	23,404,474
Total	41,596,215	3,163,280	3,163,280	47,922,775

A business rates equalisation reserve has been established to assist in the management of these swings; this reserve currently has £5.192m and was previously considered to be adequate. There is a budgeted transfer from this reserve of £16,912,968 in 2021/22 shown above. There will be a sufficient

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contribution to the reserve in 2020/21 that will cover this transfer and the deficit due in 2022/23 and 2023/24.

5.5 The following paragraphs identify changes since the approval of the Budget Strategy.

5.5.1 **New Homes Bonus**

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

The Council receives direct payment from the MHCLG for the number of new properties it reports to the Valuation Office. For each dwelling the total payment is £1,817.62 (of which West Sussex County (WSCC) receives £363.52 and Crawley Borough Council £1,454.10) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSCC receives £70.

Previously the New Homes Bonus was paid each year for six years, this was subsequently reduced to four years. Then in 2020/21 New Homes Bonus was paid for one year only, with no legacy payments going forward. Again in 2021/22 a one year payment of New Homes Bonus will be received via grant. The amount payable in 2021/22 is £29,000 higher than anticipated in the Budget Strategy, this is due to more properties in higher tax bands being built than estimated.

5.5.2 **Lower Tier Services Grant**

This is a new grant based on the Settlement Fund Assessment but it also ensures that 'no council – either upper or lower tier – will have less funding available in 2021-22 than in 2020-21'. This was not expected, it is a one off payment of £363,272. This grant is funded from New Homes Bonus returned surplus, so it is recycling existing money in the Local Government finance system. The purpose is to keep 'spending power' the same as last year.

5.5.3 **Local Council Tax support grant**

This is a one off grant with a purpose of providing funding to local authorities to help them deal with the expected increase in cost of Local Council Tax support (formally Council tax benefits) in 2021-22. A provision for this had been allowed in the Budget Strategy and this grant was not expected by Councils. With further job losses associated with Gatwick Airport this additional grant will help with further reduced Council Tax income due to more claimants of Council Tax Reduction than previously estimated. The impact in future years will still impact on budget deficits with more people unemployed or in work but claiming Universal Credit. The payments are made to both Districts and Boroughs and to County Councils. The allocation of the funding is based on the total number of working-age Local Council Tax support claimants. In the current financial year the council has seen a significant increase in the number of claimants due to the pandemic.

5.5.4 **Covid-19 funding 2021/22**

This is an unringfenced grant and is to be used to manage the ongoing impact of the pandemic rather than its direct effects. It is very difficult at this stage to estimate the impact on budgets going forward, for example the council may see long term loss of income such as car parking and property voids.

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5.5.5 **Estimated additional cost / lost income as a result of Covid-19**

As stated above it is difficult to estimate the cost of Covid-19 in the 2021/22 budget. The Budget Strategy was written before the third national lockdown. This lockdown will severely impact future budgets including external contracts such as the leisure contract, who would normally see a significant increase in customers in January. The Budget Strategy allowed for lost income of £300,000 but this allowance is now highly likely to be too low. In addition a Covid-19 support Reserve with a sum of £604,121.55 was agreed for these future costs. The finance team have made an estimate of £813,000 for additional costs and lost income in 2021/22, this allowance will be budgeted for separately and drawn down during the year. This includes additional costs of a Covid secure election later during the year. With the Leisure Contract, continuation of the 'open book approach' will be required into 2021/22 to the point where social distancing or other Covid prevention measures are no longer required. The impact of this makes it unlikely that there will be a financial contribution from the contractor until mass roll out of the vaccine has taken place. As part of the quarterly monitoring process during 2021/22 the finance team will report on the draw down from the budget and how it has been allocated.

5.5.6 **Renewals Fund**

The Budget Strategy assumed a reduced contribution to renewals for vehicle replacement to help mitigate the budget gap. There will be a requirement to replace all refuse vehicles as part of the new contract. Due to the settlement being more favourable than anticipated the higher contribution has been reinstated to reduce future borrowing for the future capital programme for these vehicle replacements.

5.5.7 **Benefits Admin Subsidy**

Late in December the allowance for the work administering housing benefits from the Department of Works and Pensions was announced. This saw a reduction of £20,000. This is due to the increased numbers moving from housing benefits to Universal Credit. However the claims that remain with the benefits team are the more complex ones, including those in supported accommodation such as Crawley Open House and self-employed. The numbers of claimants for Council tax reduction has increased, the admin grant for this work is funded separately by the MHCLG; this figure has yet to be announced.

5.5.8 **Reduction in the provision for Pay Award**

In the Spending Review the Chancellor announced that wages would be frozen in the public-sector but he ensured that the freeze would not apply to those employees earning less than the median wage which is under £24,000; these would receive a minimum increase of £250. The budget has been adjusted to take this into account.

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6. 2021/22 General Fund Budget

- 6.1 Details of the proposed 2021/22 Budget are set out in Appendix 2 and is summarised in the Table 3 below:

Table 3

2021/22 General Fund Budget	£'000s
Net Cost of Services (see table below Table 4)	13,854
Investment Income	-281
Transfer from General Fund Reserve	-156
Net Expenditure	13,417
Funded by	
New Homes Bonus	1,108
Revenue Support Grant	60
Lower Tier Services Grant	363
Local Council Tax Support Grant	169
Council Tax	7,476
Collection Fund deficit – Council Tax	-65
Total Retained Business Rates (5.2)	4,306
Total	13,417

- 6.2 Estimated service expenditure is summarised in the Table 4 below:

Table 4

2021/22 Budget – Service Expenditure	£'000s
Portfolio	
Cabinet	1,296
Public Protection and Community Engagement	1,493
Environmental Services & Sustainability	5,159
Housing Services	2,636
Wellbeing	9,281
Planning & Economic Development	-3,189
Depreciation	-3,455
Contribution to Renewals Funds	633
Net Cost of Services	13,854

- 6.3 The savings already approved at Full Council in December 2020 are shown in Appendix 1 resulting in a budget reduction of £506,450 for future years. In addition the transfer of garages to the General Fund will result in further income of £808,000.

- 6.4 With the need to find further long term savings of £819,000 as shown in Table 1 in paragraph 4.6 above the Council undertook a consultation exercise on future

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savings options. The consultation took place from 8th October until 5th November 2020 which resulted in 1,212 external responses from residents who gave their views on potential service changes. This had the highest response rate for any Crawley Borough Council consultation. The results of the consultation are [available on the Council's website](#).

Both Cabinet and Shadow Cabinet have discussed the consultation results (in consultation with their own political groups) and agreed to the majority of savings suggestions. But a proposal to move from weekly to fortnightly rubbish collections has been ruled out at this time. This was the least popular savings suggestion in the consultation.

However, while a move to fortnightly collections will not be progressed at the moment it is expected to be inevitable in the medium term as new legislation around waste is introduced.

On Adventure Play provision, councillors agreed to the shift to a more flexible model of delivery, which is better targeted at the needs of the community.

This means that after 29th October 2021, Cherry Lane and Waterlea Adventure Playgrounds will be converted into unsupervised play areas while Creasys Drive Adventure Playground in Broadfield will close immediately and Millpond Adventure Playground in Bewbush will be closed after 29th October 2021. The new mobile provision will be in place from May. The Council will also investigate if it is possible to enhance any existing play provision in Broadfield and Bewbush.

Councillors also agreed to support savings:

- Reduce the grant funding for the community and voluntary sector
- Close all five 'Superloos' in Crawley, leaving nine public toilets open around the town
- Support greater self-management by clubs and increase income from the hire of the Council's fine turf pitches
- Price fees and charges more appropriately
- Internal efficiency reviews to generate further savings.

Some of these savings will not be achievable immediately from 1st April due to lead in transition times. A proposed delay in the Adventure Play saving is explained elsewhere on this agenda. Table 5 below shows the savings and the impact on 2021/22. The £313,000 can be funded from the one off windfall Lower tier services grant shown in Table 2 in paragraph 4.8. This grant was not announced by Government until 17th December 2020 as part of the Local Government Finance Settlement.

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Table 5

Saving	Full Year effect from 2022/23 £	Saving in 2021/22 £	Not achieved in 2021/22 £	Comment
Community and Voluntary Sector	212,000	120,000	92,000	Some contractual commitments already made for 21/22. Will need a lead in to work with the Voluntary Sector providers on options going forward.
Superloos	52,000	26,000	26,000	There will be a cost of making good where the Superloo has been removed such as reinstating pavements.
Adventure play	210,000	61,000	149,000	Proposal to extend service in part to the end of October half term with full saving the following financial year.
Pitch and Putt / fine turf pitches	28,000	22,000	6,000	There will be lead in times associated with this saving
Fees and charges	137,000	137,000	0	
Essential users / standby (internal and not part of public consultation)	100,000	100,000	0	
Neighbourhood Services (internal and not part of public consultation)	80,000	40,000	40,000	Lead in times due to service review.
Total	819,000	506,000	313,000	

On fees and charges it has been agreed that a revised approach to calculating and setting our fees and charges will apply for services we provide and that cheques will not be accepted by the council after 1st April 2021 as this is a costly way of processing payments and alternatives are much cheaper.

- 6.5 The savings already identified as shown in Appendix 1 together with the savings and efficiencies in Table 5 above give a total of £2.132m for future years as shown in Table 6 below.

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Table 6

Saving	2021/22 £	Future years £
Already approved	506,450	506,450
Identified in Table 5 above	506,000	819,000
Appropriation of garages from HRA to General Fund (FIN/511)	807,000	807,000
Total savings identified to meet future budget gaps	1,819,450	2,132,450

Recommendation 2.2 (a): to approve the proposed 2021/22 General Fund Budget including the savings as set out above in paragraph 6.4.

7. 2022/2023 Budget Projections

7.1 The Budget Strategy for 2022/23 to 2026/27 is scheduled to be considered by the Cabinet in November 2021. Future predictions will be difficult to make until the impact of the pandemic is known together with the outcome of the Fair Funding review and review of business rates. The impact of challenges to business rates valuations due to the pandemic from businesses could have deep and long lasting impacts on both Central and Local Government income. It is very difficult to estimate future budgets at this stage, however the Table 7 below summarises the 2022/2023 Budget projections based on the following headline assumptions:

- A 2.31% increase in Council Tax £4.95 on a Band D property, the amount that Crawley keep is around 11p in every £1 billed.
- Average investment rate of 0.3%
- An inflation provision of 2.8% for contract expenditure with no allowance for general running expenses.
- A pay award of 2.0%.
- An overall increase in fees and charges of CPI or 2% whichever is the highest.

Table 7

	2022/23 £'000s
Base Budget	13,232
Investment interest	-173
Net Budget	13,059
Funded by:	
Council Tax	-7,844
Retained Business Rates	-4,505
New Homes Bonus	-263
Indicative Budget Gap	447

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The main changes between years are itemised in Table 8 below

Table 8

	Change £000's
Deficit in 2021/22 Table 2 paragraph 4.8	156
New Homes Bonus – only legacy payments made (fall out of previous four year payments)	845
Inflation provision	359
Increased Council tax income	-434
Reduced investment income	101
Increased retained business rates income	-199
No Revenue Support Grant	60
Reduced contribution to renewals fund	-300
Lower tier service grant / CTax support grant one off	532
Covid-19 additional one off costs see para. 5.55	-813
Cost of borrowing	177
Shrub beds – growth bid was fixed term	-100
Local plan costs (previously funded from reserves)	47
Other – various	16
Projected Gap 2022/23	447

The Corporate Management Team continue to work on the refreshed transformation programme of service improvement savings, efficiencies and increased productivity through service redesign and other types of reviews aimed at reducing waste and duplication. The budget challenge was successful in identifying savings and efficiencies and will be repeated in future years. In addition a refreshed transformation programme includes an increased focus on achieving new sources of income which can be reinvested in the delivery of local public services. There is likely to be a transfer from reserves in 2022/23 due to the investment in the New Town Hall where reserves have been used to fund the project and the upper floors will be let once fully completed.

8. Fees & Charges

- 8.1 The [Budget Strategy for 2021/22 to 2024/25](#) assumes a general increase in fees and charges of CPI (0.5%) or 2% whichever is the highest. In some cases a lower increase has been assumed; for example when a service is required by statute to be self-financing e.g. Local Land Charges. In other cases, a higher increase has been assumed. The overall objective was to increase income by 2.0%. This has not been possible in some cases due to having to set commercially attractive prices. A schedule of most of our fees and charges is available on the website. Where the council is in competition with other service providers or where we have discretion in providing some services, some of these charges may not be made public in future as it allows the council to compete more flexibly with other providers in securing business going forwards. As part of the consultation process outlined above, fees and charges will be reviewed over the coming months; some services cost much less to use or access when compared to our neighbouring councils and those with similarities to Crawley. Discretionary services will be priced competitively, being attractive compared to private operators but covering the council's costs. As these fees are reviewed the charges will be updated accordingly. The pricing strategy is attached at Appendix 7.

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9. Investment Income

- 9.1 Interest on investments provides a source of funding for the Council. For the 2021/22 Budget, it represents 2.2% of the Net Cost of Services. The following paragraphs provide details of the key factors and assumptions that affect the calculation of this Budget.
- 9.2 The average yield from investments in 2021/22 is projected at 0.45%. Most of the longer term investments at higher interest rates have now matured, so the projection now more closely matches the lower interest rates available in the market.
- 9.3 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2021/22 Budget is based on the following assumptions:
- Average yield of 0.10% for new investments.
 - Cash flows have been calculated from the revenue and capital budgets reported in this report.
 - Cash flows relating to the capital programme are spread evenly through the year.
 - Cash flows relating to revenue are based on the timings of previous year's income and expenditure.
- 9.4 It is believed that these assumptions are realistic and not over-cautious. However, it is likely that there will be variances due to the number of external factors that can affect investment performance and the size of the sums available for investment. The investment interest budget will be monitored closely throughout 2021/22 and any projected variances will be highlighted in quarterly budget monitoring reports.
- 9.5 Further information on the investments can be found in the Treasury Management Strategy 2021/22 (FIN/517) which can be found elsewhere on the agenda.
- 9.6 Included in Appendix 5 is an identification that the volatility of interest rates is a key risk associated with the 2021/22 Budget and the medium term Budget Strategy.

10. Spending Plans – Crawley Homes Council House Service – Revenue

- 10.1 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2020/21 budget and 2021/21 budget are as follows.
- Rental income**
- 10.2 Following the previous 1% reduction, current rent standards allow for an increase of up to CPI+1%. The Cabinet member for Housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. The Cabinet member has therefore opted for a CPI+1% increase (1.5%). This uplift coupled with anticipated new build income equates to an increased revenue budget of over £750,000.
- 10.3 The transfer of garages from the HRA to the General Fund will decrease the anticipated rental income by £2.45m, the extra funds available due to this transfer are projected to increase the interest received. These funds will be available for investment in both existing housing and new housing.

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Other income

- 10.4 Fewer works have been complete on leasehold properties during the current financial year due to the pandemic, resulting in a lower cost and therefore reduced contribution expected from leaseholders.

Expenditure

- 10.5 A reduction in the contribution to the pension due to an actuarial review has resulted in reduced employee costs in 2021/22.
- 10.6 The responsive repairs budget includes an allowance for inflation on the contract.
- 10.7 Further savings of £124,000 on the gas servicing contract have been realised in 2020/21 and have been reflected in the 2021/22 budget.
- 10.8 The Crawley Homes (HRA) capital programme as outlined in paragraph 11 below is funded from HRA resources, HRA capital reserves and 1-4-1 Right to Buy receipts and borrowing in future.
- 10.9 The budget challenge session held by the Chief Executive and the Head of Corporate Finance identified over £90,000 worth of savings, including: agency staff, consultancy fees and other operational savings.
- 10.10 Successful tender of the insurance contract has produced ongoing savings of £80,000.

Recommendation 2.2 (b) to approve the proposed 2021/22 Housing Revenue Account Budget as set out above and Appendix 3 of the report.

11. Capital Programme

- 11.1 The November 2020 Budget Strategy report approved 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, but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value. It agreed that any capital bids should be stand alone and be reported to Cabinet separately for approval due to the pandemic.

- 11.2 2020/21 to 2023/24 and future years Capital Programme

The Table below sets out the proposed capital programme and funding for 2020/21 to 2023/24 and future years based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report (FIN/516) and other changes.

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Table 9

	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	Future years £'000s	Total £'000s
Capital programme reported to Cabinet 25th November 2020 FIN/510	51,821	56,446	23,325	13,806	0	145,398
Future years budgets not included at Q3 as they are future years– Forge Wood and Telford schemes					4,302	4,302
Crawley Homes repairs agreed within the Budget Strategy FIN/508		1,000		11,280		12,280
ICT – Cabinet Report DAT/03		314	150			464
Breezehurst Drive Phase 2 Report CH/192 Cabinet 25 th November 2020	39	6,693	7,436	303	395	14,866
CH/192 prelims and contingency		298		1,137		1,435
Three Bridges Station – report PES/338		89				89
Vehicle replacement programme budget drawdown (delegated to officers)	43					43
Disabled Facilities Grant (additional external funding received)		125				125
Forge Wood Phase 2 - Cabinet 4 th December 2003 DTH/015	1,102	431	2,622			4,155
Forge Wood Phase 3 - DTH/015		42				42
Forge Wood Phase 4 – DTH/015		4,154	2,771	2,771	2,771	12,467
Slippage / underspend identified in Q3 elsewhere on the Agenda	-7,571	7,571				0
TOTAL Agrees with Q3	45,434	77,163	36,304	29,297	7,468	195,666

- 11.4 In the current financial year the Council received a £1m grant from the Government for the Towns Fund. The sum has to be fully spent by the 31st March 2021. The bid was for works on Manor Royal Heritage Public Realm upgrades (Microparks) and for Gigabit roll out in the Town Centre. The Gigabit project is not deliverable in the current financial year. As a result it was agreed with the Towns Fund team at the MHCLG that £435,000 of this grant would be used towards the Town Centre Heat Network and that a sum of £435,000 of useable capital receipts would be ringfenced for future investment in the Town Centre. This was to avoid losing part of the grant.

Recommendation 2.2 (c): to agree to ringfence £435,000 of useable capital receipts for investment in the Town Centre as a result of using Government Grant for the Town Centre Heat Network.

- 11.5 Within the existing capital programme there is an allocation of £273,700 for temporary accommodation acquisitions, this sum is too low to make a purchase and as such the Homelessness Acquisition reserve has been built up to supplement it. The strategic housing officer group are working at identifying suitable accommodation and are looking at multiple opportunities. Should suitable accommodation become available officers would want to quickly make a purchase. This would be done in consultation with appropriate Members. The Homelessness acquisition reserve is estimated to have a sufficient sum to increase this budget to

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£1.1m. It is therefore recommended to increase the budget by £826,300 to £1.1m and the £826,300 will be funded from this reserve.

Recommendation 2.2 (d): to agree to increase the capital budget for temporary accommodation by £826,300 to £1.1m funded from the homelessness acquisition reserve.

- 11.6 The report to Cabinet on 25 November 2020 approved the [transfer of garages](#) from the HRA to the General Fund. As a result future cost of garage repairs will be funded from the General Fund. A sum will be set aside from the income from garages for both responsive and planned repairs and placed into a garage repair reserve; the cost of the repairs will be funded from this new reserve. Table 10 below has been amended so that the cost of these repairs are no longer funded from HRA revenue.

Table 10 below gives the amended capital programme after the adjustments for the recommendations above and recommendations elsewhere on this Agenda.

Table 10

	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	Future years £'000s	Total £'000s
TOTAL Agrees with Q3	45,434	77,163	36,304	29,297	7,468	195,666
Temporary Accommodation increase (funded from earmarked reserve) 11.4 above		826				826
Business grant elsewhere on this agenda		400				400
Total Capital Programme for approval	45,434	78,389	36,304	29,297	7,468	196,892

Funded by -						
Capital Receipts	17,559	17,668	1,747	1,940	0	38,914
Capital Reserve	69	1,200	0	0	0	1,269
1-4-1 Receipts	5,269	5,105	6,087	4,771	2,234	23,466
HRA revenue contribution	19,686	27,965	24,075	19,687	5,214	96,557
Section 106 contributions	146	1,490	841	0	0	2,477
External funding	1,905	6,811	3,031	2,699	20	14,466
Revenue incl. replacement fund	200	1,235	523	200	0	2,228
Borrowing (General Fund)	0	16,000	0	0	0	16,000
Better care fund (formally DFG's)	600	915	0	0	0	1515
TOTAL	45,434	78,389	36,304	29,297	7,468	196,892

Recommendation 2.2 (e): to approve the 2020/21 and future years capital programme and funding as set out in section 11.6 of this report.

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12. Robustness of Estimates and Adequacy of Reserves

12.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Chief Finance Officer) to report to their authority on the robustness of estimates and the adequacy of reserves provided for within the Budget. Authorities are required to take into account the Section 151 Officer's report when setting their Budget requirement and Council Tax. It is the view of the Head of Corporate Finance that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level. 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.

12.2 The [Budget Strategy 2021/22 - 2025/26 FIN/508](#) was considered by the Cabinet on 25th November 2020 and recommended for approval. Full Council approval was given on 16th December 2020. Key objectives of the Strategy are:

- Work towards a balanced Budget over a four year period including putting back to reserves when the Budget is in surplus.
- Aim to keep Council Tax low without compromising local services.
- Instruct Corporate Management Team to take action to address the long term budget gap and to identify policy options for consideration by Cabinet (including shadow) Members and the Budget Advisory Group (in previous years).
- That items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations, and schemes will be also considered that are spend to save and spend to earn but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

12.3 These objectives have been met. To date the Council has responded well to the financial challenges of recent years. It has produced balanced Budgets, with transfers to reserves in 2015/16, 2016/17 and budgeted for 2020/21 in respect of general fund services, and maintained front-line services. The challenges around Covid-19 makes this more difficult as the council manages the ongoing impact of the pandemic and looks at recovery options for the whole town.

Despite the healthy level of reserves, it is less likely that the Council will be able to continue to achieve a balanced Budget and maintain current service levels and may need to use reserves during the construction of the new Town Hall development and before the upper floors of the building are commercially let and resources have been spent on the building project. The General Fund reserve has been increased to £5.240m as a result to help absorb the impact, in addition the surplus at the end of 2019/20 was transferred to the General Fund rather than the Capital Programme reserve to help with the costs of the pandemic.

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- 12.4 In compiling the 2021/22 Budget, a review of all departmental budgets has been undertaken to ensure that existing budget provision is adequate and that additional provision has been made for known service pressures, this review has resulted in efficiencies, savings and additional income as identified in paragraph 6.5 above.
- 12.5 There are a number of services where budgets are susceptible to changes outside the direct control of the Council. These tend to be demand-led services such as homelessness and the implications of the Homelessness Reduction Act 2017, benefits payments (there has been a significant reduction in overpayment recoveries due to the pandemic) and the impact of universal credit on both general fund and Crawley Homes debt collection, development control fees and Council Tax Reduction payments; in addition the impact on Crawley Borough Council budgets of other public sector decisions for example West Sussex County Council. There is also volatility in income streams that are affected by external factors such as investment and business rates income. In respect of business rates estimating difficulties have been further compounded as businesses are lodging appeals of their valuation due to the pandemic. For such budgets, the latest information has been used to calculate the Budget.
- 12.6 There is a risk that the economic outlook will continue to be depressed in the public sector as well as nationally which could have a significant effect on demand-led expenditure budgets and some income budgets; there will also be adverse impacts upon budgets due to the impacts of the pandemic, welfare reforms and the unknown future impacts such as supply now we have left the EU. Budgets are monitored by officers on a monthly basis and the Corporate Management Team receives an update on key issues, while a Quarterly Revenue and Capital Budget monitoring report is considered by the Cabinet and included in the Councillors' information Bulletin. This should ensure that any projected variances are identified at an early stage.
- 12.7 A review of reserves has been undertaken as part of the 2021/22 Budget preparation. Table 11 below summarises the estimated level of reserves available for 2021/22:

Table 11

	Estimated Available Balance at 31/3/21 £'000s	Paragraph
General Fund Reserves		
General Fund Reserve / Balance	5,239	12.7.2
Business Rates Equalisation reserve (£18.7m 'accounting adjustment' due to the discounts given in the budget in March 2020 see 5.5 above)	24,211	12.7.2
For the Capital Programme		
Usable Capital Receipts	14,093	12.7.3
Capital Reserve	3,556	12.7.4
1-4-1 Receipts	7,181	12.7.4
Affordable Housing Receipts	565	12.7.4
Vehicles & Plant	795	12.7.5

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ICT Replacement	170	12.7.5
Specialist Equipment – Hawth & K2 Crawley	166	12.7.5
Homelessness Acquisition	1,099	12.7.6
Total available for the Capital programme	27,625	
Earmarked General Fund Reserves		
Restructuring Impact	400	12.7.7
Local Development Framework	166	12.7.8
Town Centre Regeneration	67	12.7.9
EU Exit	338	12.7.10
Queens Square – future maintenance	381	12.7.11
Insurance Funds	378	12.7.12
Covid Support Reserve	604	12.7.13
Other	1,424	12.7.14
Total General Fund (incl £18.7m business rates adjustment due to the reliefs given)	60,833	
HRA Reserves		
Housing Revenue Account	3,198	12.7.15
Housing Capital Investment reserve (committed)	18,329	12.7.16
Total HRA	21,527	
Total	82,360	

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

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

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

12.7.2 In line with the Budget Strategy report the balance on this reserve will be £5.239m at 31 March 2021. The Head of Corporate Finance is satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term. In addition a reserve for business rates equalisation will be available to absorb the volatility of business rates income and the counterintuitive way that accounting for business rates impacts on the general fund accounts. This reserve will be significantly higher due to the business rates relief given in the Chancellor's budget on 11th March 2020 but these sums are unusable for any other purpose than to be repaid over the following two years as shown in section 5.2 above. The reserve is £24.2m of which £18.7m is repayable back to the collection fund over the next three years, this leaves a balance of £5.5m do deal with other volatility including the amount transferred to the general fund as we are now in a safety net position.

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- 12.7.3 The projected balance of usable capital receipts at the end of March 2021 is £14.093m. Usable capital receipts can only be used for capital spending. This reserve is fully committed for future years.
- 12.7.4 The capital reserve was created by transferring balances from the revenue reserve and the general fund balance. The estimated balance at the end of March is £3.556m, this reserve is committed in future years. In addition to this there is a reserve and an estimated £7.181m of 1-4-1 receipts from right to buy. There are restrictions on these 1-4-1 receipts, including that they can only make a 30% contribution towards affordable housing capital expenditure and cannot be used for intermediate tenure such as shared equity or shared ownership.
- 12.7.5 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. Additional sums have been added to the Vehicle and Plant replacement fund to fund, in part, the purchase of refuse vehicles when the contract comes up for retendering.
- 12.7.6 The Homelessness Acquisition reserve is as a result of flexible homelessness support income. This reserve is for purchase of property for homelessness to reduce the revenue impact of bed and breakfast. The officer Affordable Housing group are exploring different options for suitable provision. A recommendation in section 11 of this report is to increase the capital programme for Temporary Accommodation acquisition and that will be funded from this reserve.
- 12.7.7 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. This reserve will be reviewed as part of the closure of accounts process with any excess transferred to the capital programme reserve.
- 12.7.8 The current balance of the Local Development Framework (Local Plan) has commitments and will be fully spent over the next two years.
- 12.7.9 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration and economic development schemes - this reserve is now fully committed.
- 12.7.10 Monies were received from Government for preparations for the EU exit. There is an estimated balance of £338,000 at 31st March 2021; some of this has been committed in the next financial year at Gatwick airport for environmental/port health staffing.
- 12.7.11 A commuted sum has been set aside in respect of future maintenance of Queens Square. Any expenditure would be approved by the Head of Corporate Finance in consultation with the relevant Cabinet Member.
- 12.7.12 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.
- 12.7.13 The [Budget Strategy](#) report recommended setting up a Covid Support Reserve of £604,121.55 to help with future impacts of the pandemic. Use of this reserve will be reported through the quarterly reports to Cabinet going forward.

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12.7.14 Other reserves are several earmarked reserves of lower value, including Welfare reform, wellbeing, Heritage Strategy and committed general fund housing reserves.

12.7.15 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year (31st March 2021); this is an acceptable balance.

12.7.16 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used on future housing development programmes - this is fully committed.

13. Council Tax

13.1 The approved 2021/22 – 2025/26 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the recommendation of the Budget Advisory Group it is proposed to increase the Council tax by **£4.95** per annum for a Band D property which is an increase of 2.37%, this is an increase of 9.5p per week.

The Ministry of Homes, Communities and Local Government (MHCLG) issued capping guidance of the increase of 2% or £5 on a Band D, whichever is the highest.

Appendix 4 to the report gives the proposed Council Tax per band including this 2.37% increase.

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

Table 12 below shows the impact on the proposed increase in Council Tax per year and per week, it also shows the change in the number of properties in each band since last year, this shows the largest increase are in bands B – C.

Table 12

Council Tax Band	Number of properties	Change in the number of properties from last year	Proposed Council Tax (Crawley element)	Proposed Increase per year	Proposed Increase per week
A	1,221	+23	£ 142.56	£ 3.30	£ 0.06
B	7,405	+186	166.32	3.85	0.07
C	22,066	+150	190.08	4.40	0.08
D	8,901	+107	213.84	4.95	0.09
E	3,800	+12	261.36	6.05	0.12
F	2,273	+14	308.88	7.15	0.14
G	471	+4	356.40	8.25	0.16
H	7	-1	427.68	9.90	0.19
		495			

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- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2021/22 by 4.99%, this will equate to an estimated increase of £71.82 per band D property. This includes an increase of 2% for Adult Social care responsibilities.
- 13.3 It is understood that the Sussex Police and Crime Commissioner will be increasing their share of the Council Tax by 7.15% which is an increase of £15.00 per annum. This will be confirmed at the Council meeting on 24th February 2021. A breakdown of the Crawley Borough Council charge per Council Tax band is given at Appendix 4.
- 13.4 If the increases outlined above are agreed the overall increase in Council Tax would be 4.94% which is £91.77 on a band D property as shown below (£81.57 for a Band C).

Authority	Increase £
Crawley Borough Council	4.95
West Sussex County Council	71.82
Police and Crime Commissioner	15.00
Total	91.77

Recommendation 2.2(f): to agree that the Council's share of Council Tax for 2021/22 be increased by 2.37% to £213.84 for a band D property.

14. Collection Fund

14.1 Council Tax

Each year, a forecast is made of the amount of Council Tax to be collected in the following financial year. The surplus or deficit on the Collection fund is the difference between the actual amounts collected from the forecast at the beginning of the year. This year's surplus position is £576,723 of which £65,207 is the Council's share. Due to the significant impact on Councils due to the pandemic, the Government have announced that deficits due to non collection are to be split over three financial years. The Table 12 below shows this split.

Table 12

	2021/22 £	2022/23 £	2023/24 £	Total loss £
Crawley Borough Council	65,207	33,634	33,634	132,475
West Sussex County Council	449,113	231,658	231,658	912,429
Police and crime Commissioner	62,403	32,188	32,188	126,779
Total	576,723	297,480	297,480	1,171,683

14.2 Business Rates

Section 5.4 above explains the Business Rates collection fund. Due to the business rates discounts given in the Chancellors budget in March 2020 there will be a significant deficit in the collection which is offset by the surplus in the General Fund due to the Section 31 grant being paid for these discounts together with the original amount collectable for business rates. There will be corresponding repayments in the next three years.

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15. National Non Domestic Rates (NNDR)

15.1 The Ministry for Housing, Communities and Local Government (MHCLG) has advised the provisional business rate multiplier for 2021/22 is as follows (see paragraph 5.2 above):-

- i) Standard Multiplier – 51.2p per £ (51.2p in 2020/21)
- ii) Small Business Multiplier – 49.9p per £ (49.9p in 2010/21)

As set out in the Spending Review published on 25 November 2020, the Government has decided to freeze the business rates multiplier in 2021/22. Local Authorities will be fully compensated for this decision.

16. Implications

16.1 The high level risks to the 2021/22 Budget and how they will be managed are shown in the Appendix 5. Risks on the Town Hall project are reported to the Audit Committee. Risks are highlighted throughout the report including the impacts of the pandemic on the current and unknown impacts of this on future years for both service costs and income but especially business rates, interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years and the need to take out borrowing. In some cases these can be mitigated by a stringent approach to financial control and planning and a rigorous approach to reviewing current levels of expenditure and procurement methods.

16.2 It is anticipated that the Budget measures set out in this report will decrease the Council's staffing establishment by 6.76 Full time equivalent (FTE's) posts. All reorganisations are carried out in accordance with the Council's agreed Management of Organisational Change procedure which includes full staff consultation so the exact number may change as detailed proposals are drawn up. The redeployment process is designed to maximise the opportunity for those at risk of redundancy to find alternative employment within the Council.

16.3 The Council is required to produce a Pay Policy Statement 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 2020/21 is attached at Appendix 6.

This pay policy statement sets out the Council's policies relating to the pay of its workforce for the financial year 2021/22, 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(g): to approve the Pay Policy Statement for 2021/2022 as outlined above and Appendix 6 of the report.

16.4 Financial implications are addressed throughout this report.

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- 16.5 The Council Tax in England and Wales is provided for and governed by the provisions of the Local Government Finance Act 1992. Within this Act, the Council is designated as a “Billing Authority”, responsible for the billing, collection and enforcement of Council Tax. The Chair of the Cabinet (The Leader of the Council), under delegated powers, has approved the calculation of the Council Tax base for the year 2021/22 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, made under Section 33(5) of the Local Government Finance Act 1992.
- 16.6 The Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority, by 31 January in the preceding year, to:
- (a) Calculate its non-domestic rates income for the relevant year;
 - (b) Calculate the amount of the central share of its non-domestic rating income for the relevant year;
 - (c) Calculate the amount of each relevant precepting authority’s share of its non-domestic rating income for the relevant year; and
 - (d) Notify the Secretary of State and any relevant precepting authorities of the amounts calculated.

The Chair of the Cabinet (The Leader of the Council), has delegated powers to approve the calculation of the Non-Domestic Rating (NNDR1) for the year 2021/22.

17. Other implications

- 7.1 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

18. Background Papers

Cabinet Reports 5 February 2020

[2020/21 Budget and Council Tax FIN/491](#)

[Treasury Management Strategy 2020/21 FIN/493](#)

Cabinet Reports 24 June 2020

[Treasury Management Outturn 2019/20 FIN/502](#)

[Financial Outturn 2019/20 Budget Monitoring – Quarter 4 FIN/500](#)

Cabinet Reports 30 September 2020

[Q1 Budget Monitoring 2020/21 FIN/505](#)

Cabinet Reports 25 November 2020

[Budget Strategy 2021/22 - 2025/26 FIN/508](#)

[2020/2021 Budget Monitoring - Quarter 2 FIN/510](#)

[Appropriation of Garages from the HRA to the General Fund - FIN/511](#)

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Elsewhere on this Agenda -

Treasury Management Strategy 2021/22 FIN/517

Q3 Budget Monitoring 2020/21 FIN/516

“Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes”, 2017 Edition - Chartered Institute of Public Finance and Accountancy

“The Prudential Code for Capital Finance in Local Authorities”, 2017 Edition - Chartered Institute of Public Finance and Accountancy

[MHCLG Guidance on Local Government Investments \(Second Edition\)](#)

[Provisional local government finance settlement England 2021 to 2022](#)

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Appendix 1

FUTURE YEARS SAVINGS

Head of Service

	2021/22	Posts FTE's
	£	
Corporate Finance		
Head of Finance consultants	3,000	
Casual pay operational properties	12,000	
Sundry debtors misc	10,000	
Print and postage	15,000	
Fraud Vacancy	25,000	1.0
	<u>65,000</u>	
Planning & Economic Division		
Training	6,000	
Town Centre Manager Vacancy	47,600	1.0
	<u>53,600</u>	
Strategic Housing		
Staff Savings (reorganisation saving)	12,000	
Capitalisation of Staff Time (Disabled Facilities Grant)	84,000	
	<u>96,000</u>	
Chief Executive - Town Centre Events		
Overtime	2,650	
Mail/Courier	15,000	
Printing	10,000	
	<u>27,650</u>	
Digital & Transformation		
Contact Centre Vacancies	62,200	2.0
Virgin / BT Line review	5,800	
Connectivity Rationalisation	5,800	
Training	10,000	
	<u>83,800</u>	
Major Projects and Commercial Services		
Cemeteries - running costs and income	28,000	
Allotments - Increased Income	2,500	
Allotments - Vacant post	33,000	1.0
Refuse & Recycling - additional income green bins	15,000	
Corporate Facilities vacant post	30,000	0.5
	<u>108,500</u>	
Community Services		
Staff Underspend	15,000	
General Patch Operational Equipment Budget	2,500	
Casual Staff Budget	22,500	
Community Arts vacancy	25,400	0.5
Wardens Uniform Budget	5,000	
Warden Operational Equipment Budget	1,000	
Wardens Furniture Budget	500	
	<u>71,900</u>	
Total	£ 506,450	6.0

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Appendix 2

GENERAL FUND REVENUE BUDGET 2021/2022 Summary of Service Requirements

2020/21		2021/22	
Original Estimate £		Draft Estimate £	Variation £
1,836,550	Cabinet	1,295,850	(540,700)
1,628,160	Public Protection & Community Engagement	1,493,310	(134,850)
5,125,680	Environmental Services & Sustainability	5,159,160	33,480
2,760,280	Housing Services	2,635,920	(124,360)
9,295,810	Wellbeing	9,281,190	(14,620)
(2,644,730)	Planning & Economic Development	(3,188,730)	(544,000)
(3,409,950)	Depreciation	(3,455,630)	(45,680)
700,000	Contribution to Renewals Fund	633,000	(67,000)
15,291,800	NET COST OF SERVICES	13,854,070	(1,437,730)
(612,950)	Interest on Balances	(280,889)	332,061
14,678,850		13,573,181	(1,105,669)
1,169,550	Transfer to / from () reserves	(155,606)	(1,325,156)
15,848,400	NET EXPENDITURE	13,417,575	(2,430,825)
	External Support		
(60,070)	Revenue Support Grant	(60,402)	(332)
0	Lower Tier Services Grant	(363,272)	(363,272)
0	Local Council Tax Support Grant	(168,916)	(168,916)
(1,830,770)	New Homes Bonus	(1,107,776)	722,994
(81,978)	Levy Account Surplus	0	81,978
	Internal Resources		
(6,343,834)	Total Retained Business Rates	(4,306,163)	2,037,671
(7,480,748)	Council Tax	(7,476,253)	4,495
(51,000)	Collection Fund (Surplus)/Deficit	65,207	116,207
(15,848,400)		(13,417,575)	2,430,825

	2020/21	2021/22
Number of Band D Equivalents	35,811.9	34,961.9
Number of properties	45,649	46,144

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Appendix 3

HOUSING REVENUE ACCOUNT

	Original Budget 2020/21	Budget 2021/22	Variation
	£'000s	£'000s	£'000s
<u>Income</u>			
Rental Income	(48,591)	(46,909)	1,682
Other Income	(2,085)	(1,640)	445
Interest	(132)	(150)	(18)
Total Income (a)	(50,808)	(48,669)	2,109
<u>Expenditure</u>			
Employees	3,888	3,743	(145)
Responsive Repairs	8,765	9,090	325
Cyclical and Planned	2,656	2,517	(139)
Other running Costs	1,746	1,794	48
Managed services	331	294	(37)
Support Services	3,096	3,096	0
Interest payable on Self Financing Debt	8,309	8,309	0
Total Expenditure (b)	28,791	28,843	52
Balance available to fund existing and future HRA capital programme (a - b) *	22,017	19,856	(2,161)
Total	0	0	0

*Transferred to Housing capital investment reserve

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Appendix 4

COUNCIL TAX 2021/22 PER BAND CRAWLEY ELEMENT					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND	
				PROPOSED 2021/22	2020/21
				£	£
A	6/9	Under £40,000	1,221	142.56	139.26
B	7/9	£40,000 - £52,000	7,405	166.32	162.47
C	8/9	£52,000 - £68,000	22,066	190.08	185.68
D	9/9	£68,000 - £88,000	8,901	213.84	208.89
E	11/9	£88,000 - £120,000	3,800	261.36	255.31
F	13/9	£120,000 - £160,000	2,273	308.88	301.73
G	15/9	£160,000 - £320,000	471	356.40	348.15
H	18/9	above £320,000	7	427.68	417.78
TOTAL			46,144		

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Appendix 5

Risks

Risk and Potential Impact	How Risk Will Be Managed including Probability of Occurrence
<p>1. Budget Gap future years This report has identified savings and efficiencies of £2.313m long term as shown in Table 6 above. This minimises the gap in future years based on the latest assumptions. The impact of the pandemic on rental income, fees and charges, demands on budgets such as benefits and Council tax reduction is not known at this stage. Reviews of Local Government finance will also impact upon future years.</p>	<p>CMT and Cabinet Members will be determining an approach to dealing with this gap which will continued to be addressed through the transformation programme. There is an adequate General Fund reserve to be able to cover a shortfall in the short term. The impact of the pandemic will be carefully monitored and reported to Councillors in the quarterly budget monitoring reports. Financial risks associated with the New Town Hall are reported separately to the Audit Committee, a procurement exercise is being undertaken for letting Agents for the upper floors for the new Town Hall. Income projections for letting these floors remain cautious.</p>
<p>2. Interest rates (section 9 refers).</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 to the capital commitments, it is monitored monthly. If rates rise when we are in a borrowing position this will impact future budget gaps however interest rates are projected to reduce.</p>
<p>3. New Homes Bonus</p>	<p>The Government have announced that they will continue to pay legacy payments if the scheme stops as part of the Fair Funding review. This has been built into future projections.</p>
<p>4. The Business Rates valuation list was updated on 1 April 2017. There is no history of appeals to calculate a provision, so there is a risk that this is over/under provided for causing a volatility in the business rates retained over the lifetime of the valuation list. This is further exacerbated due to the pandemic. Many businesses have lodged appeals on their valuation as they have not been able to trade or their business has been significantly</p>	<p>There is a high probability of occurrence which can be managed through the use of the business rates equalisation reserve. With appeals due to the pandemic there would have to be some support from Central Government to all local authorities.</p>

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	<p>affected by the pandemic. This is a national issue</p>
<p>5. Increase in net costs to the Council as a result of changes to demand-led budgets. Provision in the 2021/22 Budget has been based on the latest available information. For example, further economic slowdown, any impact of leaving the EU, changes in housing policy and welfare reform could mean that there are changes in demand. There is also a likelihood of an increase in homelessness applications when the rules around eviction are relaxed.</p>	<p>Provision in the 2021/22 Budget has been based on the latest available information but there could still be a significant change in demand as a result of external factors outside the control of the Council. This could affect either expenditure, especially those related to the pandemic or income budgets; budgets such as Commercial Properties, Housing Benefits, Council Tax Reductions, Homelessness, Car Parking and Planning Fees will be monitored closely. The Covid support reserve as shown in table 10 has been set aside for these purposes. There has also been an allowance as shown in table 2 for the estimated costs of Covid.</p>
<p>6. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income. Town Hall investment will result in borrowing for future schemes.</p>	<p>There is projected borrowing over the next financial year of £16m. Any future capital schemes would come from borrowing or use of capital receipts received in the financial year. The impact of the loss of interest has been built into the financial strategy.</p>
<p>7. 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 pandemic have been factored into the collection fund estimates together with the Council tax base as part of this report. Crawley Homes have not seen a significant change in arrears levels due to the pandemic.</p>
<p>8. Failure to maintain budgetary and financial control.</p>	<p>Variations between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, the Cabinet and through the Councillors' Information Bulletin. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet. The current year has been exceptionally difficult to maintain financial control but early intervention by officers and Members identified £1.775m of savings and efficiencies to mitigate the impacts.</p>
<p>9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget. The impact of the Homelessness Reduction Act 2018 is not known.</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2021/22 with future budgets adjusted to mitigate the impact. The proposed increase in the capital programme to purchase properties for the homeless service will help reduce ongoing</p>

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	<p>revenue costs, however there will be increased future demand due to the severe impact that the pandemic has had on Crawley. 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.</p>
<p>10. The Impact of leaving the EU; there are lots of unknowns around demands on services and income budgets especially the supply of goods such as building materials such as fencing; also Government priorities beyond 2020 with the new comprehensive spending review.</p>	<p>The impact of the implications of the decision will be closely monitored and changes will be made to forecasts which will be reported to CMT and to Members through Cabinet and the Councillors Information Bulletin.</p>
<p>11. Fair Funding Review</p>	<p>The outcome of the consultation has been deferred on the approach to measuring the relative needs of local authorities with a view to amend how resources are allocated between them. A provision for reduced funding has been included in future budgets.</p>
<p>12. Retained business rates review</p>	<p>The aim with this is to make local authorities self-sufficient, but there would be passing of risk from central government to local authorities. A provision has been included in future budgets for reduced business rates income.</p>
<p>13. Roll out of Universal Credit</p>	<p>Universal credit has commenced roll out in Crawley and there is evidence that this is impacting on arrears. We are working with tenants to assist them in managing their rent account and signpost them to funds and advice available. With regards to increased Council tax arrears, where there may be universal credit involved (we are not informed if they are a new claimant and not an existing Housing Benefit claimant) we are writing to the customer and inviting them to apply for Council tax reduction. We are also working with the DWP to identify customers that are eligible for Council tax reduction.</p>

Crawley Borough Council Pay Policy Statement for 2021/2022

Introduction and Purpose

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This Pay Policy Statement sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 (1) of the Localism Act 2011 and the statutory guidance issued under Section 40 of the Act.

The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:

- The methods by which salaries of all employees are determined
- The detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation and its lowest paid employees and the relation between the remuneration of its chief officers and its employees.
- The Council with responsibility for ensuring that the provisions set out in this statement are applied consistently throughout the Council and that the Council gives approval for any amendments.

Key Aims

The council is committed to the principles of equal pay for all employees and to ensure consistency and fairness within its pay structures. The terms and conditions of Council’s employees are in accordance with the relevant national negotiating bodies which are:

Chief Executive – Joint Negotiating Committee for Local Authority Chief Executives
Chief Officers – Joint Negotiating Committee for Chief Officers of Local Authorities, this covers Deputy Chief Executives & Heads of Service.
All other staff – National Joint Council for Local Government Services

In determining the pay and remuneration of all employees, the Council will comply with all relevant employment legislation. This includes legislation such as:

- Equality Act 2010, inclusive of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 which specifies gender Pay gap Reporting for public bodies with 250 employees or more,
- Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000.

Publication

This statement will be reviewed and prepared for each financial year then approved by full Council, usually by the 30th March each year or at the earliest Council in the financial year for which it applies. The statement may be adapted and or updated by agreement at a Full Council, the council reserves the right to review, revise, amend or replace the content of this statement from time to time to reflect service delivery needs and to comply with changes in legislation.

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It will be published on the Council's website as soon as reasonably practicable following approval. For the 2021/2022 approval will be at Full Council meeting on 24th February 2021. Also the policy is available annually on the Website under the [Freedom of information publication scheme](#)

Key Elements of the Pay Package

A substantial pay review was undertaken in 2001/2 and the national job evaluation was adopted for all posts. This was undertaken in partnership with trade union and was implemented successfully. Incremental pay scales were established for all posts and progression within the scales occurs annually, subject to satisfactory performance. Annual cost of living increases are negotiated nationally.

A review of the scheme was carried out 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.

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 point higher than the minimum of the grade of the job being recruited to.

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

In the latest national round of pay negotiations carried out by the National Joint Council for Local Government Services which was negotiated in conjunction with Unison and GMB, an agreement was made for a one year pay deal covering 2020-2021. The 2020 pay agreement was implemented on 1 April 2020. The pay agreement for 2020 included an increase of Annual leave from 21 to 22 days for Employees with less than 5 years' service and this was implemented on 1 April 2020.

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

All salary scales and the Local Pay Agreement are attached.

- Chief Officers salary
- Staff Salary Scale
- Local Pay Agreement
- Apprenticeship salary scale.

Other Financial Benefits

- Discretionary reimbursement of a proportion of relocation expenses (including contribution to professional and removal fees, disturbance allowance and interim arrangements up to a maximum of £8,000.)
- Recruitment Incentive Scheme for hard to recruit posts
- Payment of professional fees where they are an essential requirement of the job
- Essential and casual car user allowances at NJC rates but subject to local criteria (scheme currently under review)
- Loans for car purchase and public transport season tickets

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- Free parking at the Town Hall for essential car users (scheme currently under review)
- Salary sacrifice schemes for child care vouchers and bike to work available
- Voluntary Benefits scheme allowing access to a range of retail discounts for staff
- Access to the Local Government Pension Scheme including local discretions
- Redundancy compensation at the rate of 2 weeks actual salary for each year of service up to a maximum of 104 weeks plus access to pension for staff over the age of 55. This will be reviewed in order to comply with the Government's proposed further reforms to exit payments when these are introduced.
- In exceptional circumstances other severance arrangements may be agreed. Any such payments will be subject to the agreement of the Chief Executive, Leader, and Head of Legal, Democracy and HR Services and will be subject to the delegated powers and processes 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 towards the employee. In the event of the Chief Executive being the subject of the payment then the Section 151 Officer would replace the Chief Executive in the authorisation process.
- All exit payments will be subject to compliance with the proposed Public Sector Exit Payment Regulations when these are introduced. The Regulations were introduced in 2016 remain as draft statutory instruments.

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

Definition and 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 point 1 for which the annual salary inclusive of Crawley Allowance is £20,643. There is a pay ratio of 1:6 between these posts and the current top point of the scale for the Chief Executive. The Council feels that this is acceptable and is well within the Government's recommended pay ratio which is 1:20. There are a small number of apprentices who spend a significant amount of their time in training and are employed on a training contract at a locally agreed rate of 60% of Scale 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 of £9.50 per hour

Relationship between remuneration of the Chief Executive and other employees

The Council's highest paid employee is the Chief Executive salary £122,516
The mean average of employees is £27,292 the pay ratio between this and the Chief Executive is 1:4.5.

Use of additional or one off payments

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

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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.

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, and is covered within the Management of Organisational Change Policy, in accordance with regulations of the Local Government (Early termination of Employment) (Discretionary Compensation) Regulations 2006.

The Council also has policies for the Local Government Pensions 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 approved by 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 3 months must elapse before their application will be considered. They will have lost their entitlement to continuous service and abatement rules will apply if they are in receipt of a pension as a result of that redundancy.

Benefits schemes

The Council believes that it has a responsibility to help support the health, wellbeing and welfare of its employees in order to ensure that they are able to perform at their best. As part of the approach, and in common with large organisations, we offer a range of initiatives including access to the wellbeing team, health and fitness activities and discount schemes which support the local economy.

Gender Pay Gap

The Equality Act 2010 (Gender Pay Gap Information) regulations 2017 requires employers with more than 250 employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. In line with legislation the Council now publishes the following information.

- Average gender pay gap as a mean average
- Average gender pay gap as a median average
- Average bonus gender pay gap as a mean average
- Average bonus gender pay gap as a median average
- Proportion of males and females receiving bonus payment
- Proportion of males and females when divided into quartiles ordered from lowest to highest pay

Natalie Brahma-Pearl
Chief Executive
January 2021

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CMT Pay scales W.E.F 01/04/2021

CATERGORY	TOTAL
CHIEF EXECUTIVE	£122,516.00
	£119,804.00
	£117,095.00
	£114,380.00
	£111,662.00
DEPUTY CHIEF EXECUTIVE	£106,593.00
	£104,243.00
	£101,895.00
	£99,540.00
	£97,184.00
HEAD OF SERVICE B	£75,589.00
	£73,932.00
	£72,278.00
	£70,620.00
	£68,969.00

STATUTORY RESPONSIBILITY ALLOWANCE

DEPUTY MONITORING OFFICER	£1,702.89
DEPUTY SECTION 151 OFFICER	£1,702.89

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NJC LG SERVICES SALARY SCALES FROM 1ST APR 2021

Scale	Spinal point	Annual salary
B	1	£20,643.00
	2	£20,999.00
C	3	£21,363.00
	4	£21,734.00
D	5	£22,113.00
	6	£22,653.00
E	7	£22,893.00
	8	£23,459.00
	9	£23,859.00
F	10	£24,123.00
	11	£24,612.00
	12	£24,984.00
	13	£25,428.00
	14	£25,881.00
G	15	£26,342.00
	16	£26,813.00
	17	£27,292.00
	18	£27,783.00
	19	£28,282.00
H	20	£28,792.00
	21	£29,312.00
	22	£29,842.00
	23	£30,542.00
I	24	£31,473.00
	25	£32,378.00
	26	£33,252.00
	27	£34,147.00
J	28	£35,035.00
	29	£35,711.00
	30	£36,583.00
	31	£37,529.00
K	32	£38,546.00
	33	£39,723.00
	34	£40,691.00
	35	£41,691.00
L	36	£42,681.00
	37	£43,677.00
	38	£44,682.00
	39	£45,622.00
M	40	£46,658.00
	41	£47,664.00
	42	£48,660.00
N	43	£49,646.00
	44	£50,642.00
	45	£51,651.00
	46	£52,662.00
O	47	£53,682.00
	48	£54,700.00
	49	£55,737.00
	50	£56,796.00
	51	£57,876.00

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Apprenticeship scheme salary W.E.F. 1.04.2021

Percentage of spinal point 1	Annual Salary
60%	£12,385.80
65%	£13,417.95
70%	£14,450.10
75%	£15,482.25
NMW	£15,820.13
National Living wage	£16,823.35

CBC Pricing Strategy

Introduction

Fees and charges are an important source of income to the Council, enabling services to be sustained and improved. The Council provides a wide range of services for which it has the ability to make a charge. These are either under statutory powers (set by the government) or discretionary (set by the Council). This is explained as follows:

Statutory charges

Charges are set nationally and local authorities have little or no opportunity to control such charges. These charges can still contribute to the financial position of the Authority. Income cannot be assumed to increase in line with other fees and charges.

For Example: Local Land Charges

Discretionary charges

Local authorities can make their own decisions on setting such charges. Generally, these are services that an authority can provide, but is not obliged to provide.

For Example: Green Bin or Bulky Waste collections, and the use of facilities such as Community Centre Hire.

Purpose of the Pricing Strategy

As part of the council's commercialisation journey and the current financial pressures, it is important that our fees and charges are understood and are set to enable the council to continue to provide good quality services.

Key principles

This strategy sets out the key principles that should be considered when setting fees and charges.

- The full cost of providing the service must be understood and will be determined by the following factors:
 - Establishing whether they are statutory or discretionary fees
 - Total expenditure including direct staff costs (delivering the service), indirect staff costs (involved in the process i.e. admin / payment) and equipment or vehicles used.
 - Current fees and charges
 - Current income
 - Current demand for the service
 - Market test costs with other LA's / service providers
- Fees and charges should be kept simple.
- Fees and charges will be set at a level that maximises income generation and recovers costs. At a minimum the service should break even and never run at a loss. If it is a

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discretionary service and running at a loss, then consideration should be given to whether we should provide the service directly.

- When considering discounts, the financial implications should be understood and thought should be given to how discounts will be funded i.e. other users from the same service pay for it, the council tax payer's generally or from other funding sources.
- The amount of discount applied should be no more than 25% of the total cost to provide the service.
- Discounts, where applied, will be on the basis of:
 - Crawley Resident discount
 - Customers in receipt of a means tested Benefit - Universal Credit, covers Job Seekers Allowance, Income Support, Housing Benefit, Council Tax Reduction Scheme (CTRS), Pension Credit Guarantee Credit and Employment Support Allowance (ESA).
 - Age (children, under 16 and seniors, over 67)
 - Support to those with a Disability or carers (Compass card)
- There should be flexibility to alter our pricing at any time in consultation with the relevant Head of Service and Cabinet Member, where appropriate. Especially when we have the market share in service delivery. Secondary spend may be delegated to the Service Manager in consultation with the relevant Head of Service.
- Our fees and charges will take into account the ability of our customers to pay and any relevant socio-economic factors.
- Where the Council develops new activities or revenue streams these may initially be offered as a "loss leader" to attract and build a customer base before reverting to a price that covers costs.
- The fees applied are rounded up, removing odd numbers.
- Payment for services should be collected in the most efficient and economical way possible, through direct debit or online payment methods, and accepted in advance of service delivery.
- Payments should be set up with the correct service budget codes and clear reference information to prevent any error or delay in payments being made.
- To support our channel shift agenda, automated and online payment methods will be incentivised by:
 - Easier access
 - Priority availability
 - Additional information and access to our marketing / mailing list
- Similarly, high cost payment methods such as cheques, will be disincentivised by the addition of a £12 admin fee.
 - Cheque payments for services will not be accepted after the 31 March 2021.

Crawley Borough Council

**Report to Overview & Scrutiny Commission
1 February 2021**

**Report to Cabinet
3 February 2021**

Treasury Management Strategy 2021/2022

Report of the Head of Corporate Finance – **FIN/517**

1. Purpose

1.1 The Strategy for 2021/22 covers two main areas:

Capital Issues

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

Treasury Management Issues

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

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 Full Council the approval of:-

- a) the Treasury Prudential Indicators and the Minimum Revenue Provision (MRP) Statement contained within Section 5;
- b) the Treasury Management Strategy contained within Section 6;
- c) the Investment Strategy contained within Section 7;

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3. Reasons for the Recommendations

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

4. Background

- 4.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 4.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 4.3 The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 4.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 4.5 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 4.6 This report takes into account the revenue and capital implications arising in the 2021/22 Budget and Council Tax report (FIN/514).

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5. The Capital Prudential Indicators 2021/22 – 2023/24

5.1 The Capital Expenditure Plans

5.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.2 **Capital expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
New Town Hall – joint responsibility	3,845	17,105	27,424	0	0
Environment Services & Sustainability	487	399	264	141	0
Housing General Fund	6,005	3,364	3,767	1,400	3,139
Planning & Economic Development	2,439	714	12,521	3,810	3,070
Wellbeing	915	577	613	291	0
General Fund	13,691	22,159	44,589	5,642	6,209
HRA	32,079	23,275	33,400	30,662	23,088
Non-financial investments *	7,487	0	400	0	0
Total	53,257	45,434	78,389	36,304	29,297

* Non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties, etc.

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

Financing of Capital Expenditure £'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Capital receipts	14,280	17,559	17,668	1,747	1,940
Capital reserves	47	69	1,200	0	0
1-4-1 receipts	8,144	5,269	5,105	6,087	4,771
Revenue	678	200	1,235	523	200
Capital grants	2,844	2,651	9,216	3,872	2,699
Major Repairs Reserve	27,264	19,686	27,965	24,075	19,687
Net financing need for the year	0	0	16,000	0	0

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

5.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so

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it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.2.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

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

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Capital Financing Requirement					
CFR – General Fund	0	0	33,614	32,466	31,318
CFR - HRA	260,325	260,325	242,711	242,711	242,711
CFR – Non-financial investments	0	0	0	0	0
Total CFR	260,325	260,325	276,325	275,177	274,029
Movement in CFR	0	0	16,000	(1,148)	(1,148)

Movement in CFR represented by					
Net financing need for the year (above)	0	0	16,000	0	0
Less MRP/VRP and other financing movements	0	0	0	(1,148)	(1,148)
Movement in CFR	0	0	16,000	(1,148)	(1,148)

5.2.4 The above table includes the impact of transferring the garages from the HRA to the General Fund as set out in the Cabinet report FIN/511 Appropriation of Garages from the HRA to the General Fund.

5.2.5 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in 5.1.2 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

5.3 Core funds and expected investment balances

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

Year End Resources £'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Total CFR	260,325	260,325	276,325	275,177	274,029
Less: External borrowing*	(260,325)	(260,325)	(260,325)	(260,325)	(260,325)

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Under/over borrowing	0	0	16,000	14,852	13,704
Less: Usable Reserves	(75,342)	(82,360)	(38,535)	(28,977)	(26,541)
Less: Working capital**	(22,469)	(42,637)	(21,795)	(16,898)	(15,000)
Expected investments	(97,811)	(124,997)	(44,330)	(31,023)	(27,837)

* shows only loans to which the Council is committed and excludes optional refinancing

** Working capital balances shown are estimated year-end; these may be higher mid-year

5.3.2 Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table in 5.3.1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

£'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Total CFR	260,325	260,325	276,325	275,177	274,029
Less: Usable Reserves	(75,342)	(82,360)	(38,535)	(28,977)	(26,541)
Less: Working capital**	(22,469)	(42,637)	(21,795)	(16,898)	(15,000)
Plus: Minimum investments	10,000	10,000	10,000	10,000	10,000
Liability benchmark	172,514	145,328	225,995	239,302	242,488

5.4 Minimum revenue provision (MRP) policy statement

5.4.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

5.4.2 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance. The Council is recommended to approve the following MRP Statement:

5.4.3 The Council expects that its General Fund capital financing requirement will be nil on 31st March 2021 and in line with the MHCLG Guidance it will therefore charge no MRP in 2021/22.

5.4.4 For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset

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becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3)

5.4.5 No MRP will be charged in respect of assets held within the Housing Revenue Account.

5.4.6 Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.

Based on the Council's latest estimate of its capital financing requirement (CFR) on 31st March 2021, the budget for MRP has been set as follows:

	31.03.2021 Estimated CFR £m	2021/22 Estimated MRP £
Capital expenditure before 01.04.2008	0	0
Supported capital expenditure after 31.03.2008	0	0
Unsupported capital expenditure after 31.03.2008	0	0
Voluntary overpayment (or use of prior year overpayments)	n/a	0
Total General Fund	0	0
Assets in the Housing Revenue Account	0	0
HRA subsidy reform payment	260,325	0
Total Housing Revenue Account	260,325	0
Total	260,325	0

6. Borrowing

6.1 The capital expenditure plans set out in Section 5 provide details of the service activity of the Council. 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 cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).

6.2 Current portfolio position

6.2.1 The Council's treasury portfolio position at 31 March 2019, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

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£'000	2019/20 Actual	2020/21 Estimate	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
External Debt					
Debt at 1 April	260,325	260,325	260,325	260,325	260,325
Expected change in Debt	0	0	0	0	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	260,325	260,325	260,325	260,325	260,325
The Capital Financing Requirement	260,325	260,325	276,325	275,177	274,029
(Under) / over borrowing	0	0	(16,000)	(14,852)	(13,704)

6.2.2 Within the above figures the level of debt relating to commercial activities / non-financial investment is:

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	0	0	0	0	0
Percentage of total external debt %	0	0	0	0	0

6.2.3 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

6.3 Treasury Indicators

6.3.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.3.1 Affordable borrowing limit

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory

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guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Operational boundary £'000	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	260,325	276,325	275,177	274,029
Other long term liabilities	0	0	0	0
Total	260,325	276,325	275,177	274,029

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

Authorised limit £'000	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	270,325	296,325	295,177	294,029
Other long term liabilities	0	0	0	0
Total	270,325	296,325	295,177	294,029

6.3.3 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A

6.3.4 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling [three] month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£3m

6.3.5 **Interest rate exposures:** This indicator is set to control the Council’s exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1,000,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1,000,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

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6.3.6 Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper an

Maturity Structure of fixed interest rate borrowing 2020/21		
	Lower	Upper
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	20%
5 years to 10 years	0%	40%
10 years to 20 years	0%	55%
20 years to 30 years	0%	10%
30 years to 40 years	0%	10%
40 years to 50 years	0%	10%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.3.6 **Principal sums invested for periods longer than a year.** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities greater than one year will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested greater than 1 year	£20m	£20m	£20m

6.4 Prospects for Interest Rates

6.4.1 The Council has appointed Arlingclose Limited as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. A more detailed economic and interest rate forecast table provided by Arlingclose is attached below with assumptions and forecast detail at Appendix 1.

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	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r.													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

6.4.2 The Council's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

6.4.3 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

6.5 Borrowing Strategy

6.5.1 The Council currently holds £260.325 million of loans as part of its strategy for funding previous years' capital programmes. The table in 6.2.1 shows that the Council expects to borrow up to £16m in 2021/22. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £296.325 million. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

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- 6.5.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 6.5.3 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

6.6 Related Matters

6.6.1 Financial derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

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Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

6.6.2 **Housing Revenue Account**

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk

6.6.3 **Markets in Financial Instruments Directive**

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Corporate Finance believes this to be the most appropriate status.

6.7 **Debt rescheduling**

6.7.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

6.7.2 If rescheduling was done, it will be reported to the Cabinet at the earliest meeting following its action.

6.8 **Other sources of debt finance**

6.8.1 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

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- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

6.9 Municipal Bonds Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

6.10 Short-term and variable rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

6.11 Approved Sources of Long and Short Term Borrowing

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except [your local] Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

7. Treasury Investment Strategy

7.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £97.553 and £142.476 million, and lower levels are expected in the forthcoming year due to planned expenditure in the capital programme.

7.1.1 Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

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7.1.2 Negative interest rates

The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

7.1.3 Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £20m that is available for longer-term investment. A dwindling proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will represent a substantial change in strategy over the coming year.

7.1.4 Business models

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

7.1.5 Approved counterparties

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£15m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£10m	£20m
Real estate investment trusts	n/a	£10m	£20m
Other investments *	5 years	£5m	£10m

This table must be read in conjunction with the notes below

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* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

7.1.6 **Government**

Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

7.1.7 **Secured investments**

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

7.1.8 **Banks and building societies (unsecured)**

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

7.1.9 **Registered providers (unsecured)**

Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

7.1.10 **Money market funds**

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

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7.1.11 **Strategic pooled funds**

Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

7.1.12 **Real estate investment trusts**

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

7.1.13 **Other investments**

This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

7.1.14 **Operational bank accounts**

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be aimed to be kept below £1,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

7.1.15 **Risk assessment and credit ratings**

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

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7.1.16 Other information on the security of investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

7.1.17 Investment limits

The Council's revenue reserves available to cover investment losses are forecast to be £63 million on 31st March 2021. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1,000,000 in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25 m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

7.1.18 Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial

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commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7.2 Ethical Investment Policy

- 7.2.1 The Council will not undertake direct investment or borrowing activities with organisations whose core activities include:
- Armaments – weapon systems
 - Gambling
 - Pornography
 - Tobacco
 - Pay-day loans
 - Companies that generate more than 10% of their revenue from the extraction of coal, oil or gas.
- 7.2.2 In order to comply with treasury management guidance, the Council's investments will prioritise security, liquidity and yield in that order. The Ethical Investment Policy thereby becomes a fourth consideration in the decision making process.
- 7.2.3 The core activities in the Ethical Investment Policy above has been chosen after careful consideration of the Policy direction of the administration, the officer time in implementing the policy, the cost of external resources, and the timeliness of investment decisions.

7.3 Investment strategy

- 7.3.1 The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (service investments), and
 - to earn investment income (known as commercial investments where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

7.3.2 Commercial Investments: Property

Contribution - The Council has invested in local commercial property with the intention of making a profit that will be spent on local public services.

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INVESTMENT PROPERTIES

Market value
31.03.2020

£m

Ashdown House	9.426
Ask High Street	1.457
Atlantic House	5.481
Kingsgate Car Park	5.589

21.953

7.3.3 Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

7.3.4 **Total risk exposure**

The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Total investment exposure

Total investment exposure	31.03.2020 Actual £000	31.03.2021 Forecast £000	31.03.2022 Forecast £000
Treasury management investments	97,811	124,997	44,330
Commercial investments: Property	21,953	21,953	21,953
TOTAL INVESTMENTS	119,764	146,950	66,283
Commitments to lend	0	0	400
TOTAL EXPOSURE	119,764	146,950	66,683

7.3.5 **How investments are funded**

Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, no investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

7.3.6 **Rate of return received**

This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investment rate of return (net of all costs)

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.98%	0.58%	0.45%
Commercial investments: Property	5.68%	6.52%	6.12%
ALL INVESTMENTS	1.54%	1.51%	1.82%

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8. Implications

- 8.1 The budget for investment income in 2021/22 is £310,000 (£275,000 General Fund; £35,000 HRA), based on an average investment portfolio of £69 million at an interest rate of 0.45%. The budget for debt interest paid in 2021/22 is £8.3 million, based on an average debt portfolio of £260.325 million at an average interest rate of 3.19%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
- 8.2 There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the public services, the Local Government Investment Guidance provides that the council's investments are and will continue to be, within its legal powers conferred under the Local Government Act 2003.

9. Background Papers

[Treasury Management Strategy for 2020/2021 – Cabinet, 5 February 2020 \[report FIN/493 refers\].](#)

[Treasury Management Mid-Year Review 2020/2021 – Cabinet, 25 November 2020 \[report FIN/512 refers\].](#)

[Appropriation of Garages from the HRA to the General Fund – Cabinet, 25 November 2020 \[report FIN/511 refers\].](#)

2021/2022 Budget and Council Tax – Cabinet, 3 February 2021 [report FIN/514 refers].

“Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes”, 2017 Edition – Chartered Institute of Public Finance and Accountancy.

“The Prudential Code for Capital Finance in Local Authorities”, 2017 Edition – Chartered Institute of Public Finance and Accountancy.

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ENDS

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

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APPENDIX 2

Economic Background

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Council's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Credit outlook

After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels.

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Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

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APPENDIX 3: Treasury Management Scheme of Delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Overview and Scrutiny Commission

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

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APPENDIX 4: The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following :-
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in*

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relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

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Crawley Borough Council

Report to Overview and Scrutiny Commission

1st February 2021

Report to Cabinet

3rd February 2021

2020/2021 Budget Monitoring - Quarter 3

Report of the Head of Corporate Finance, **FIN/516**

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 2021. 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:

Agree the projected outturn for the year 2020/2021 as summarised in this report.

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.
- 4.2 Budget monitoring is undertaken on a monthly basis with budget holders. There are quarterly budget monitoring reports to Cabinet with the Corporate Management Team receiving monthly update reports on key areas and any other areas of concern. The Overview and Scrutiny Commission also have the opportunity to scrutinise expenditure. Quarterly monitoring information is also included in the Councillors' Information Bulletin.

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4.3 This report outlines the projected outturn for 2020/2021 as at the end of December 2020.

5. Budget Monitoring Variations

5.1 General Fund

The table below summarises the projected variances in the relevant Portfolio at Quarter 3. This shows that despite identifying £1.775m in in-year savings and other mitigations and additional funding of £3.079m there is still an in year budgeted shortfall of £109,000.

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

	Variance projected at Quarter 3		Variance projected at Quarter 2
	£'000		£'000
Cabinet	(51)	F	(6)
Public Protection & Community Engagement	(61)	F	(49)
Environmental Services & Sustainability	449	U	402
Housing	856	U	639
Wellbeing	2,066	U	2,032
Planning & Economic Development	(5)	F	(66)
Investment Interest	(66)	F	(33)
Additional Funding	(3,079)	F	(2,038)
TOTAL (SURPLUS)/DEFICIT	109		881

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

5.2 The Table below shows the impact of Covid-19 on the current year budget and the mitigations taken, together with Government support to date.

	Quarter 3		Quarter 2
	£000's	£000's	£000's
Covid – additional expenditure			
Homelessness	153		153
Rough sleeping *	554		554
Sports, Leisure and community facilities	549		554
Revenues and benefits expansion	137		137
Shielding	41		24
PPE	86	1,520	86
Covid – lost income			
Car parking	457		452
Recreation and sports	1,351		1,350
Culture related losses inc. community centres	282		272
Planning and development	286		229

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Other sales, fees and charges	373	373
Commercial income	309	308
Other income	562	338
Total Covid related budget pressures	5,140	4,830
Other unexpected costs (including pay award)	180	220
In-year savings/mitigations identified	-1,775	-1,775
Additional funding – Covid-19 grant	-1,881	-1,881
Additional funding – Enforcement	-59	-59
Additional funding – Isolation Payment Admin	-27	-27
Additional funding – Business grant new burden	-130	-130
Additional funding – Sales, fees & charges	-1,042	0
Next Steps Accommodation Programme Funding	-297	-297
TOTAL (SURPLUS)/DEFICIT	109	881

* Includes a provision for winter that is offset by the Next Steps Accommodation Programme Funding

Significant Quarter 3 variances over £20,000

5.2.1 Cabinet

The interim vacancy for the Head of Legal, Democratic & HR is expected to generate in year savings of £32,000.

Due to Covid-19, there has been a reduction in court cost recoveries due to delays and an increase in the council tax reduction scheme. This has increase the anticipated overspend/unachieved income within the revenues service by £45,000.

5.2.2 Public Protection & Community Engagement

There are no significant variations to report this quarter.

5.2.3 Environmental Services & Sustainability Services

There is expected to be a further loss of £25,000 within taxi and premises licenses service due to the economic effects of Covid-19.

5.2.4 Housing Services

A further reduction in benefit overpayments that the council is likely to recover this year is expected due to Covid-19. The projected shortfall is now £562,000. This includes a provision for bad debt that we are unlikely to recover in the longer term.

5.2.5 Wellbeing

There are no significant variations to report this quarter.

5.2.6 Planning & Economic Development

Planning income is expected to be £56,000 lower than previously forecast due to changes in Covid-19 restrictions and the corresponding impact on economic activity.

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5.2.7 Investment Income

Additional investment income has been due to higher investment balances due to delays in the capital programme and receipt of government grants.

5.2.8 Additional Funding

Funds of £557,000 have been received following a successful bid for lost sales, fees & charges income. It is anticipated that a further amount of £483,750 will be approved shortly. Government are repaying 75p of every £1 lost after deducting 5% of the budgeted income from sales fees and charges for the year.

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 Corporate Finance agreed a virement of £35,000 from Asset Management to Legal services to provide legal advice relating to our properties. This has reduced the projected overspend within the legal team.

7. Council Housing Service – Revenue

7.1 The table below provides details of the 2020/2021 HRA variances.

HOUSING REVENUE ACCOUNT

	Q3 Variation £000's		Q2 Variation £000's
Income			
Rental Income	555	U	540
Other Income	7	U	0
Interest Received on balances	27	U	0
	589		540
Expenditure			
Employees	(82)	F	(69)
Repairs & Maintenance	(531)	F	(124)
Other running costs	(99)	F	(78)
Support services	0		0
	(712)	F	(271)
Net (Surplus) / Deficit	(123)	F	269
Transfer (from) Housing Investment Reserve	(123)		269

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

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7.2 Repairs and Maintenance

There are expected in year savings of £410,000 due to delays with the external redecoration and painting programme, caused by changing Covid-19 restrictions and poor weather.

8. Capital

8.1 The table below shows the 2020/21 projected capital outturn and proposed carry forward into 2021/22. Further details on the Capital Programme are provided in Appendix 2 to this report.

	Latest Budget 2020/21	Spend to Q3 2020/21	Estimated Outturn 2020/21	Under/ (overspend)	Re-profiled to/(from) future years
	£000's	£000's	£000's	£000's	£000's
New Town Hall Redevelopment Programme– Joint responsibility	22,874	8,414	17,105	0	5,769
Environmental Services & Sustainability	400	308	400	0	0
Housing Services	3,364	691	3,364	0	0
Planning & Economic Development	1,152	260	714	0	438
Wellbeing	730	279	577	0	153
Total General Fund	28,520	9,952	22,160	0	6,360
Council Housing	24,486	11,489	23,275	0	1,211
Total Capital	53,006	21,441	45,435	0	7,571

8.2 The Town Hall project cash flow has been updated by the Council's development management partner, £5,873,795 is to be slipped to 2021/22. The project is progressing on target, the original phasing provided was inaccurate.

8.3 Work on the District Heat Network is progressing well, bringing forward budget from 2021/22 into 2020/21 of £104,883.

8.4 Crawley Growth Programme (CGP) –

Queensway

The Queensway project is completed but it has been identified that there is a need to incorporate unauthorised vehicular access protection measures around Memorial Gardens. Work is being carried out on design and tender but this is being delayed

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due to Covid-9. Budget of £167,026 has been slipped into 2021/22 to cover these works and any budget remaining will be released back into the CGP project.

Town Centre Cycle Improvements

The Town Centre Cycle Improvements, which is independent of the Crawley Eastern Gateway project as part of the CGP has slipped £271,268 to 2021/22.

8.5 Tilgate Nature Centre is slipping £40,000 allocated to exhibit enclosures into 2021/22 due to Covid-9 safety measures.

8.6 Resources have been focused to deliver the Tilgate Park Play Area and diverted to reopening of play areas after Covid-19 restrictions giving a delay in the Play Investment Programme. Ongoing work is continuing with public consultations and the tendering process so that the programme can continue, three schemes have been moved into 2021/22:

Chichester Close – Tilgate (estimated completion June 2021)

Newbury Road – Pound Hill (estimated completion June 2021)

Ninfield Court – Bewbush (estimated completion late 2021)

8.7 Housing

HRA Programme Maintenance

The HRA programme maintenance is slipping a total of £1,217,798 into 2021/22, unfortunately Covid-19 has had an impact on the delivery of the programme. The Council have been working with the two main contractors who deliver this work to update the forecast of what will be achieved in 2020/21.

Forge Wood Phase 4

Work at Forge Wood Phase 4a is progressing well and is expected to be completed in March 2021 requiring slippage of £619,681 into the current year from 2021/22.

Milton Mount

The major works at Milton Mount have been delayed by a number of factors outside the control of the Council. Two Covid-19 lockdowns during the current financial year have had a large impact on the design process of the project, including the need to meet a number of design constraints to meet planning guidance (that was finally approved at Planning Committee on 3rd November 2020). Tendering of the works and site mobilisation has also been delayed by the impact of Covid-19 due to many staff in various companies being furloughed at differing times during the year.

The site has also been subject to two major incidents regarding utility infrastructure failure during the year including a burst water mains during the summer of 2020 and a fractured gas main during January 2021. All residences have received updated letters informing them of the delays.

8.8 In the third quarter of 2020/21 **ten** Council Houses with a sale value of £1,964,200 were sold compared to six in the third quarter last year. Of these receipts, £257,863 was paid over to the Government with the balance being retained by the Council. £495,285 available for general capital expense and £1,111,052 set aside for 1-4-1 receipts. [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 additional receipts on building or acquiring properties.]

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- 8.9 The total cumulative 1-4-1 receipts retained is £35,736,518 which can be used to fund 30% of any expenditure on new affordable housing. It cannot be used on schemes supported by HCA Funding.
- 8.10 To date, £27,405,394 of 1-4-1 receipts has been used to partially fund the purchase or construction of properties. Any 1-4-1 receipts that are unspent after 3 years are to be returned to the Government with interest. The risk of returning any unspent 1-4-1 receipts is managed by closely monitoring all affordable housing schemes.

9. Capital Programme and S106 funding

- 9.1 Medler Close play area in Langley Green has been successfully completed achieving an underspend of £9,923 funded from S106 monies. The underspend was achieved by taking into the consideration of the views of the public, realising a more favourable scope of work. This resulted in more refurbishment works and purchasing of fewer items of new equipment.

This underspend be utilised for improvements to the Rushetts Road play area also in Langley Green. There have been an increase in the complaints regarding this play area due to its failing condition. If the £9,923 can be invested at this stage it could see the life expectancy extended for further years.

Scheme Description	Budget
	£
Budgets removed	
Medler Close	-9,923
Budgets Changed	
Rushetts Road	9,923
Effect on Play Schemes Budget	0

This would enable other priority play areas to be brought forward in the play investment programme and reduce the impact on the available S106 funds.

The table below identifies which S106 the funding will come from.

Planning Application	Site Address	Amount Allocated to Schemes
CR/2005/0714/FUL & CR/2010/0073/NCC	CRAWLEY LEISURE CENTRE SITE, HASLETT AVENUE, THREE BRIDGES, CRAWLEY	£ 9,923.00

10. Background Papers

[Budget Strategy 2021/22 – 2025/26 FIN/508](#)
[2020/21 Budget and Council Tax FIN/491](#)
[Treasury Management Strategy 2020/21 FIN/493](#)
[2020/2021 Budget Monitoring – Quarter 2 FIN/510](#)

Contact Officer: - Paul Windust, Chief Accountant.
 Direct Line: - 01293 438693

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Appendix 1 (i)

REVENUE MONITORING SUMMARY 2020/21 GENERAL FUND

	Latest Budget £000's	Projected Outturn £000's	Variance £000's
Cabinet	1,881	1,830	(51)
Public Protection & Community Engagement	1,628	1,567	(61)
Environmental Services & Sustainability	5,127	5,576	449
Housing	2,743	3,599	856
Wellbeing	9,235	11,301	2,066
Planning & Economic Development	(2,661)	(2,666)	(5)
	17,953	21,207	3,254
Depreciation	(3,410)	(3,410)	0
Renewals Fund	750	750	0
NET COST OF SERVICES	15,293	18,547	3,254
Investment Interest	(613)	(679)	(66)
Council Tax	(7,532)	(7,532)	0
RSG	(60)	(60)	0
NNDR	(6,344)	(6,344)	0
New Homes Bonus	(1,831)	(1,831)	0
Levy Account Surplus	(82)	(82)	0
Additional Funding Received	0	(3,079)	(3,079)
	(16,462)	(19,607)	(3,145)
Net contribution from / (-to) Reserves	(1,169)	(1,060)	109

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Main Variations identified for 2020/21 - General Fund

Appendix 1 (ii)

	Q3 Variation £'000s	Q2 Variation £'000s
<u>Cabinet</u>		
Pay Award	138	138
Insurance Tender Savings	(187)	(187)
Anticipated Additional Audit Costs	32	32
Covid-19 Food, PPE & Hub Costs	130	130
Revenues Additional Demand & Reduced Recoveries	136	94
Election Delay Savings	(40)	(41)
Town Hall Business Rates	(100)	(100)
Legal Locums	33	74
Legal Covid additional work	32	32
Head of Legal Vacancy	(32)	0
Contact Centre In Year Vacancies	(44)	(38)
HR In Year Vacancy (BAG agreed post delayed due to CV-19)	(24)	(21)
Transformation In Year Vacancies	(27)	(27)
Printing and Mailing	(56)	(42)
Minor Variations	(42)	(50)
	(51)	(6)
<u>Public Protection & Community Engagement</u>		
Community Development Unfilled Hours	(29)	(29)
Minor Variations	(32)	(20)
	(61)	(49)
<u>Environmental Services & Sustainability</u>		
Port Health Lost Income	92	84
Licensing Lost Income	80	55
Car Parking Lost Income	342	332
Additional Green Waste Customers	(18)	(18)
Public Conveniences Operational Savings	(20)	(20)
Cemeteries Additional Income	(16)	(23)
Minor Variations	(11)	(8)
	449	402
<u>Housing</u>		
Benefits Administration Additional Demand	25	25
Benefit Overpayments Recovery Due to Covid-19 Regulations	562	338

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Housing Survey Grant Received	(41)	(41)
Disabled Facilities Grant – Capitalisation of Staff Time	(79)	(79)
Temporary Accommodation “Everyone In” Strategy	281	280
Homelessness Administration Costs	153	153
Minor Variations	(45)	(37)
	856	639
<u>Wellbeing</u>		
Tilgate Park Lost Revenue	397	387
Community Centres Lost Revenue	377	377
K2 Crawley Lost Revenue & Additional Contract Costs	1,417	1,415
Patch Working – In Year Vacancies & Operational Savings	(76)	(87)
Play – In Year Vacancies & Operational Savings	(99)	(99)
Minor Variations	50	39
	2,066	2,032
<u>Planning & Economic Development</u>		
Property Team Vacancies	(58)	(62)
Corporate Facilities Team Vacancies	(60)	(60)
Planning Lost Revenue	151	95
Building Control Lost Revenue	74	74
Commercial Property Income	(22)	(28)
Town Centre Vacancy & Operational Savings	(83)	(65)
ICT Operational Savings	(11)	(24)
Minor Variations	4	4
	(5)	(66)
TOTAL GENERAL FUND VARIANCES	2,952	2,952
Additional Funding Received	(3,079)	(2,038)
Investment Interest	(66)	(33)
TOTAL VARIANCES	109	881

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Appendix 1 (iii)

QUARTER 3

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate £'000s	Projected Outturn £'000s	Variation £'000s
Income			
Rental Income	(48,591)	(48,036)	555
Other Income	(2,120)	(2,113)	7
Interest received on balances	(132)	(105)	27
Total income	(50,843)	(50,254)	589
Expenditure			
Employees	3,913	3,831	(82)
Repairs & Maintenance	11,406	10,875	(531)
Other running costs	2,102	2,003	(99)
Support services	3,096	3,096	0
	20,517	19,805	(712)
Net (Surplus) / Deficit	(30,326)	(30,449)	(123)
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,353	6,353	0
Transfer (from) Housing Reserve	15,664	15,787	123
Total	30,326	30,449	123

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Appendix 1 (iv)

Main Variations Identified - Housing Revenue Account

	Q3 Variation £'000s	Q2 Variation £'000s
Income		
Delayed new builds, budgeted income not receivable until later date	502	502
Void Garages and delays in re-letting	53	38
Minor Variations	7	0
Interest Received - Lower Interest Rates	27	0
	589	540
Employees		
Agency Staff Savings	(50)	(35)
Additional Costs of the pay award (.75%)	27	27
Leasehold Vacancies in Year	(31)	(31)
Minor Variations	(28)	(30)
	(82)	(69)
Repairs & Maintenance		
Gas contract Savings	(124)	(124)
Minor Variations	3	0
External Redecoration/Repairs	(410)	0
	(531)	(124)
Other Running Costs		
Projected Covid-19 Costs, PPE	40	58
Challenge of Budget Savings	(63)	(63)
Insurance Tender	(80)	(80)
Minor Variations	4	7
	(99)	(78)
TOTAL VARIANCES	(123)	269

Note

Slippage is moving budgets between years. If the figure is not in brackets then we are moving the budget to future years, if it is in brackets we are bringing forward budgets from future years

2020/21 Qtr 3 Capital Appendix

Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£
New Town Hall Redevelopment - Joint responsibility	22,873,795	8,413,953	17,104,883	0	5,768,912

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
27,424,134	0	0	0

New Cemetery	87,223	72,536	87,223		
Cycle Paths					
Crawters / Manor Royal Cycle Path	1,507	1,507	1,507		
Camber Close					
Flooding Emergency Works	105,000	62,749	105,000		
Waterlea Furnace Green Flood Works					
Billington Drive Maidenbower	15,000	10,549	15,000		
Stoadfield Brook Flood Works	31,935	28,500	31,935		
River Mole Flood Works	30,000	29,254	30,000		
Telemetry Measuring Equipment	10,000	5,395	10,000		
Northgate Flood Attenuation Works	20,410	20,410	20,410		
Crabbett Park Pound Hill Flood Works					
Leat Stream Ifield Flood Alleviation	7,289		7,289		
Tilgate Lake Bank Erosion	91,187	77,348	91,187		
Solar PV CBC Operational Buildings					
TOTAL ENVIRONMENTAL SERVICES & SUSTAINABILITY PORTFOLIO	399,551	308,248	399,551	0	0

4,007			
25,300			
65,665			
136,196	80,835		
33,000			
	60,000		
264,168	140,835	0	0

Temp Accommodation Acquisitions	273,700		273,700		
Open House Moving Acquisition	14,235		14,235		
Affordable Housing Town Hall	2,450,798	192,500	2,450,798		

		3,138,750	

Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£
Longley House					
Disabled Facilities Grants	600,000	498,779	600,000		
Improvement/Repair Loans	25,000		25,000		
TOTAL HOUSING (GENERAL FUND) PORTFOLIO	3,363,733	691,279	3,363,733	0	0

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
2,000,000	1,400,000		
915,390			
25,000			
2,940,390	1,400,000	3,138,750	0

Manor Royal Business Group					
Gigabit					
<u>Crawley Growth Programme</u>					
Queensway	243,716	45,407	76,690		167,026
Town Centre Signage and Wayfinding	39,933	17,287	39,933		
Town Centre General					
Manor Royal Cycle Improvements					
Town Centre Cycle Improvements	300,000	18,893	28,732		271,268
Manor Royal Super Hub					
Station Gateway	2,000	1,280	2,000		
Town Centre Super Hub					
Town Centre Acquisition	50,000		50,000		
Three Bridges Station	53,500	51,712	53,500		
Total Crawley Growth Programme	689,149	134,579	250,855	0	438,294
ICT Capital - Future Projects	29,646		29,646		
On Line Self Service	3,713	3,713	3,713		
New Website And Intranet	68,728	15,152	68,728		
Mobile Working (ICT)	40,087	29,148	40,087		
Digital Works	61,000		61,000		
ICT Transformation Future	59,000		59,000		

		200,000	
2,700,000			
167,026			
		71,100	
310,632	1,465,303		
997,718			
263,028			
	2,195,042	2,799,474	20,000
74,231			
5,950,000			
1,464,088			
9,226,723	3,660,345	2,870,574	20,000
150,000			
130,000			

Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage	Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
	£	£	£	£	£	£	£	£	£
Unified Communications/Telephony	30,000		30,000						
Migration to Cloud Evaluation	40,000	35,000	40,000						
Power and UPS	20,000		20,000						
LAN Refresh	111,000	42,190	111,000						
ICT Schemes						314,000	150,000		
TOTAL PLANNING & ECONOMIC DEVELOPMENT PORTFOLIO	1,152,323	259,782	714,029	0	438,294	12,520,723	3,810,345	3,070,574	20,000

Vehicle Replacement Programme	198,390	183,673	199,671		(1,281)
Refurb Playgrounds Future Schemes					
Skate Park Equipment					
Memorial Gardens Improvements					
Elgiate Park	154,710	23,507	154,710		
Nature & Wildlife Centre	143,817		103,817		40,000
Plotments					
Adventure Playgrounds					
Memorial Gardens Play Improvements	25,378	8,445	10,378		15,000
Medler Close Langley Green	53,756	53,756	53,756		
Chichester Close	45,000				45,000
Dormans Play Area	45,000	9,553	45,000		
Newbury Road	39,339				39,339
Ninfield Court	15,000				15,000
Rushetts Close	9,923		9,923		
K2 Crawley Climbing Wall					50,000
TOTAL WELLBEING PORTFOLIO	730,313	278,934	577,255	0	153,058

	28,501			
	106,979			
		46,000		
	33,400			
	40,000			
	40,000	45,000		
	200,000	200,000		
	15,000			
	45,000			
	39,339			
	15,000			
	50,000			
	613,219	291,000	0	0

TOTAL GENERAL FUND	28,519,715	9,952,196	22,159,451	0	6,360,264
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	43,762,634	5,642,180	6,209,324	20,000
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Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£

Prior Contract Spend	460,432	460,432	460,432		
Decent Homes	2,297,869	683,222	1,794,759		503,110
Renovations	284,461	176,874	433,866		(149,404)
Insulation	1,450,423	482,068	868,279		582,144
Renewable Technology/Carbon Efficiency	45,453	536	33,016		12,437
Compliancy Works	510,550	58,689	104,724		405,826
Electrical Test & Inspection	541,150	174,282	738,153		(197,003)
Boilers & Heating	350,000	119,060	286,312		63,688
Adaptations For The Disabled	1,212,341	396,760	1,212,341		
Postels	68,279	35,390	68,279		
Garages	66,918	26,353	69,918		(3,000)
TOTAL HRA IMPROVEMENTS	7,287,876	2,613,666	6,070,079	0	1,217,798

Hra Database	453,020	79,396	103,020		350,000
151 London Road (New Build)	170,984	165,558	170,984		
Bridgefield House	4,593,034	4,087,665	4,593,034		
Acquisition Of Land Or Dwellings	1,893,500	335,250	1,893,500		
Kilnmead	500	45	500		
Gales Place (HRA New Build)	7,985	7,985	7,985		
Forge Wood					
Apex Apartments	3,000		3,000		
Telford Place Development	72,625	68,724	72,625		
Woolborough Road Northgate	638,946	602,010	638,946		
Goffs Park - Depot Site	2,007	2,007	2,007		
83-87 Three Bridges Road	1,004	1,004	1,004		
Dobbins Place	2,500		2,500		

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£

2,979,447	2,300,000	2,300,000	
951,168	650,000	2,050,000	
3,331,220	1,800,000	1,800,000	
126,243	80,000	80,000	
2,275,457	1,750,000	1,450,000	
902,997	1,000,000	1,800,000	
163,688	50,000	50,000	
1,257,580	1,250,000	1,300,000	
551,721	230,000	250,000	
330,082	500,000	200,000	
12,869,603	9,610,000	11,280,000	0

417,000			
432			
11,205			
1,000,000			
6,100			
			1,235,388
1,979,450	8,060,336	7,597,235	3,046,785
500			
2,969			
996			

Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£
Forge Wood Phase 2	3,274,758	1,769,946	3,274,758		
257/259 Ifield Road	259,144	245,424	259,144		
Forge Wood Phase 3	1,142,975	755,190	1,142,975		
Forge Wood Phase 4	455,204	649,354	1,074,886		(619,681)
Purchase Of Properties	3,500,000		3,500,000		
5 Perryfields	51,100	341	5,841		45,259
Carey House	20,841	841	1,840		19,000
Fairlawn House	10,000		44,161		(34,161)
Milton Mount Major Works	250,525	17,895	51,226		199,299
Breezehurst Phase 2	39,000		39,000		
Contingencies	120,024		120,024		
Prelims	235,144	87,058	201,612		33,533
TOTAL OTHER HRA	17,197,820	8,875,693	17,204,572	0	(6,751)

TOTAL HRA	24,485,696	11,489,359	23,274,651	0	1,211,047
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TOTAL CAPITAL PROGRAMME	53,005,411	21,441,555	45,434,102	0	7,571,311
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FUNDED BY

Capital Receipts	(23,803,415)	(8,864,134)	(17,559,503)		(6,243,912)
Capital Reserve	(68,728)	(15,152)	(68,728)		
Better Care Fund (formally DFGs)	(600,000)	(498,779)	(600,000)		
External Funding	(1,829,102)	(318,702)	(1,905,631)		76,529
HRA Revenue Contribution	(21,117,847)	(9,056,159)	(19,685,964)		(1,431,883)
Replacement Fund/Revenue Financing	(198,390)	(183,673)	(199,671)		1,281
Section 106	(340,080)	(71,753)	(145,917)		(194,163)
1-4-1	(5,047,849)	(2,433,203)	(5,268,688)		220,837

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
3,232,703	2,733,469		
500			
41,944			
4,192,325	2,770,846	2,770,846	2,770,846
563,259	50,900		
128,160			
165,839			
1,688,774			
6,692,776	7,436,361	303,000	395,184
		1,137,311	
20,530,514	21,051,912	11,808,392	7,448,203

33,400,117	30,661,912	23,088,392	7,448,203
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77,162,751	36,304,092	29,297,716	7,468,203
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(17,268,342)	(1,746,967)	(1,940,475)	
(1,200,000)			
(915,390)			
(6,810,931)	(3,031,680)	(2,699,474)	(20,000)
(28,294,717)	(24,574,643)	(19,887,068)	(5,213,742)
(78,501)	(23,000)		
(1,489,471)	(840,534)		
(5,105,399)	(6,087,268)	(4,770,699)	(2,234,461)

Scheme Description	Budget 2020/21	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£
Borrowing					
TOTAL FUNDING	(53,005,411)	(21,441,555)	(45,434,102)		(7,571,311)

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
(16,000,000)			
(77,162,751)	(36,304,092)	(29,297,716)	(7,468,203)

Agenda Item 11

Crawley Borough Council

Report to Overview and Scrutiny Commission

1 February 2021

Cabinet

3 February 2021

Community Grants Future Options

Report of the Head of Community Services, HCS/24

1. Purpose

- 1.1 The purpose of this report is to agree the approach to funding the Voluntary and Community Sector for 2021/22. It sets out the principles for doing so and the outcomes the Council is seeking to achieve.

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 agree:

- 1) the funding intentions and associated outcomes for the future programme as outlined in section 5.
- 2) the process for allocating funding as outlined in section 5.
- 3) the process for approving grant allocations and appeals process in 2021/22 and 2022/23 as outlined in section 5.

3. Reasons for the Recommendations

- 3.1 The recommendations support the Council to achieve a balanced budget position for 2021/22 onwards whilst retaining sufficient revenue funds to deliver a high quality outcome focused commissioning and small grants programme that can better respond to our community's needs.
- 3.2 They also take into account the needs of the organisations that we currently fund and allow us to support them through a transition period, as appropriate to their individual circumstance.

4. Background

- 4.1 The Council currently provides a community grants programme with a comparatively generous annual budget pot of £632,000. The programme funds twenty two

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Voluntary and Community sector organisations to deliver a broad variety of services, activities and one off events. Grants range from £2,500 to £140,000.

- 4.2 As part of the budget setting process for 2021/22, the Council has stated its intention to reduce the overall community grants pot by £211,000 (one third) and retain a pot totalling £421,000. This contributes to the Council achieving a balanced budget position as part of its [Budget Strategy 2021/22 - 2025/26 FIN/508](#).
- 4.3 It has also been recognised that the Council's funding of the Voluntary and Community Sector required review. The approach has remained largely unchanged over the past decade or so. With Crawley facing unprecedented economic challenges in the wake of the Covid-19 pandemic, there will be social challenges facing the town that require new approaches and capacity. This will require the Council to develop a much more targeted approach in its funding of the sector to meet existing and emerging need.
- 4.4 The provision of a one-off 'Lower Tier Services' government grant allocation within the recent [Provisional local government finance settlement](#) as outlined elsewhere on this agenda in the Budget and Council tax report FIN 514 section 5.5.2 has afforded the Council the opportunity to make 2021/22 a transitional approach in allocating funding for the Voluntary and Community Sector. In doing so the Council aims to move fully to a new commissioning stance from 2022/23.
- 4.5 A transitional year allows the Council to work with all organisations and support them through the change. Different organisations will have differing levels of resilience to change, for instance the organisations funded currently have a combined unrestricted reserves pot of around £3.8 million, albeit the provision made within each organisation varies greatly. This approach also allows the Council to fulfil any contractual obligations, specifically to provide an allocation of £140,000 to Citizens Advice in 2021/22.
- 4.6 The process of engagement with all funded groups has begun. Officers have met with every funded organisation to facilitate a high level conversation around potential changes to the community grants programme and the impact of various funding reduction scenarios.

5. Proposals

It is proposed that the Council apply the following principles to achieve a successful transition from the current programme model and funding to the new arrangement;

- 5.1 Treat 2021/22 as a transitional year given the status of the Citizens Advice contract, availability of the one off government grant and the timeframe available for implementation.
- 5.2 Fully implement the new commissioning and small grants programme from 1 April 2022.
- 5.3 In 2021/22, prioritise those organisations that we currently fund, that deliver to the new outcomes framework.
- 5.4 Cease funding to organisations with sufficient unrestricted reserves that are not delivering to the new outcomes framework, after 31 March 2021.
- 5.5 Provide 50% funding (pro rata) up until 1 September 2021, to organisations without sufficient unrestricted reserves that are not delivering to the new outcomes framework, after which funding ceases.

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- 5.6 A small grants fund will also be available to all organisations.
- 5.7 All organisations will be supported with a clear transition plan working towards 2022/23 when new arrangements are introduced in full.

Future Commissioning and Small Grants Funding Model

It is proposed that the Council;

- 5.8 Adopt a commissioning model linked to agreed outcomes, with an associated funding pot totalling £371,000.
- 5.9 Retain a small grants pot totalling £50,000, to be used as part of a 'crowd funding' approach. Officers are in discussion with West Sussex County Council regarding the potential to expand our use of the 'Spacehive' platform for this purpose. The Council already uses Spacehive to allocate Community Infrastructure Levy funding.

Who will our future funding programme focus on?

- 5.10 The current national landscape, shaped by the Covid-19 pandemic, is unpredictable and uncertain. This sits alongside the complex and historic issues already impacting some residents in the town. What we do know is that the needs of our residents and wider communities are evolving and the future funding programme will need to respond positively and robustly.
- 5.11 The commissioned services programme will focus on the following;
- **Known Vulnerable:** might include residents or communities already accessing a number of Council services such as Housing Benefit, Council Tax Reduction, Assisted Bins, Sheltered accommodation, Covid-19 Shielded Cohort. They may already access Council services and/or Council grant funded organisations.
 - **Emerging Vulnerable:** might be residents / communities less known or unknown from existing services, but is likely to include those newer groups and communities who are emotionally, socially, economically disadvantaged either previously or as a direct result of the direct or related impacts of Covid-19.
 - **Future Vulnerable:** this group are those residents/communities who are waiting in the wings if our early intervention and prevention model is passive or reactive. These are today's young and tomorrow's contributing adults.
 - **Voluntary & Community Sector:** this is the network of non-statutory, not for profit organisations and groups whose primary purpose is to deliver community impact.
- 5.12 Breaking the cycle is a critical element so that whilst we support those who are vulnerable now and in the medium term, we will also invest in third sector organisations that can help create more resilient, healthy and empowered individuals and communities.
- 5.13 Services will typically be commissioned for a 2 – 5 year period.
- 5.14 The outcomes we will use for the transitional year are as follows;

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Known Vulnerable

- Reducing homelessness and the impact of homelessness
- Improving health and wellbeing outcomes for those with a dementia diagnosis and their carers

Emerging Vulnerable

- Bringing people closer to the job market and securing employment
- Reducing domestic abuse and violence
- Narrowing inequalities within our diverse community

Future Vulnerable

- supporting those who have experienced adverse childhood experiences to increase educational attainment and achievement and improve social mobility

5.15 All commissioned services will need to include elements that support the mental health and wellbeing of their target client group, using the principles of [Five Ways to Wellbeing](#).

5.16 The small grants programme will have a focus on;

- Fostering greater levels of community connectivity and cohesion

5.17 This fund will be used as a contribution to other fund raising endeavours, such as crowd funding or other grant providers.

Processes and Procedures

5.18 Officers will fully develop a new commissioning and small grants model, with the associated management system, operational procedures and scoring criteria, in readiness for implementation on 1 April 2022.

Grant Awards - Decision Making & Appeals process

5.19 The Council's Constitution makes provision for the Cabinet Member for Public Protection and Community Engagement to determine applications for main grants (i.e. currently above £5,000) by voluntary organisations in accordance with the criteria previously agreed by the Cabinet.

5.20 The Council's constitution also makes provision for the Grants Appeals Panel Functions (pages 25-26) which will be applied in 2021/22.

5.21 For 2022/23 onwards, we will be reviewing the entire process which will include the appeals process. Any proposed changes will be agreed through formal channels.

Voluntary and Community Sector

5.22 Recognising the scale of change these proposals will bring, each organisation will be offered support, appropriate to both need and proportionality, to:

- connecting VCS organisations with the people, partners and resources they need from all sectors to deliver social change
- ensuring the voice of the community and its lived experience is represented through the work of the voluntary and community sector

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- supporting VCS organisations to be resilient and sustainable by developing and delivering an effective, high quality membership offer that provides infrastructure, training, research, consultancy and practical and strategic support to their members
- facilitating a town wide culture of “giving” through the management of an engaging and effective volunteering programme
- leveraging in funding from multiple sources to grow capacity across the sector

6 Implications

6.1 Financial

Report FIN/514 2021/2022 Budget and Council Tax, section 6.4 and Table 5 outlines the long term savings requirement of £212,000, however, as outlined in paragraph 4.4 above, the windfall ‘one off’ Lower Tier Services Grant allows a transition, with a savings requirement of £120,000 in 2021/22. This enables a transition period as outlined above.

6.2 Legal

The Council has entered into a three year contract with Citizens Advice that is due to expire at the end of 2021/22. The third year funding will need to be honoured to avoid any legal and reputational implications for the Council.

6.3 Equalities

An Equalities Impact Assessment will be completed as part of the 2021/22 funding allocation process and will be provided to the Cabinet Member Public Protection and Community Engagement to support the decision making process.

7 Background Papers

[Budget Strategy 2021/22 - 2025/26 FIN/508 Cabinet 25 November 2020](#)
[Provisional local government finance settlement England 2021 to 2022](#)

Report FIN/514 2021/2022 Budget and Council Tax (elsewhere on this Agenda)

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