

Crawley Borough Council

Cabinet

Agenda for the **Cabinet** which will be held in **Ashurst Main Hall - The Charis Centre**, on **Wednesday, 30 June 2021** at **7.00 pm**

**PLEASE NOTE THE LOCATION FOR THIS MEETING.
PARK IN THE REAR CAR PARK**

WI-FI CODE = cc378BCX

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:

Councillors	P K Lamb (Chair)	Leader of the Council
	R S Fiveash	Deputy Leader and Cabinet Member for Resources
	I T Irvine	Cabinet Member for Housing
	G S Jhans	Cabinet Member for Environmental Services and Sustainability
	M G Jones	Cabinet Member for Public Protection and Community Engagement
	C J Mullins	Cabinet Member for Wellbeing
	P C Smith	Cabinet Member for Planning and Economic Development

Safety Protocol for the Meeting

The safety of Councillors, council officers, the public and venue staff is paramount. Consequently social distancing measures will be in operation and face masks will be worn (unless speaking) at all times. Hand sanitising will also be required on entry to the venue. Please follow any one-way system that may be in operation.

Please be aware that the capacity of the venue has been decreased as a result of social distancing. As a result attendance numbers may need to be reduced.

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, councillors are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	7 - 20
To approve as a correct record the minutes of the Cabinet held on 10 March 2021.	
4. Public Question Time	
To answer any questions asked by the public which are relevant to the functions of the Cabinet.	
Public Question Time will be concluded by the Chair when all questions have been answered or on the expiry of a period of 15 minutes, whichever is the earlier.	
5. Further Notice of Intention to Conduct Business in Private and Notifications of any Representations	
The Monitoring Officer will report on any responses to representations received in relation to why item(s) 17 and 18: <i>Telford Place Development Opportunity and Approval to Award a Contract for Professional Services (Architects) - Proposed Housing Sites</i> should not be held in Part B Business – (Closed to the Public).	
6. Matters referred to the Cabinet and Report from the Chair of the Overview and Scrutiny Commission	
To consider any matters referred to the Cabinet (whether by a scrutiny committee or by the Council) and those for reconsideration in accordance with the provisions contained in the Scrutiny Procedure Rules, the Budget Procedure Rules and the Policy Framework Procedure Rules set out in Part 4 of the Council's Constitution.	
7. Treasury Management Outturn 2020 – 2021	21 - 36
<i>The Leader's Portfolio</i>	
To consider report FIN/527 of the Head of Corporate Finance, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.	

	Pages
<p>8. Financial Outturn 2020-2021: Budget Monitoring – Quarter 4</p> <p><i>The Leader's Portfolio</i></p> <p>To consider report FIN/526 of the Head of Corporate Finance, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.</p>	37 - 58
<p>9. Leisure Contract - Extension of Variation Order</p> <p><i>Wellbeing Portfolio</i></p> <p>To consider report HPS/27 of the Head of Major Projects and Commercial Services, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.</p>	59 - 62
<p>10. Extension to Coronavirus Act Protections from Evictions for Crawley Homes</p> <p><i>Housing Portfolio</i></p> <p>To consider report DCE/08 of the Deputy Chief Executive, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.</p>	63 - 66
<p>11. Temporary Accommodation Modular Housing Solution</p> <p><i>Housing Portfolio</i></p> <p>To consider report SHAP/81 of the Head of Strategic Housing Services, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.</p>	67 - 74
<p>12. Forward Programme of Key Procurements (July - December 2021)</p> <p><i>The Leader's Portfolio</i></p> <p>To consider report FIN/525 of the Head of Corporate Finance.</p>	75 - 78
<p>13. Replacement Article 4 Directions (Class MA) in Main Employment Areas</p> <p><i>Planning and Economic Development Portfolio</i></p> <p>To consider report PES/387 of the Head of Economy and Planning.</p>	79 - 88
<p>14. Urgent Action</p> <p>Cabinet Members are requested to note that urgent action has been taken under paragraph 18.3 of the General Committee Procedure Rules of the Constitution in relation to the following:</p>	

District Heat Network's Heat Tariff

The Chief Executive, under the Urgent Action decision making powers set out in the Constitution, agreed on [5 May 2021](#) the District Heat Network's Heat Tariff. This Heat Tariff came into force in May 2021 ahead of the occupation of Geraint Thomas House. This Tariff will be reviewed on an annual basis.

This decision avoided the potential scenario of Geraint Thomas House being occupied without any Heat Tariff being in place. Given the election, taking this decision through normal routes would have led to a delay of a number of weeks making such a scenario likely.

As the decision related to an Executive function, the Chief Executive took the decision in consultation with Councillor Lamb (as Leader of the Council). Councillor Jhans (Cabinet Member for Environmental Services and Sustainability), Councillor P Smith (Cabinet Member for Planning and Economic Development), Councillor Irvine (Cabinet Member for Housing) and Councillor Kim Jaggard as Shadow Cabinet Member for Environmental Services and Sustainability was also consulted.

Council Tax Discount

The Chief Executive, under the Urgent Action decision making powers set out in the Constitution, agreed on [13 May 2021](#) that an additional discretionary council tax discount of up to £150.00 per household may be provided for working age Council tax reduction claimants. This would reduce Council tax bills by up to £150.00 for vulnerable working age residents.

This decision enabled the Council to start implementing an additional discount to help reduce the impact of the pandemic on residents in receipt of Council tax support as soon as possible.

As the decision related to an Executive function, the Chief Executive took the decision in consultation with Councillor Lamb (as Leader of the Council).

15. Supplemental Agenda

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

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

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

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

Part B Business (Closed to the Public)

17.	Telford Place Development Opportunity	89 - 96
	<i>Housing Portfolio</i>	
	Exempt Paragraph 3 <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>	
	To consider report SHAP/82 of the Head of Strategic Housing Services, which was referred to the meeting of the Overview and Scrutiny Commission held on 28 June 2021.	
18.	Approval to Award a Contract for Professional Services (Architects) - Proposed Housing Sites	97 - 102
	<i>Housing Portfolio</i>	
	Exempt Paragraph 3 <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>	
	To consider report DCE/07 of the Deputy Chief Executive.	

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Crawley Borough Council

Minutes of Cabinet

Wednesday, 10 March 2021 at 7.00 pm

Councillors Present:

P K Lamb (Chair)	Leader of the Council
I T Irvine	Cabinet Member for Housing
G S Jhans	Cabinet Member for Environmental Services and Sustainability
C J Mullins	Cabinet Member for Wellbeing
B A Smith	Cabinet Member for Public Protection and Community Engagement
P C Smith	Cabinet Member for Planning and Economic Development and Deputy Leader

Also in Attendance:

Councillor T G Belben, R D Burrett, D Crow and K McCarthy

Officers Present:

Natalie Brahma-Pearl	Chief Executive
Ian Duke	Deputy Chief Executive
Karen Hayes	Head of Corporate Finance
Heather Girling	Democratic Services Officer
Diana Maughan	Head of Strategic Housing
Gill Narramore	Senior Environmental Health Officer
Chris Pedlow	Democratic Services Manager
Nigel Sheehan	Head of Projects and Commercial Services
Clem Smith	Head of Economy and Planning
Kate Wilson	Head of Community Services

1. Disclosures of Interest

The following disclosures of interests were made:

Councillor	Item and Minute	Type and Nature of Disclosure
Councillor Jhans	Proposed Extension of Crawley Air Quality Management Area Boundary (Minute 7)	Personal Interest – Lives in a property that would be covered by the proposed AQMA

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Councillor Lamb	Proposed Extension of Crawley Air Quality Management Area Boundary (Minute 7)	Personal Interest – Lives in a property boarding the proposed AQMA
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2. Minutes

The minutes of the meeting of the Cabinet held on 3 February 2021 were approved as a correct record and signed by the Leader.

3. Public Question Time

The Cabinet received a written question which related to Item 9 Community Grants Allocations 2021/22 from Chris Cheshire (*Resident of Gossops Green, on behalf of Crawley Community Action trustees, beneficiaries & supporters*)

Question –

When the CEO of an organisation which has deservedly retained its funding, acknowledged their debt to Crawley Community Action, he added: ‘Should CCA not exist, it will lead to an increasing disconnect between organisations, impact the community, and leave organisations without a support mechanism.’ Does the Council really want to risk this?

In response Councillor Lamb commented

Issue relates to changes being made to Community Grants. The Council has suffered significant reduction in its income this year as a result of Covid19 and came after further reduction in its income. Obviously, you can't have that source of change without it having an impact and the change in grants was one of the things that was agreed and consulted upon with the public who expressed support for this as way of dealing with the budget gap.

That amount of money for community grants remains far larger than any other council of our type and so it is still a generous amount of money, in addition to a substantial amount of property available to charities.

As part of these proposals Crawley Community Action, otherwise known as Crawley Community Voluntary Service it is proposed that the Council cease funding them and at the time of engagement they seemed to imply they had other sources of funding but certainly the goal of the local authority is to maintain as many charities as possible.

Crawley CVS receives a substantial amount of funding on top of a building at a peppercorn rent from which they can derive an income. They would still have the ability to access funding and maintain the building. It is not being put at risk. But if it was being put at risk the council could provide the services currently being provided by Crawley CVS and do them at a substantial cheaper rate. I am aware there is an independence from the council which is an advantage in terms of promoting voluntary services within the community but that is an independence that is no longer affordable given the Council's financial situation. We can afford to provide the services so there is no risk to the charities seeking support.

Councillor B Smith also responded to the question, stating:

Community grants are at the heart of the community associations, but it is now time given the financial situation to consider where money is attributed. However, the Council will always be available to offer support.

NB: A copy of the responses will be sent to the questioner.

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

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

5. "One Town" - Draft Crawley Economic Recovery Plan

The Cabinet Member for Planning and Economic Development presented report [PES/385](#) of the Head of Economy and Planning. The report sought approval on the Council's draft Economic Development Recovery Plan (Plan) and for agreement to go out for public consultation. Councillor P Smith emphasis the purpose of the Plan was to show the clear direction of the Council in supporting the Town's recovery from the significant impact of Covid on the economy. By going out to consult on the draft Plan, it shows our partners, key stakeholders and business, what our thought were on the recovery to ensure ours align with theirs. As it was a draft, following feedback from the consultation, the Plan can then be adapted to ensure it was working for the best interest of all in the recovery of the Borough and its future. A further benefit of having a clear deliverable approach, endorsed by our partners, should allow the Council to access various pots of funding, such as the Town's Fund which was later the agenda, to ensure our aspirations were achieved.

Councillor P Smith then highlighted to the Cabinet that there had a been a proposed amendment to the draft Plan, to add in two futher bullet points and a slight revision to the recommendation. The rationale behind the changes were to strengthen the Plan by aligning in closer to the Council's Local Plan.

Councillor T Belben presented the Overview and Scrutiny Commission's comments on the report [OSC/294](#) to the Cabinet following consideration of the matter at its meeting on 8 March 2021, which were in support of the draft Plan but requested that the final version of the Plan return to the Commission before its ratification.

Councillor Crow was invited to speak on the item

Councillors Irvine and Jhans also spoke as part of the discussion on the report.

Councillor Lamb moved the report included the proposed changes which was seconded by Councillor P Smith.

A recorded vote was taken on the amended recommendation in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

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For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet approves, to go out to public consultation for a period of six weeks, the draft Crawley Economic Recovery Plan (Appendix A to report [PES/385](#)) subject to the following amendments shown in **bold** below, being included to Recovery Plan in order to emphasise findings from the Local Plan review:

- Add to slide 3 – Crawley’s “One Town” Vision for 2050 the following bullet point: **‘new sites to provide for all Crawley’s employment growth sectors and help boost jobs for residents’**
- Add to slide 6 – *Plan to Restore Economic Success Post COVID-19, under “Structural Challenges”*: **‘Limited overall available employment land supply’**

Reasons for the Recommendations

Cabinet approval is sought to go out to public consultation in order to seek feedback and input to help develop the draft Plan and to secure broad support for the proposals.

Crawley’s Local Plan Review process has included a thorough Economic Growth Assessment and an Employment Land Availability Assessment to ensure the Borough’s projected economic growth can be accommodated and this reveals that Crawley has a forecast employment land deficit over the period to 2037 and that as a result additional employment land allocations will be required”.

6. West Sussex Health and Care in Housing Memorandum of Understanding

The Cabinet Member for Housing presented report [SHAP/80](#) of the Head of Strategic Housing Services which sought endorsement for a proposal for local NHS partners to work together with West Sussex Local Authorities to develop a local agreement in the form of a Memorandum of Understanding (MOU). The MOU would form a statement of ambition and intent for future working and collaboration between health, housing and social care in planning for and meeting need at a local level.

Councillor Irvine commented that what the MOU did finally was to acknowledge that there was a clear link between poor housing and poor health and the only way to address this was with a joined-up approach. It was noted that there are 6 needs assessment, as shown in Section 6.5 of the report [SHAP/80](#), including tackling rough sleeping, that the MOU would be focusing upon. It was acknowledged that the MOU was the first step in a long process, but an important first step of the joint approach.

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Councillor T Belben presented the Overview and Scrutiny Commission's comments on the report [OSC/294](#) to the Cabinet following consideration of the matter at its meeting on 8 March 2021, which included:

- The Commission being pleased that the MOU would provide an opportunity to challenge rough sleeping in a sustained way and encourage agencies to provide support.
- That the MOU would provide a platform to engage with health services and providers to address the previous difficult challenges relating to mental health services and providing effective support long term.

Councillors Mullins also spoke on as part of the discussion on the report.

Councillor Lamb moved the report which was seconded by Councillor Irvine and in doing so thanked the Strategic Housing Team for the work it had done during the pandemic especially regarding rough sleepers.

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None.

Abstentions:

None.

RESOLVED

That the Cabinet:

- a) endorses and agrees the development of a local health, housing and social care MOU based on the priorities for action set out in 6.5 of report [SHAP/80](#), drawn from existing Council strategies.
- b) delegates authority to the Head of Strategic Housing Services to act as signatory to the MOU and any associated protocols arising from it on the Council's behalf and to approve any revisions required to ensure it continues to reflect the Council's priorities.

(Generic Delegation 3 will be used to enact this recommendation).

Reasons for the Recommendations

Historically achieving the effective engagement of health service partners in addressing the often-complex needs of those trying either to access accommodation or to sustain their existing accommodation has proved challenging.

A clear and shared understanding of a set of key commitments by health, social care and housing partners to address the greatest needs across local communities would

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complement, support and work alongside existing strategies, including the Council's Homelessness and Rough Sleepers Strategy, in delivering improved outcomes and preventing and relieving homelessness.

The development of a local Health, Social Care and Housing MOU provides a reset opportunity for our relationship with health partners and a platform for improved engagement.

7. Proposed Extension of Crawley Air Quality Management Area Boundary

The Cabinet Member for Environmental Services and Sustainability presented report [HCS/25](#) of the Head of Community Services which reported back on the recent consultation on a proposed variation to the designated boundary area of the Crawley Borough Council Hazelwick Air Quality Management Area (AQMA). The consultation occurred following the recording of pollution limits for nitrogen dioxide (NO₂) in the Hazelwick area were higher than as recommended by the Air Quality Regulations 2000. Previously the Council designated a Hazelwick AQMA order on 9 July 2015 and part of the consultation was to consider where any new AQMA should be covering. The report recommendation was to approve a new Hazelwick AQMA order which included an extension of the previous AQMA to allowed for a joined-up approach across all the locations within Hazelwick vicinity.

Councillor T Belben presented the Overview and Scrutiny Commission's comments on the report [OSC/294](#) to the Cabinet following consideration of the matter at its meeting on 8 March 2021, which included:

- That the Commission support the recommendation of the AQMA and acknowledged that even through the air quality had improved during lockdown, it was important to continue to monitor going forward.
- It was recognised that having an AQMA was a recommendation within the recent Climate Change Scrutiny Panel final report

Councillors P Smith, Crow and Lamb spoke in favour of the recommendations as part of the discussion on the report.

Councillor Jhans moved the recommendation with it seconded by Councillor Lamb.

A recorded vote was taken on the recommendations, in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet:

- a) notes and acknowledge that it appears following the annual review and assessment of air quality, that the annual mean nitrogen dioxide objective as specified in the Air Quality Regulations 2000 is not being achieved within the area outlined in red on the plan in Schedule 1 of Appendix A of report [HCS/25](#) (comprising the whole of the designated area under the Hazelwick AQMA and an area adjacent thereto) and;
 - b) agrees to extend the designated area of the existing Hazelwick AQMA by making an order pursuant to section 83 of the Environment Act 1995 in the terms set out in the draft at Appendix A to report [HCS/25](#).

Reasons for the Recommendations

The council has a statutory duty under the Environmental Act 1995 to declare an Air Quality Management Area in areas where, following an air quality review, it appears that any of the National air quality objectives are not being met.

The Council monitors and reviews air quality across the borough annually to identify those areas where prescribed air quality objectives, are being, or are likely to be, exceeded. Having identified locations in this area that are exceeding the limits for annual average nitrogen dioxide, the Council has a duty to declare an AQMA.

Declaring the AQMA, enables an air quality action plan to be produced to target the sources of pollution in the locality and draw up measures to improve air quality in this area.

8. Community Grants Allocations

The Leader presented report [HCS/27](#) of the Head of Community Services. The report sought approval for the Community Grants applications to the voluntary and community sector for 2021/2022.

The Leader explained that the report sets out the proposed approach for the dealing with the community grants in the future, with the majority of the grants being used to essentially contracting in services from charities and 3rd Sector organisations. That contracting or commissioning would be for key part of the Town's infrastructure particularly in where the Borough Council plays a significant role such as housing and homelessness, where Open House for example would receive funding. The remained would be based on a crowdfunding model which would allow residents to access funding for the voluntary services, as long as other residents were also supporting that proposal. This was a new approach the Council was using and may change going forward, but this revised approach has been required as the Council has had to reduce the Grant funding by a third recently. The Commission has asked to keep an eye on how the approach was going and that was fine and appropriate.

Councillor T Belben presented the Overview and Scrutiny Commission's comments on the report [OSC/294](#) to the Cabinet following consideration of the matter at its meeting on 8 March 2021, which included:

- The Commission confirming their support of the proposed approach and that they would like to key an eye on how the new grant process proceed.
- The Commission acknowledged that the Council's grant funding pot was still large and generous compared to most Borough and District Councils.

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- Regarding CCA the Commission was reassured that they had alternative means of funding and reserve that could be used to continue their activities.

Councillor Lamb moved the report included the proposed changes which was seconded by Councillor B Smith.

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet approves the allocation of Community Grants in 2021/22, as is set out the table in paragraph 5.9 of report [HCS/27](#).

Reasons for the Recommendations

The recommendation supports the Council to achieve a balanced budget position for 2021/22 onwards.

It responds to the approach agreed at Cabinet on 3 February 2021, that the implementation of a transitional year that supports the Council to develop and implement a high quality, outcome focused commissioning and small grants programme from 2022/23 onwards that can better respond to our community's needs.

It takes into account the needs of the organisations that we currently fund by factoring in their ability to deliver to the stated outcomes and their current financial position, in determining individual allocations. Alongside this, our intention is to provide support to organisations to build capacity and resilience through the development of dedicated transition plans, in readiness, where appropriate, for the 2022/23 funding programme.

9. Annual Community Infrastructure Levy (CIL) Statement

The Cabinet Member for Planning and Economic Development presented report [PES/370](#) of the Head of Economy and Planning. Councillor P Smith introduced the report which provided an update on the collection and administration of CIL monies together with seeking approval for the proposed CIL strategic infrastructure spend priorities and extension to the Spacehive contract.

Councillor Lamb moved the report which was seconded by Councillor P Smith

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A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet:

- a) notes the funds received to date and the need to revisit CIL income calculations on Local Plan viability grounds.
- b) notes the outcome of the WSCC budget review which will impact upon the current arrangements for managing the Neighbourhood Improvement Strand of CIL funding through Crowdfund Crawley.
- c) approves that the proposed CIL strategic infrastructure spend priorities to end March 2025 (Section 7.4 of report [PES/370](#)) remain as per the previous year 2020/21.
- d) approves that the Infrastructure Business Plan (Appendix A of report [PES/370](#)), including the funding programme, will continue to be reviewed on an annual basis to take into account any changes in strategic infrastructure priorities and fluctuations in CIL receipts compared to the forecast. The next review is proposed to take place in March 2022
- e) approves a one-year extension to the Spacehive contract to continue the "Crowdfund Crawley" initiative, pending a review of the community grants programme by Community Development.

Reasons for the Recommendations

To provide clarity on the way forward for Crawley's Infrastructure Business Plan and the priority schemes for the CIL Strategic Infrastructure strand spend.

To ensure continuity for the ongoing delivery of the "Crowdfund Crawley" initiative, pending the above community grants programme review.

10. Procurement Shared Service Extension

The Leader presented report [FIN/519](#) of the Head of Corporate Finance. The report sought approval for the procurement shared service model to continue for a further four years with an option to extend for a further four years from 1 April 2022 with

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Crawley acting as the lead authority, providing services under an Inter-Authority Agreement on behalf of Horsham, Mid Sussex and Mole Valley District Councils.

Councillor Crow also spoke in support of the report and the continuing good work of the shared service

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

Councillor Lamb moved the recommendation with it seconded by Councillor P Smith.

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet

- a) approves that Crawley Borough Council continue to act as lead authority and provide procurement services on behalf of Horsham District Council, Mid Sussex District Council and Mole Valley District Council from 1 April 2022.
- b) agrees to the provision of services under an Inter-Authority Agreement for a minimum period of four years commencing on 1 April 2022 to 31 March 2026 with an option to extend for a further period of up to four years.
- c) agrees to accept a delegation from Horsham District Council, Mid Sussex District Council and Mole Valley District Council of their procurement functions under Section 101 of the Local Government Act 1972.
- d) delegates authority to the Head of Legal, Governance and HR and Head of Corporate Finance to agree the terms of the Inter-Authority Agreement which reflects the principles outlined in the report.
- e) delegates to the Head of Legal, Governance and HR, and Head of Corporate Finance the ability to apply the four-year extension at the end of the initial term subject to performance review and in consultation with the Leader of the Council.

Reasons for the Recommendations

The current joint working arrangement with Horsham District Council, Mid Sussex Council and Mole Valley District Council is due for renewal on 31st March 2022 and therefore there is a need for Members to agree how procurement services will be provided in the future in order to give partners assurance that services will continue beyond this date.

11. Microsoft Enterprise License Agreement 2021-24

The Cabinet Member for Planning and Economic Development presented report [DAT/04](#) of the Head of Digital and Transformation. Councillor P Smith introduced the report sought approval for procuring IT software licensing and services to ensure required governance and approvals continue via a framework procurement exercise for a key fundamental system for the Council.

Councillor Lamb moved the report which was seconded by P Smith.

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet delegates

- a) authority to the Head of Digital and Transformation (in consultation with the Cabinet Member for Planning and Economic Development) to approve the award of the contract for the renewal of the Council's Microsoft Licenses following the appropriate procurement process (within the appropriate existing budgets).
- b) the negotiation, approval and completion of the all the relevant legal documentation following the award of contract to the Head of Digital and Transformation, Head of Legal, Governance & HR, in consultation with the Cabinet Member for Planning and Economic Development.

(Generic Delegation 2 & 3 will be used to enact this recommendation).

Reasons for the Recommendations

To provide a key decision that will enable the procurement process to be awarded under delegated authority once the tender process has concluded.

12. Leisure Contract - Extension of Variation Order

The Cabinet Member for Wellbeing presented report [HPS/26](#) of the Head of Major Projects and Commercial Services. The report sets out the arrangements the Council has entered into with Everyone Active (EA) following the initial lockdown in March

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2020 and recommends the Council extend the variation order to facilitate the continued opening of the leisure centres over the period 1 April 2021 – 30 June 2021.

Councillor Lamb moved the report and presented the report with Councillor Mullins seconding also commenting on the report.

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet approves the extension of the contract variation with Everyone Active under the terms set out in section 5.9 of this report [HPS/26](#).

Reasons for the Recommendations

The recommendation facilitates the re-opening of the leisure centres from 29 March 2021 and the phased opening of additional facilities over the coming months in accordance with the Government announcement on 22 February 2021 and in accordance with Procurement Policy Note 02/20 (Supplier Relief Due to Coronavirus).

13. Crawley Town Investment Plan - Draft Heads of Terms

The Cabinet considered an urgent report [PES/386](#) of the Head of Economy and Planning, which had been protected from Call-in by the Chief Executive. The Leader introduced the report stating the Council had been awarded provisionally £21.1m, which would be made available in April 2022. To access the funding the Council was required to sign the Heads of Terms along with the Crawley Town Deal Board (CTDB) and return them to the Government by the end of the month. As a result of this tight timescale the report had to be dealt with under urgency provisions and also protected from Call-in. The report sought delegated approval for the Chief Executive to sign the Crawley Town Deal Heads of Terms and return to Government, subject to the prior approval of the CTDB.

Councillor T Belben presented the Overview and Scrutiny Commission's comments on the report [OSC/294](#) to the Cabinet following consideration of the matter at its meeting on 8 March 2021, which included:

- Recognition that Crawley was one of 101 towns across England to have been selected to benefit from the government's Towns Fund budget. Crawley was one of 4 towns in south east England to have been selected and awarded £21.1m for the Crawley Town Investment Plan.

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Cabinet (49)
10 March 2021

- It was hoped alternative funding sources could be obtained for the balance of the programme.
- General support for the report and funding. Appreciation was noted for the work undertaken by officers and partners in order to compile the submission

Councillor Lamb moved the report, which Councillor P Smith seconded and spoke in support of the report.

A recorded vote was taken on the recommendations in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, are recorded as set out below:

For the recommendations:

Councillors Irvine, Jhans, Lamb, Mullins, B Smith and P Smith (6)

Against the recommendations:

None. (0)

Abstentions:

None. (0)

RESOLVED

That the Cabinet:

- a) authorise the Chief Executive to sign the Crawley Town Deal Heads of Terms, as set out in Appendix A to report [PES/386](#).
- b) delegates authority to the Chief Executive in consultation with the Leader of the Council and the Leader of the Opposition to submit to government on behalf of the Council further details of the plans and budget profiles for the individual projects within the Crawley Town Deal and a plan to address the Heads of Terms key conditions.

Reasons for the Recommendations

In order to be able to respond to the government by their set deadline of 24 March, Cabinet is requested to authorise the Chief Executive to sign and return the Crawley Town Deal Heads of Terms document, subject to Crawley Town Deal board sign off.

Closure of Meeting

With the business of the Cabinet concluded, the Chair declared the meeting closed at 8.20 pm

P K LAMB
Chair

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Crawley Borough Council

Report to Overview and Scrutiny Commission
28 June 2021

Report to Cabinet
30 June 2021

Treasury Management Outturn 2020-2021

Report of the Head of Corporate Finance – **FIN/527**

1. Purpose

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2020/21 the minimum reporting requirements were that the Full Council should receive the following reports:
- an Annual Treasury Strategy in advance of the year (Council 24/02/2020, FIN/493)
 - a mid-year treasury update report (Council 16/12/2020, FIN/512)
 - an annual review following the end of the year describing the activity compared to the Strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Overview and Scrutiny Commission before they were reported to the Full Council.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet

The Cabinet is recommended to:

- a) To approve the actual 2020/21 Prudential and Treasury Indicators as set out in the report;
- b) To note the Annual Treasury Management Report for 2020/21.

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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 an annual review following the end of the year describing the activity compared to the Strategy. This report complies with these requirements.

4. The Council's Capital Expenditure and Financing

- 4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions, etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 4.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund £'000	2019/20 Actual	2020/21 Budget	2020/21 Actual
Capital expenditure	13,691	44,045	19,514
Non-financial investments	7,487	6,000	0
Financed in year	21,178	44,224	19,514
Unfinanced capital expenditure	0	5,821	0

HRA £'000	2019/20 Actual	2020/21 Budget	2020/21 Actual
Capital expenditure	32,079	28,771	22,703
Financed in year	32,079	28,771	22,703
Unfinanced capital expenditure	0	0	0

5. The Council's Overall Borrowing Need

- 5.1 On 31st March 2021, the Council had net borrowing of £151.231m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

£'000	31 March 2021 Actual
CFR General Fund	0
CFR HRA	260,325
Total CFR	260,325
External borrowing	260,325

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£'000	31 March 2021 Actual
Internal borrowing	0
Less: Usable reserves	95,687
Less: Working capital	13,407
Net borrowing	151,231

- 5.2 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing.
- 5.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.
- 5.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 5.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

General Fund £'000	2020/21
Authorised limit	10,000
Maximum gross borrowing position during the year	0
Operational boundary	0
Average gross borrowing position	0
Financing costs as a proportion of net revenue stream	-4.23%

HRA £'000	2020/21
Authorised limit	260,325
Maximum gross borrowing position during the year	260,325
Operational boundary	260,325
Average gross borrowing position	260,325
Financing costs as a proportion of net revenue stream	16.03%

6. Treasury Position as at 31 March 2021

- 6.1 The treasury management position at 31st March 2021 and the change during the year is shown in the table below.

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Treasury Management Summary	31.3.20 Balance £000	Movement £000	31.3.21 Balance £000	31.3.21 Rate %
Long-term borrowing	260,325	0	260,325	3.2
Short-term borrowing	0	0	0	0
Total borrowing	260,325	0	260,325	3.2
Long-term investments	10,000	5,000	0	0
Short-term investments	71,900	5,100	92,000	0.47
Cash and cash equivalents	15,911	1,183	17,094	0.02
Total investments	97,811	11,283	109,094	0.4
Net borrowing	162,514	(11,283)	151,231	

The maturity structure of the debt portfolio was as follows:

	31 March 2020 Actual £000	2020/21 Original Limits	31 March 2021 Actual £000
Under 12 months	0	10%	0
12 months and within 24 months	0	10%	11,000 (4%)
24 months and within 5 years	36,000 (14%)	20%	38,000 (15%)
5 years and within 10 years	80,000 (31%)	40%	86,000 (33%)
10 years and within 20 years	144,325 (55%)	55%	125,325 (48%)
20 years and within 30 years	0	10%	0
30 years and within 40 years	0	10%	0
40 years and within 50 years	0	10%	0

7. Borrowing Update and Outturn for 2020/21

- 7.1 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

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Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

- 7.2 Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December 2020 after the reduction in PWLB borrowing rates.

If the Council intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

- 7.3 UK Infrastructure Bank: In his March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other “high value and complex economic infrastructure projects” may also be considered.
- 7.4 At 31st March 2021 the Council held £260.325m of loans, no change from 31st March 2020, which was all for the HRA self-financing settlement.
- 7.5 The Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council’s long-term plans change being a secondary objective.
- 7.6 In keeping with these objectives, no new borrowing was undertaken.

8. Investment strategy and control of interest rate risk

- 8.1 Through 2020/21 the Council received central government funding to support small and medium businesses during the Coronavirus pandemic through grant schemes. £28m was received, temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. £20m was disbursed by the end of March 2021.
- 8.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council’s investment balances ranged between £97.8 and £147.5 million due to timing differences between income and expenditure. The investment position is shown in the table below.

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INVESTMENT PORTFOLIO	Actual 31 March 2020 £000	Net Movement £000	Actual 31 March 2021 £000	31 March 2021 Income Return %	31 March 2021 Weighted Average Maturity Days
Treasury investments					
UK Banks	6,301	(5,807)	494	0%	1
Overseas Banks	20,900	(20,900)	0	0%	0
Local authorities	61,000	31,000	92,000	0.47%	169
Money Market Funds	9,610	6,990	16,600	0.02%	1
TOTAL TREASURY INVESTMENTS	97,811	11,283	109,094	0.40%	143

- 8.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum 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.
- 8.4 Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 8.5 Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.
- 8.6 The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.
- 8.7 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

Investments managed in-house	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	3.94	AA-	30%	151	1.00
31.03.2021	4.56	A+	16%	143	0.40
Similar Las	4.63	A+	65%	40	0.13
All LAs	4.63	A+	63%	14	0.15

- 8.8 Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Council had expected to receive significantly lower income from its cash and short-dated money

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market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent.

9. Non-Treasury Investments

9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Investment Guidance issued by Ministry of Housing, Communities and Local Government's (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return.

9.2 The Council also held £20.898m of such investments.

A full list of the Council's non-treasury investments is available in Appendix 2.

9.3 These investments generated £1.121m of investment income for the Council after taking account of direct costs, representing a rate of return of 5.36%.

10. Investment Outturn for 2020/21

10.1 **Investment Policy** – the Council's investment policy is governed by Government guidance, which was been implemented in the annual investment strategy approved by the Council on 24 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks and credit default swaps.

10.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

10.3 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows.

Balance Sheet Resources (£'000)	31 March 2020	31 March 2021
General Fund Balance	5,239	5,239
HRA Balance	3,198	3,198
Earmarked reserves (Appendix 3)	13,927	33,222
Major Repairs Reserve	15,875	22,868
Usable capital receipts	37,103	31,160
Working capital	22,469	13,407
Total	97,811	109,094

10.4 **Investments held by the Council** - the Council maintained an average balance of £117,647,298 of internally managed funds. The internally managed funds earned an average rate of return of 0.58%. The comparable performance indicator is the average 7-day LIBID rate + 0.2, which was 0.15%. This compares with a budget assumption of £64,521,000 investment balances earning an average rate of 0.95%. See appendix 2 for a list of investments held at 31 March 2021. Revisions of the capital programme in the year (see 4.2) led to higher investment balances than budgeted. The lower rates of return are discussed in paragraph 5.2 and appendix 1.

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11. Implications

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

12. Background Papers

[Treasury Management Strategy for 2020/2021 – Cabinet, 5 February 2020; OSC, 3 February 2020 \[FIN/493 refers\]](#)

[Treasury Management Mid-Year Review 2020/21 – Cabinet, 25 November 2020; OSC, 23 November 2020 \[FIN/512 refers\]](#)

Report author and contact officer: Carey Manger, Finance Business Partner (01293 438021)

Economic background

The Coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major

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pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets

Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

Credit review

After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK

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APPENDIX 1

institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Detailed holdings at 31 March 2021

APPENDIX 2

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating	
UK BANKS										
Lloyds Bank plc	20		01/04/2021	1	0.000%	0.494	0.494	10.000	A+	
LOCAL AUTHORITIES										
Ashford Borough Council	2631	21/01/2021	21/04/2021	21	0.070%	5.000	5.000	15.000	A+	
Babrergh District Council	2646	26/03/2021	26/05/2021	56	0.090%	4.000	4.000	15.000	A+	
Blackburn with Darwen BC	2617	28/01/2021	28/07/2021	119	0.200%	5.000	5.000	15.000	A+	
Cambridgeshire CC	62	03/01/2020	04/01/2022	279	1.600%	3.000				
	2627	18/01/2021	17/01/2022	292	0.400%	2.000	5.000	15.000	A+	
Cheshire West and Chester Council	2604	02/11/2020	01/11/2021	215	0.300%	5.000	5.000	15.000	A+	
Derbyshire County Council	2605	29/10/2020	28/10/2021	211	0.250%	5.000	5.000	15.000	A+	
Dumfries & Galloway Council	60	02/12/2019	02/12/2021	246	1.350%	5.000	5.000	15.000	A+	
London Borough Of Hillingdon	2623	21/12/2020	20/12/2021	264	0.250%	5.000	5.000	15.000	A+	
Kingston-Upon-Hull City Council	36	02/12/2013	02/12/2021	246	2.750%	5.000	5.000	15.000	A+	
Kirklees Metropolitan Council	2622	15/01/2021	07/05/2021	37	0.080%	5.000	5.000	15.000	A+	
London Borough of Barking and Dagen	2640	22/02/2021	23/08/2021	145	0.100%	5.000	5.000	15.000	A+	
Merthyr Tydfil County BC	2630	27/11/2020	27/05/2021	57	0.100%	3.000	3.000	15.000	A+	
Monmouthshire County Council	2632	23/12/2020	23/06/2021	84	0.110%	5.000	5.000	15.000	A+	
North Lanarkshire Council	2625	09/11/2020	09/08/2021	131	0.200%	3.000				
	2639	05/03/2021	06/12/2021	250	0.080%	2.000	5.000	15.000	A+	
Redcar & Clevedon Borough Council	2626	02/12/2020	02/12/2021	246	0.300%	5.000	5.000	15.000	A+	
Slough Borough Council	2620	30/10/2020	29/10/2021	212	0.300%	2.000				
	2621	19/11/2020	19/11/2021	233	0.300%	3.000	5.000	15.000	A+	
South Ayresshire Council	2633	11/12/2020	13/09/2021	166	0.250%	5.000	5.000	15.000	A+	
Surrey Heath Borough Council	2628	14/12/2020	14/06/2021	75	0.100%	3.000	3.000	15.000	A+	
Woking Borough Council	2619	19/10/2020	18/10/2021	201	0.300%	5.000	5.000	15.000	A+	
Wyre Forest District Council	61	10/12/2019	10/12/2021	254	1.400%	2.000	2.000	15.000	A+	
MONEY MARKET FUNDS										
Aberdeen Liquidity Fund	5		01/04/2021	1	0.010%	3.300	3.300	6.000	AAA	
The Public Sector Deposit Fund	6		01/04/2021	1	0.039%	7.000	7.000	15.000	AAA	
Federated Prime Rate Cash Man	1		01/04/2021	1	0.010%	6.300	6.300	6.000	AAA	

						143				

						109.094				

Counter Party	Deal Ref	Issue	Maturity	Days to Mature	Interest Rate	Nominal (£m)	Total (£m)	Limit (£m)	Rating
INVESTMENT PROPERTIES									
		Ashdown House					9.170		
		Ask High Street					1.183		
		Atlantic House					4.909		
		Kingsgate Car Park					5.636		
							----- 129.992 -----		

Earmarked Reserves

	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
General Fund:				
Capital Programme	3,555	(3,555)	2,242	2,242
Restructuring Impact Reserve	695	(295)	-	400
Vehicles and Plant	443	(203)	775	1,015
Insurance Fund	378	-	-	378
ICT Replacement	70	-	100	170
Specialist Equipment at K2 Crawley and Hawth	66	-	100	166
Risk Management	182	(82)	75	175
Quick Wins	18	(18)	-	-
Heritage Strategy	28	(10)	-	18
Pathfinder	24	-	-	24
Local Development Framework	396	(153)	200	443
Health & Wellbeing Grant	156	(8)	22	170
Connecting Communities	56	(8)	-	48
Homeless grant	81	-	60	141
Town Centre and Regeneration Reserve	96	-	28	124
Waste Collection	226	-	-	226
Worth Park HLF	33	-	-	33
Grant to voluntary organisations	75	(75)	24	24
Welfare Reform	200	(131)	194	263
Transparency	11	(11)	9	9
Shore gap fund	7	-	-	7
Tilgate Park Investment	8	(8)	-	-
New Museum	80	(20)	-	60
Town Centre Partnership	25	(25)	-	-
Town Centre Markets	14	(14)	-	-
EU Exit Funding	338	-	-	338
Park Improvement Fund	-	-	87	87
Business Rates Pool Cycling	60	-	55	115
Homeless Accommodation Acquisition	699	-	830	1,529
Queen Square	381	-	-	381

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APPENDIX 3

	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
Supported Accommodation	120	-	-	120
Town Funds	173	(1,039)	1,000	134
Covid Expenses	41	(604)	1,208	645
HMO Licenses	-	-	21	21
CBC Earmarked Reserves	8,735	(6,259)	7,030	9,506
Business Grants and Isolation Payments	-	-	1,813	1,813
Council Tax Income Guarantee	-	(52)	133	81
Business Rates Equalisation	5,192	-	16,629	21,821
Total Earmarked Reserves	13,927	(6,311)	25,605	33,221

Other Information

CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

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Crawley Borough Council

Report to Overview and Scrutiny Commission
28th June 2021

Report to Cabinet
30th June 2021

Financial Outturn 2020/2021: Budget Monitoring - Quarter 4

Report of the Head of Corporate Finance **FIN/526**

1. Purpose

- 1.1 The report sets out a summary of the Council's actual revenue and capital spending for the financial year to March 2021. It identifies the main variations from the approved spending levels and any potential impact on future budgets. The report also gives an update of useable reserves.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet:

The Cabinet is recommended to:

- a) **Note the outturn for the financial year 2020/21 as summarised in this report.**
- b) **To note that this has been an exceptional year where it has been very difficult to do accurate financial projections.**

The Cabinet is recommended to ask Full Council to:

- c) **Agree to increase the capital budget for purchase of temporary accommodation from £1.1m to £2.4m to be funded from specific homelessness grants, revenue and earmarked reserves for purchase of such properties.**
- d) **Agree to the transfers of reserves as outlined in section 9 of this report.**

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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. The financial year 2020/2021 was exceptionally difficult to project accurately due to the impact of the pandemic on the Council's finances together with Government support.
- 4.3 This report outlines the projected outturn for 2020/2021 as at the end of March 2021.
- 4.4 As discussed in both the [Budget Strategy](#), which was considered by the Cabinet on 25th November 2020, and the [Budget Report](#) due to the pandemic it is very difficult to project on our finances. There are some significant variances outlined below. However, the financial position at the year-end is much better than anticipated earlier on in the financial year. Savings and efficiencies of £1.775m were identified very early on at the beginning of the first lockdown, without these we would financially be in a much worse position.

5. Budget Monitoring Variations

5.1 General Fund

The table below summarises the projected variances in the relevant Portfolio at Quarter 4. This shows an underspend of £1.272m against the original budget.

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

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	Actual Variance at Quarter 4		Variance projected at Quarter 3
	£'000		£'000
Cabinet	(179)	F	(51)
Public Protection & Community Engagement	(68)	F	(61)
Environmental Services & Sustainability	192	U	449
Housing	625	U	856
Wellbeing	1,696	U	2,066
Planning & Economic Development	(103)	F	(5)
Investment Interest	(25)	F	(66)
Covid Grants Received	(3,492)	F	(3,079)
Levy Account Surplus	82	U	0
TOTAL (SURPLUS)/DEFICIT	(1,272)		109

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

Significant Quarter 4 variances over £50,000

5.1.1 Cabinet

There are additional anticipated audit fees of £83,000 (£32,000 reported at Quarter 3). The main audit fee for 2019/20 was £90,824 which was £40,000 more than budget. This is still to be approved by PSAA and has been reported to the [Audit Committee](#) on 29th April 2021. There have also been additional costs on the housing benefit certification, there were additional tests required to do the certification due to increased errors by the team.

Vacancies within Finance and Procurement have produced an in-year underspend of £61,000. Multiple recruitment campaigns have been unsuccessful.

5.1.2 Public Protection & Community Engagement

There are no significant variations to report this quarter.

5.1.3 Environmental Services & Sustainability Services

Additional income has been received following discussions with West Sussex County Council regarding the provision of the on-street parking service. The increased fee represents a contribution by WSCC to overhead charges incurred as a result of the agreement. This income is ongoing and will help offset reduced income from car parking.

The shrub bed regeneration team have had difficulties recruiting to fixed term contracts resulting in an underspend on £57,000.

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5.1.4 Housing Services

The projections on housing benefits at quarter 3 were more pessimistic than the actual position at the end of the financial year. This was in part due to furlough and also the level of unrecovered overpaid benefits was less than anticipated. Over £33 million was paid in housing benefits in the financial year.

5.1.5 Wellbeing

Vacancies within the Finance team have delayed the recognition of income received at Tilgate Park. This had made projections difficult and resulted in the park overspend being less than originally forecast. The total overspend is now £296,000

The continued closure of Play sites due to Covid-19 restrictions has decreased the need for casual staff. Additionally, the earlier than anticipated return of pre-schools has generated more income than forecast at quarter 3. The total in year underspend is now £166,000.

A successful bid for Sports England funding has been used to offset the additional costs of providing support to Everyone Active. £83,000 has been utilised in the 2020/21 in accordance with Sport England guidance.

5.1.6 Planning & Economic Development

Expected lease renewals have not been completed by the end of the financial year leading to anticipated back rent not yet being received. This was due to staff vacancies within the commercial assets team.

After a very long negotiation process with a supplier, there is a further underspend of £305,000 relating to the data centre, net of other costs in ICT. This relates to charges in 2020/21 and earlier financial years.

5.1.7 Investment Income

Interest of £40,130 was paid to HMRC due to late payment of VAT on disposal of land.

5.1.8 Additional Funding

Funds of £455,288 are expected to be approved shortly. Government is 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. There were no virements in the period.

7. Council Housing Service – Revenue

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

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HOUSING REVENUE ACCOUNT

	Q4 Variation £000's		Q3 Variation £000's
<u>Income</u>			
Rental Income	650	U	555
Other Income	(15)	F	7
Interest Received on balances	(152)	F	27
	483		589
<u>Expenditure</u>			
Employees	(125)	F	(82)
Repairs & Maintenance	(666)	F	(531)
Other running costs	(70)	F	(99)
Support services	0		0
	(861)	F	(712)
Net (Surplus) / Deficit	(378)	F	(123)
Transfer to the Housing Investment Reserve	378		123

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

7.1 Rental Income

Delays to the letting of units at Bridgefield house, combined with a staggered approach to minimise the potential risk of Covid-19 transmission has increased the in-year deficit on housing rents to £650,000.

7.2 Interest

The variation was due to interest on deferred receipts from shared equity properties which was not calculated until the end of the year.

7.3 Repairs and Maintenance

Poor weather and ongoing Covid-19 restrictions have caused further delays with planned external redecoration and painting works; the total underspend is now £563,000.

7.4 Other Running Costs

Licenses for the new HRA database have not been purchased in year as originally anticipated, this has resulted in an underspend of £50,000.

Due to the current economic uncertainty the bad debt provision for rental income has been increased by £106,000.

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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.

	Original Budget 2020/21	Revised Budget 2020/21	Outturn 2020/21	Under/ (over)spend	Re-profiled to/(from) future years
	£000's	£000's	£000's	£000's	£000's
New Town Hall Redevelopment Programme– Joint responsibility	26,604	17,298	17,734	0	(436)
Environmental Services & Sustainability	399	400	310	0	90
Housing Services	4,973	3,364	842	0	2,522
Planning & Economic Development	16,521	714	306	0	408
Wellbeing	1,548	577	322	0	255
Total General Fund	50,045	22,353	19,514	0	2,839
Council Housing	28,771	27,697	22,703	42	4,952
Total Capital	78,816	50,050	42,217	42	7,791

The original budget was £78.816m which has been revised during the year and reduced to £50.050m with the changes being reported to Cabinet each quarter. The main reasons for the movement between the original budget and the revised one was around phasing of payments for the Town Hall schemes and the Growth programme.

The projected spend at Quarter 3 was £50m and the actual spend was £42.2m - the main variations were around property purchases where opportunities had not become available in the last quarter.

8.2 The Town Hall project is progressing on target and within budget, £436,102 was slipped into 2020/21.

8.3 The budget of £2,258,300 for Affordable Housing Town Hall has been slipped into 2021/22. This is in respect of Geraint Thomas House, the scheme is expected to be completed at the end of June 2021.

8.4 The Disabled Facilities Grant has slipped forward £49,905 into 2020/21 manging to achieve more works than previously forecast. The budget for 2021/22 has been increased by £1,002,966 which is Crawley's allocation from Better Care Fund, this is allocated to West Sussex County Council and redistributed to the Districts.

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8.5 The Crawley Growth Programme (CPG) has been reforecast. The focus of attention for the CPG is to deliver two of the schemes led by WSCC – Eastern Gateway and Manor Royal Highways. The next CBC led Manor Royal and Town Centre schemes are scheduled to follow these on site with the principal spend for these schemes being forecast for later years as shown in Appendix 2.

8.6 Tilgate Park has slipped £130,643 into 2021/22. The budget is for the Tilgate Play Area which has now been completed.

8.7 Housing

HRA Programme Maintenance

The HRA programme maintenance is slipping a total of £363,846 into 2020/21 and have been able to achieve more works than previously expected. The new programme maintenance contract is working well.

Acquisition of Land or Dwelling

In 2020/21 this budget has been used to purchase 2 dwellings to be added to the HRA stock and bought back full ownership of 4 Shared Owner properties. This still leaves £1,378,250 to be slipped into 2021/22 for the Acquisition of Land or Dwellings.

Purchase of Properties

The budget of £3,500,000 has been slipped into 2021/22 and will be used to purchase properties for the HRA.

8.8 In the fourth quarter of 2020/21 **nine** Council Houses with a sale value of £1,628,602 were sold compared to eight in the fourth quarter last year. Of these receipts, £257,863 was paid over to the Government with the balance being retained by the Council. £424,402 available for general capital expense and £946,377 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.]

The total number of properties sold in 2020/21 was 39, compared to 29 in 2019/20

8.9 The total cumulative 1-4-1 receipts retained is £36,690,605 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, £28,328,526 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.

8.11 From the 1st April 2021 there are changes to the way we can use the Right to Buy 1-4-1 receipts that will make it easier for the Council to manage this resource. The changes include the time that these receipts have to be used has been extended from 3 years to 5 years, the percentage that can be used to fund any expenditure on new affordable homes has increased from 30% to up to 40% and the expenditure can now include shared ownership dwellings. This was as a result to responses to [Government consultation](#) on Right to Buy receipts.

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9. Reserves

- 9.1 A full breakdown of the reserves is given in the Treasury Management Outturn report elsewhere in this agenda (FIN/527). A summary of the transfers is shown in the table below:

<u>Reserves</u>	<u>Transfer To £000</u>	<u>Use of £000</u>
HMO Licenses	21	
Towns Funds	1,000	(1,039)
Homelessness reserves	890	
Welfare Reform	192	(31)
Town Centre Partnership		(25)
Crawley Museum		(20)
Tilgate Park Investment		(8)
Business rates pool cycling	55	
Parks Improvement Fund	87	
Town centre & regeneration reserve	28	
Community Development Projects		(8)
Health & Wellbeing	22	(8)
Local Development Framework	200	(153)
Risk Management	75	
Voluntary Sector Transition	24	
Transparency	9	
Capital Programme		(3,555)
In Year Surplus to Capital Programme	2,242	
<u>Total Transfer to/(from) CBC Reserves</u>		<u>(2)</u>
Business Grants & Isolation Payments	1,813	
Council tax income guarantee	81	
Business Rates equalisation reserve	16,629	
<u>Total Transfer to/(from) Reserves</u>		<u>18,521</u>

It is recommended that the above transfers are approved. Further explanation of some of these transfers is given below.

9.2 EU Exit Funding

Within the earmarked reserves there is a balance of £337,934 for EU Exit Funding. This was a government unringfenced grant. It is **recommended** that £200,000 is transferred to a transformation and project delivery reserve to enable pump-priming for initiatives to ensure future savings and increased income.

9.3 Business Rates Equalisation Reserve

£16,629,490 has been transferred at the end of the year to bring the balance to £21,821,110. Whilst this is shown in useable reserves, it is not really available for general use and will be used in future years to pay back the deficit on the Collection Fund which is held in an unusable reserve (the Collection Fund Adjustment Account). Business rates income for the year is estimated in January at the same time the council sets the budget. However, due to the coronavirus pandemic, the government gave a number of business rate reliefs to businesses – in the case of Crawley, this

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amounted to £36m. The government compensates local authorities for the impact of any changes that they make due to the Business Rates Retention Scheme. As this change was made so late in the day, this compensation (in the form of a s.31 grant) was paid to the billing authorities so that their cashflow was not negatively impacted. Now that the financial year 2020/21 is closed, the end position can be calculated and the payments will be adjusted:

- The Council's share of the £36m s.31 grant is 40%. It must therefore repay 60% back to the government. This has already been adjusted for in the 2020/21 accounts and there is a creditor on the balance sheet for £20m.
- The Collection Fund has a deficit of £46m – this is repaid by the precepting authorities over future financial years. Crawley's share of the deficit is shown the Collection Fund Adjustment Account and is £17.9m - £16.2m of this is due to be repaid in 2021/22 with the remainder to be paid in 2022/23 and 2023/24.

9.4 Council Tax Income Guarantee Reserve

£81,410 has been transferred at the end of the year. The government compensated local authorities for some of their lost income from council tax due to Covid. As with business rates, losses do not impact on the General Fund immediately, but deficits on the Collection Fund are collected from precepting authorities in the following financial years. The Collection Fund has a deficit of £203,257 with £65,207 due to be repaid in 2021/22 and the remainder to be paid in 2022/23 and 2023/24.

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 3 FIN/516](#)

[2021/2022 Budget and Council Tax FIN/514](#)

Treasury Management Outturn for 2020/21 FIN/527

[Confirmed Total Final External Audit Fee for 2019/20](#)

[2021/2022 Budget and Council Tax](#)

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Appendix 1 (i)

REVENUE MONITORING SUMMARY 2020/21 GENERAL FUND

	Latest Budget £000's	Outturn £000's	Variance £000's
Cabinet	592	413	(179)
Public Protection & Community Engagement	1,623	1,555	(68)
Environmental Services & Sustainability	5,170	5,362	192
Housing	1,801	2,426	625
Wellbeing	9,832	11,528	1,696
Planning & Economic Development	(367)	(470)	(103)
	18,651	20,814	2,163
Depreciation	(3,579)	(3,579)	0
Renewals Fund	772	772	0
NET COST OF SERVICES	15,844	18,007	2,163
Investment Interest	(621)	(678)	(57)
Interest Paid	8	40	32
Council Tax	(7,532)	(7,532)	0
RSG	(60)	(60)	0
NNDR	(21,172)	(21,172)	0
New Homes Bonus	(1,831)	(1,831)	0
Levy Account Surplus	(82)	0	82
Covid Grants Received (see below)	(2,022)	(5,514)	(3,492)
Additional Grants Received	(1,021)	(1,021)	0
Year End Financing	1,240	1,240	0
Net contribution from / (-to) Reserves	(17,249)	(18,521)	(1,272)

Covid grants received

	Crawley Borough Council £000's	Businesses £000's	Council Tax Payers £000's	Applied in year £000's	Transferred to reserves at year-end £000's
Grants received in 2019/20					
Covid-19 tranche 1	64				
Grants received in 2020/21					
Covid-19 tranche 2	1,122			1,122	
Covid-19 tranche 3	207			207	
Covid-19 tranche 4	512			512	
New burdens for council tax hardship and business rate reliefs	155			155	
Isolation payments admin costs	80			0	80 Welfare reform - used to backfill posts for grant applications
New burdens for business grants	59				59 Welfare reform - used to backfill posts for grant applications
Sales Fees and Charges	1,496			1,496	
Enforcement funding	59			59	
Rough sleeping contingency	25			25	
Hardship			989	613	375 Covid grants reserve - for hardship in 2021/22
Sport England grant for leisure centres	83			83	
Isolation payments			180	180	
Discretionary isolation payments			221	118	104 Covid grants reserve - for isolation payment in 2021/22
Business grants		17,252		17,252	

Discretionary business grants		4,178		2,844	1,334	Covid grants reserve - for business grants in 2021/22
Council tax income guarantee	81				81	Council tax income guarantee - to offset council tax losses in future years
Business rates income guarantee	1,801				1,801	Business rate equalisation - to offset business rate losses in future years
		<u>5,680</u>	<u>21,430</u>	<u>1,390</u>	<u>24,665</u>	<u>3,835</u>
Non-specific grants	5,514			3,492	2,021	
Grants applied to services:						
- Cabinet		4,178	221	2,961	1,438	
- Environmental Services & Sustainability	59			59		
- Housing	25		989	638	375	
- Wellbeing	83			83		
CBC acting as agent (not shown in accounts)		17,252	180	17,432		
		<u>5,680</u>	<u>21,430</u>	<u>1,390</u>	<u>24,665</u>	<u>3,835</u>

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Main Variations identified for 2020/21 - General Fund

Appendix 1 (ii)

	Q4 Variation £'000s	Q3 Variation £'000s
<u>Cabinet</u>		
Pay Award	138	138
Insurance Tender Savings	(187)	(187)
Anticipated Additional Audit Costs	83	32
Covid-19 Food, PPE & Hub Costs	88	130
Revenues Additional Demand & Reduced Recoveries	150	136
Finance & Procurement staff vacancies	(61)	0
Election Delay Savings	(70)	(40)
Town Hall Business Rates	(100)	(100)
Legal Locums	68	33
Legal Covid additional work	32	32
Head of Legal Vacancy	(32)	(32)
Contact Centre In Year Vacancies	(67)	(44)
HR In Year Vacancy	(40)	(24)
Occupational Health reduced number of referrals	(23)	0
Transformation In Year Vacancies	(27)	(27)
Printing and Mailing	(61)	(56)
Minor Variations	(70)	(42)
	(179)	(51)
<u>Public Protection & Community Engagement</u>		
Community Development Unfilled Hours	(24)	(29)
Minor Variations	(44)	(32)
	(68)	(61)
<u>Environmental Services & Sustainability</u>		
Port Health Lost Income	61	92
Licensing Lost Income	75	80
Car Parking Lost Income	321	342
Car Parking Full Cost Recovery	(97)	0
Additional Green Waste Customers	2	(18)
Public Conveniences Operational Savings	2	(20)
Cemeteries Additional Income	(62)	(16)
Shrub Bed Regeneration Team	(57)	0
Minor Variations	(53)	(11)
	192	449

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Housing

Benefits Administration Additional Demand	72	25
Benefit Overpayments Recovery Due to Covid-19 Regulations	284	562
Housing Survey Grant Received	(41)	(41)
Disabled Facilities Grant – Capitalisation of Staff Time	(79)	(79)
Temporary Accommodation “Everyone In” Strategy	281	281
Homelessness Administration Costs	153	153
Minor Variations	(45)	(45)

625

856

Wellbeing

Tilgate Park Lost Revenue	296	397
Community Centre Lost Revenue	338	377
K2 Crawley Lost Revenue & Additional Contract Costs	1,297	1,417
The Hawth - lower contribution to Parkwood	(28)	0
Patch Working – In Year Vacancies & Operational Savings	(62)	(76)
Play – In Year Vacancies & Operational Savings	(166)	(99)
Minor Variations	21	50

1,696

2,066

Planning & Economic Development

Property Team Vacancies	(68)	(58)
Corporate Facilities Team Vacancies	(76)	(60)
Planning Lost Income	181	151
Building Control Reduced Income	58	74
Commercial Property Income	209	(22)
Town Centre Vacancy & Operational Savings	(83)	(83)
Data Centre & Other ICT Operational Savings	(316)	(11)
Minor Variations	(8)	4

(103)

(5)

TOTAL GENERAL FUND VARIANCES

2,163

3,254

Additional Funding Received

(3,492)

(3,079)

Investment Interest

(25)

(66)

Levy Account Surplus

82

0

TOTAL VARIANCES

(1,272)

109

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Appendix 1 (iii)

QUARTER 4

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate £'000s	Outturn £'000s	Variation £'000s
Income			
Rental Income	(48,591)	(47,941)	650
Other Income	(2,120)	(2,135)	(15)
Interest received on balances	(132)	(284)	(152)
Total income	(50,843)	(50,360)	483
Expenditure			
Employees	3,914	3,789	(125)
Repairs & Maintenance	11,406	10,740	(666)
Other running costs	2,101	2,031	(70)
Support services	3,096	3,096	0
	20,517	19,656	(861)
Net (Surplus) / Deficit	(30,326)	(30,704)	(378)
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,548	6,548	0
Transfer (from) Housing Reserve	15,469	15,847	378
Total	30,326	30,704	378

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Appendix 1 (iv)

Main Variations Identified - Housing Revenue Account

	Q4 Variation £'000s	Q3 Variation £'000s
Income		
Delayed new builds, budgeted income not receivable until later date	575	502
Void Garages and delays in re-letting	75	53
Interest Received - Lower Interest Rates	2	27
Shared Equity Interest	(154)	
Minor Variations	(15)	7
	483	589
Employees		
Agency Staff Savings	(75)	(50)
Additional Costs of the pay award (.75%)	9	27
Leasehold Vacancies in Year	(31)	(31)
Minor Variations	(28)	(28)
	(125)	(82)
Repairs & Maintenance		
Gas contract Savings	(118)	(124)
External Redecoration/Repairs	(563)	(410)
Minor Variations	15	3
	(666)	(531)
Other Running Costs		
Projected Covid-19 Costs, PPE	40	40
Challenge of Budget Savings	(63)	(63)
Insurance Tender	(80)	(80)
Car Allowances	(27)	0
Licenses not yet acquired for new systems	(50)	0
Allowance for doubtful debts	106	0
Minor Variations	4	4
	(70)	(99)
TOTAL VARIANCES	(378)	(123)

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 4 Capital Appendix

Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage
	£	£	£	£
New Town Hall Redevelopment - Joint responsibility	17,104,883	17,540,985	0	(436,102)
Manor Royal BID - Towns Fund	193,051	193,051		
Joint responsibility	17,297,934	17,734,036	0	(436,102)

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
23,953,975	3,000,000	0	0
371,949			
24,325,924	3,000,000	0	0

Garages				
CABINET	0	0	0	0

330,082	500,000	200,000	
330,082	500,000	200,000	0

New Cemetery	87,223	72,536		14,687
Cycle Paths				
Lawters / Manor Royal Cycle Path	1,507	1,507		
Flooding Emergency Works	105,000	49,820		55,180
Billington Drive Maidenbower	15,000	10,549		4,451
Broadfield Brook Flood Works	31,935	29,410		2,525
River Mole Flood Works	30,000	29,254		747
Telemetry Measuring Equipment	10,000	5,395		4,605
Northgate Flood Attenuation Works	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	91,187		
Solar PV CBC Operational Buildings				
TOTAL ENVIRONMENTAL SERVICES & SUSTAINABILITY PORTFOLIO	399,551	310,068	0	89,484

18,694			
25,300			
65,665			
199,099	80,835		
4,605			
33,000			
7,289			
650			
	60,000		
354,302	140,835	0	0

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Temp Accommodation Acquisitions	273,700			273,700
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1,100,000			
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Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage
	£	£	£	£
Open House Moving Acquisition	14,235			14,235
Affordable Housing Town Hall	2,450,798	192,500		2,258,298
Longley House				
Disabled Facilities Grants	600,000	649,905		(49,905)
Improvement/Repair Loans	25,000			25,000
TOTAL HOUSING (GENERAL FUND) PORTFOLIO	3,363,733	842,405	0	2,521,328

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
14,235			
2,258,298		3,138,750	
1,700,000		1,700,000	
1,868,451			
50,000			
6,990,984	0	4,838,750	0

Manor Royal Business Group				
Gigabit				
Crawley Growth Programme				
Queensway	76,690	51,394		25,297
Town Centre Signage and Wayfinding	39,933	17,917		22,016
Town Centre General				
Manor Royal Cycle Improvements				
Town Centre Cycle Improvements	28,732	26,776		1,955
Manor Royal Super Hub				
Station Gateway	2,000	1,280		720
Town Centre Super Hub				
Town Centre Acquisition	50,000			50,000
Three Bridges Station	53,500	55,310		(1,810)
Total Crawley Growth Programme	250,855	152,677	0	98,178
ICT Capital - Future Projects	29,646			29,646
On Line Self Service	3,713	3,713		
New Website And Intranet	68,728	15,152		53,576
Mobile Working (ICT)	40,087	29,148		10,939

		200,000	
	2,700,000		
	25,000	167,323	
	10,000	12,016	
			71,100
	50,000	310,632	1,415,303
	20,000	979,673	
		263,028	
		250,720	1,588,172
			3,176,314
			74,221
	95,000	2,362,000	3,543,000
	25,000	479,092	958,186
	225,000	4,824,484	7,575,761
			3,250,575
	179,646		
	53,576		
	10,939		

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Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage	Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
	£	£	£	£	£	£	£	£
Digital Works	61,000			61,000	61,000			
ICT Transformation Future	59,000			59,000	189,000			
Unified Communications/Telephony	30,000	23,322		6,678	6,678			
Migration to Cloud Evaluation	40,000	35,000		5,000	5,000			
Power and UPS	20,000			20,000	20,000			
LAN Fresh	111,000	46,591		64,409	64,409			
ICT Cloud					464,000			
TOTAL PLANNING & ECONOMIC DEVELOPMENT PORTFOLIO	714,029	305,603	0	408,426	1,279,248	7,524,484	7,775,761	3,250,575

Vehicle Replacement Programme	199,671	202,671		(3,000)
Reurb Playgrounds Future Schemes				
Reurb Skate Park Equipment				
Reurb Memorial Gardens Improvements				
Reurb Gate Park	154,710	24,067		130,643
Nature & Wildlife Centre	103,817	22,114		81,703
Allotments				
Adventure Playgrounds				
Memorial Gardens Play Improvements	10,378	8,445		1,933
Medler Close Langley Green	53,756	53,756		
Chichester Close				
Dormans Play Area	45,000	9,553		35,447
Newbury Road		1,208		(1,208)
Ninfield Court				
Rushetts Road	9,923			9,923
Hawth Agreement				
K2 Crawley Climbing Wall				
TOTAL WELLBEING PORTFOLIO	577,255	321,814	0	255,441

	25,501			
	106,979			
		46,000		
	33,400			
	130,643			
	121,703			
	40,000	45,000		
	275,000	125,000		
	16,933			
	45,000			
	35,447			
	38,131			
	15,000			
	9,923			
	400,000			
	50,000			
	1,343,660	216,000	0	0

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Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage
	£	£	£	£

TOTAL GENERAL FUND	22,352,502	19,513,926	0	2,838,577
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Prior Contract Spend	460,432	460,432		
Decent Homes	1,794,759	2,492,632		(697,873)
Renovations	433,866	869,656		(435,791)
Insulation	868,279	944,224		(75,945)
Renewable Technology/Carbon Efficiency	33,016	1,135		31,881
Compliancy Works	104,724	191,243		(86,519)
Boilers & Heating	738,153	435,066		303,087
Electrical Test & Inspection	286,312	391,606		(105,294)
Adaptations For The Disabled	1,212,341	541,571		670,771
Hostels	68,279	36,442		31,837
Garages	69,918	26,930	42,988	
TOTAL HRA IMPROVEMENTS	6,070,079	6,390,937	42,988	(363,846)

Hra Database	103,020	120,273		(17,253)
151 London Road (New Build)	170,984	170,984		
Bridgefield House	4,547,973	4,521,573		26,400
Acquisition Of Land Or Dwellings	1,893,500	515,250		1,378,250
Kilnmead	500	45		455
Gales Place (HRA New Build)	7,985	7,985		
Forge Wood				
Telford Place Development	72,625	68,724		3,901
Woolborough Road Northgate	638,946	620,946		18,000
Goffs Park - Depot Site	2,007	2,007		

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

34,624,200	11,381,319	12,814,511	3,250,575
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2,281,574	2,300,000	2,300,000	
515,377	650,000	2,050,000	
3,255,274	1,800,000	1,800,000	
158,123	80,000	80,000	
2,188,938	1,750,000	1,450,000	
1,206,083	1,000,000	1,800,000	
58,394	50,000	50,000	
1,928,351	1,250,000	1,300,000	
390,458	403,100	270,000	
11,982,572	9,283,100	11,100,000	0

399,748			
18,432			
37,605			
2,378,250			
6,555			
			1,235,388
70,000	8,060,336	7,597,235	4,960,136
500			
2,969			

Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage
	£	£	£	£
83-87 Three Bridges Road	1,004	1,004		
Dobbins Place	2,500			2,500
Forge Wood Phase 2	3,274,758	3,261,959		12,799
257/259 Ifield Road	259,144	259,144		
Forge Wood Phase 3	1,142,975	1,187,922		(44,948)
Forge Wood Phase 4	1,074,886	993,704		81,182
Purchase Of Properties	3,500,000			3,500,000
5 Perryfields	5,841	341		5,500
Carey House	1,840	841		1,000
Fairlawn House	44,161			44,161
Wilton Mount Major Works	51,226	17,895		33,331
Freezehurst Phase 2	39,000	20,093		18,907
PIF Forge Wood	4,423,280	4,423,280		
Contingencies	168,085			168,085
Prelims	201,612	118,077		83,535
TOTAL OTHER HRA	21,627,852	16,312,047	0	5,315,805

TOTAL HRA	27,697,931	22,702,984	42,988	4,951,959
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TOTAL CAPITAL PROGRAMME	50,050,433	42,216,910	42,988	7,790,536
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FUNDED BY

Capital Receipts	(17,559,503)	(13,015,741)		(4,545,273)
Capital Reserve	(68,728)	(3,555,928)		3,488,711
Better Care Fund (formally DFGs)	(600,000)	(649,905)		49,905
External Funding	(6,521,962)	(6,406,806)		(115,156)
HRA Revenue Contribution	(19,671,547)	(15,452,054)	(42,988)	(4,176,506)

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
996			
2,500			
4,116,859	1,798,344	60,765	
500			
4,273,507	2,770,846	2,770,846	2,770,846
3,500,000			
237,777	370,805	11,077	
129,159			
210,000			
1,722,105			
3,594,827	8,622,448	1,956,362	672,592
120,024		1,137,311	
489,117			
21,311,430	21,622,779	13,533,596	9,638,962

33,294,002	30,905,879	24,633,596	9,638,962
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67,918,202	42,287,198	37,448,107	12,889,537
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(16,684,939)	(658,905)	(7,545,793)	(109,465)
(953,576)			
(1,868,451)			
(183,378)	(6,577,379)	(2,779,344)	(3,076,344)
(29,483,693)	(25,147,350)	(21,114,710)	(6,747,273)

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Scheme Description	Budget 2020/21	Outturn	Under / (Over Spend)	Slippage
	£	£	£	£
Replacement Fund/Revenue Financing	(199,671)	(209,744)		10,073
Section 106	(145,917)	(99,080)		(46,837)
1-4-1	(5,283,105)	(2,827,652)		(2,455,453)
Borrowing				
TOTAL FUNDING	(50,050,433)	(42,216,910)	(42,988)	(7,790,536)

Budget 2021/22	Budget 2022/23	Budget 2023/24	Future Years
£	£	£	£
(1,231,883)	(23,000)		
(1,021,975)	(622,035)	(720,000)	(64,766)
(5,490,307)	(6,258,529)	(5,288,260)	(2,891,689)
(11,000,000)	(3,000,000)		
(67,918,202)	(42,287,198)	(37,448,107)	(12,889,537)

Agenda Item 9

Crawley Borough Council

Report to Overview and Scrutiny Commission 28th June 2021

Report to Cabinet 30th June 2021

Leisure Contract – Extension of Variation Order

Report of the Head of Major Projects and Commercial Services, **HPS/27**

1. Purpose

- 1.1 This report sets out the arrangements the Council has entered into with Everyone Active (EA) following the initial lockdown in March 2020 and recommends the Council extend the variation order to facilitate the continued opening of the leisure centres over the period 1 July 2021 – 30 September 2021.

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:

That the Cabinet is recommended to approve the extension of the contract variation with Everyone Active under the terms set out in section 5.8 of this report.

3. Reasons for the Recommendations

- 3.1 The recommendation facilitates the continued re-opening of the leisure centres from 1st July 2021 in accordance with the Government announcement on 22 February 2021 and in accordance with Procurement Policy Note 02/20 (Supplier Relief Due to Coronavirus).

4. Background

20 March 2020 – 30 June 2021

- 4.1 As part of the Covid-19 response, since 20 March 2020, the Government has required leisure centres to either be fully closed or to be partially open with restrictions applied to capacity, social distancing and other specific measures introduced as part of individual activity risk assessments.
- 4.2 Also on 20 March 2020, the Government published Procurement Policy Note 02/20 (Supplier Relief Due to Coronavirus). This note advised contracting authorities to put in place 'appropriate payment measures to support supplier cashflow and ensure suppliers who are at risk continue to be paid as normal'. Reflecting PPN02/20, the

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Council agreed a variation order with EA for an initial three-month period (April – June 2020) which would permit non-payment of the contract fee (£76K per month) and underwrite EA’s operational costs up to a capped amount. The initial three-month variation was extended for the period 1 July 2020 – 30 September 2020, then for the period 1 October 2020 to 31 March 2021 and more recently again for the period 1st April 2021 to 30th June 2021.

- 4.3 For the agreement, covering the period October 2020 – March 2021, EA’s projections had assumed that the leisure centres would be permitted to open and the growth in attendance evidenced since the July re-opening would continue. On this basis, the requested capped payments from EA over this period were:

October:	£ 72,000
November:	£ 92,000
December:	£100,000
January:	£ 47,000
February:	£ 46,000
March:	£ 22,000

- 4.4 Unfortunately the rise in Covid cases over the winter initially placed additional restrictions on opening and from the beginning of January, required all leisure centres to close again. This meant the losses incurred by EA were greater than the original projections however the Council’s contribution was capped at the agreed level.
- 4.5 In December 2020, the Council, working with EA, submitted an application to the National Leisure Recovery Fund for support towards leisure centre operational costs over the period December 2020 – March 2021. This application was successful and all of the capped deficit payable by the Council over this four-month period (£215,000) was offset by the NLRF grant received by the Council.
- 4.6 Further, guidance issued to s151 officers in August 2020 gave a new income support scheme to cover 75% of losses as a result of lost income due to the pandemic. There is a top slice deductible from 5% of all sales, fees and charges. This funding effectively enables the Council to recover approximately £53,000 of the £76,000 monthly contract fee which would otherwise be payable to the Council. This scheme is currently due to expire on 30th June and it is not yet known whether it will be extended. The impact of this is reflected in the 2020/21 Budget Monitoring Report Quarter 4 (FIN/526) report elsewhere on this Agenda.
- 4.7 Since the approval of the previous variation the roadmap has allowed for the following leisure facilities to reopen:

29 March :	Outdoor Activities (3G Pitches / Athletics)
12 April:	Gym, children’s indoor sport including learn to swim programme, café (takeaway)
17 May:	Group exercise classes, adult indoor sport, café (indoor table service)

- 4.8 With this phased re-opening, the operational deficit over the period 1st April to 30th June was projected at £260,100 (broken down as £96,300 (April), £85,500 (May) and £78,300 (June)). However, as expected, these projections have proved to be cautious and the actual deficit for April saw a reduction of £42,000 in the required

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subsidy. Actual figures for May and June are awaited however it is understood the usage and income has continued above the projections.

5. Description of Issue to be resolved

- 5.1 On the 22 February 2021, the Government announced a phased re-opening of leisure centres with effect from 29 March 2021. With social distancing and public health requirements in place, the guidance under PN02/20 continues to apply and it is recommended that the Council extend the contract variation for a further three months (covering the period 1st July – 30th September 2021) to enable the continued phased re-opening.
- 5.2 Subject to continued reduction in the infection rate and numbers of Covid cases, the roadmap for opening leisure centres will see the final removal of legal restrictions on 21st June 2021, although it still seems likely some forms of distancing and measures to suppress the spread of the virus will continue to be required.
- 5.3 Up until March 2021, the Deed of Variation which the Council entered into with EA had enabled the Council to benefit where deficits were lower than the projected budget costs. This was particularly the case in August, September October and December when there were fewer restrictions and usage was strong. The Council had also benefited from the capped arrangements with any deficit larger than the projection, being met by EA. This was particularly the case from April – July, November and from January – March 2021 when the leisure centres were largely closed.
- 5.4 The contract variation the Council had agreed is somewhat anomalous to the majority of contract variations EA had agreed with other local authority clients. The other contract variations have, on an open book basis, generally seen the Council benefit from the upside of increased usage and income but bear the additional cost when tighter restrictions were applied.
- 5.5 Following representations from EA in March the Council agreed to bring into line the contract variation for the Crawley contract whereby the Council benefits if the net deficit is lower than projections, however if the net deficit is higher than the projections, the additional cost will be met by the Council.
- 5.6 To provide additional controls for the Council, it was agreed with EA that:
 - (i) Should any of the major expenditure items exceed the amount stated in the monthly projections, specific Council authorisation will be required for this expenditure.
 - (ii) EA will present income and expenditure projections to the Council on a fortnightly basis to demonstrate that all reasonable efforts are being made to maximise income and mitigate costs.
 - (iii) Should the overall net deficit exceed the projection in a given month, EA and the Council will commit to a review as soon as reasonably practical which will seek to ensure the deficit in the subsequent month(s) is at or below the projection figure for that period.
- 5.7 The compensation for lost income from the non-payment of the contract management fee will continue until 30th June 2021. With an initial 5% deduction from

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the total lost income, and compensation then apply at a rate of 75% of the amount thereafter. This scheme is currently due to expire on 30th June and it is not yet known whether it will be extended.

- 5.8 It is recommended that the Council extends the contract variation (as detailed in section 5) for a three-month period (1st July 2021 – 30th September 2021) including the requirement for the monthly deficit payments projected at up to £190,000 in total for the period. Extending the contract variation for a longer period (6–12 months) is not advisable given market uncertainties over that timeframe. Further, at the point when all distancing restrictions are lifted, the Council will want to return to the standard contract model and contract payments, and it would be prudent to retain the flexibility until more information is known about the process for lifting restrictions in due course.

6. Information & Analysis Supporting Recommendation

- 6.1 The two main alternative options which the Council could consider are to close the leisure facilities or to terminate the existing contract with EA. It is felt that both of these options would be more costly to the Council and would lead to an extended period of disruption without the service and a longer recovery to return to a normalised service position.

7. Implications

Financial

- 7.1 The Budget and Council Tax 2021/22 [FIN/514](#) report to Cabinet on 3 February 2021 and Full Council on 24 February 2021 Table 2 and section 5.5.5 included a provision of £813,000 in respect of additional costs and lost income in respect of Covid-19 funding for 2021/22. Section 5.5.5 also confirms that 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. 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 including the draw down in respect of the Leisure Contract.

8. Background Papers

- 8.1 Budget and Council Tax 2021/22 [FIN/514](#) report to Cabinet on 3 February 2021.

Report author and contact officer:

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Agenda Item 10

Crawley Borough Council

**Report to Overview and Scrutiny Commission
28 June 2021**

**Report to Cabinet
30 June 2021**

Extension to Coronavirus Act Protections from Evictions in Crawley Homes

Report of the Deputy Chief Executive – **DCE/08**

1. Purpose

- 1.1 The Coronavirus Act 2020 provides protection to social and private tenants by delaying when landlords can evict tenants. The provisions in the Act increased the length of the required notice period landlords must provide to tenants when seeking possession of a residential property, and were extended through additional legislation. Provisions remained in place for more serious cases, for instance involving anti-social behaviour or crime. These initial protections came to an end after 31 May 2021 and nationally these extended notice periods are being tapered off over time.
- 1.2 Given the economic impact of Covid-19 upon Crawley, and with the potential of further economic and social impact to come, the administration has stated its intention to replicate the protections provided by the Coronavirus Act 2020 for Crawley Homes stock for a further 12 months. The purpose of this report is to implement this stated intention.

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 Cabinet,

The Cabinet is recommended to:

- a) Agree, for all Crawley Homes tenancies, to replicate the protections for evictions as set out in the Coronavirus Act 2020, until 31 May 2022

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3. Reasons for the Recommendations

- 3.1 The recommendation recognises the scale of economic hardship being faced by the town as a result of the Covid-19 pandemic, and the subsequent financial hardship this will cause for many local households. It is widely recognised that Crawley has been harder hit than most other places in the country and the administration therefore believes that additional protection is required.
- 3.2 Whilst the Council does not have the ability to legislate for the town as a whole, it is able to make decisions around tenancies within its own housing units. This decision would therefore extend these protections for Crawley Homes residents for a further 12 months beyond that set out in the Coronavirus Act 2020.

4. Background

- 4.1 The Coronavirus Act 2020 provides protection to social and private tenants by delaying when landlords can evict tenants. The provisions in the Act increased the length of required notice period landlords must provide to tenants when seeking possession of a residential property, and were extended through additional legislation.
- 4.2 This meant that between 29 August 2020 and 31 May 2021, with the exception of the most serious cases, landlords needed to give their tenants six months' notice before starting possession proceedings. These serious cases include those in relation to anti-social behaviour (including rioting), certain cases of domestic abuse in the social sector, false statement, where a tenant has accrued rent arrears to the value of over 6 months' rent, where a tenant has passed away and where a tenant doesn't have the right to rent under immigration legislation.
- 4.3 Legislation was in place up to the end of 31 May to ensure bailiffs do not serve eviction notices or carry out evictions but with exceptions for the most serious circumstances. These circumstances were illegal occupation, false statement, anti-social behaviour, perpetrators of domestic abuse in the social rented sector, where a property is unoccupied following death of a tenant and serious rent arrears greater than six months' rent.

5. Description of Issue to be resolved

- 5.1 The provisions set out within the Coronavirus Act recognised the economic, social and legal impacts of pandemic restrictions and put in place additional protections for tenants as part of a wider set of measures. With Covid-19 related regulations now being removed the Government is not seeking to further extend the additional protections around evictions, and so these are now reducing on a tapered basis.
- 5.2 It is broadly recognised that Crawley's economy has been disproportionately affected by the wider restrictions put in place to address the public health crisis. The town economy is heavily linked to both aviation and export industries and both are

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expected to take longer to recover than other sectors of the economy. This will mean that more residents in Crawley will be affected and for longer than in many other places.

- 5.3 Whilst the Council cannot legislate for such, it is able to set policy for its own Crawley Homes tenancies. Consequently it has decided to replicate these extra protections for a further year.

6. Information & Analysis Supporting Recommendation

- 6.1 Unemployment in Crawley has, over the course of the pandemic, moved from being one of the lowest nationally to one of the highest. It currently stands at 8.6% or 6,200 people. Likewise the town has one of the highest rates of furlough nationally at 9,500 or 16% of all eligible jobs, suggest a high risk of further job losses.

7. Implications

- 7.1 Tenancy Management implications: Despite the additional protections afforded to tenants, Crawley Homes has incurred no increases in arrears during the pandemic. A key reason for this is a decision pre-pandemic to reinforce the Housing Management Team after seeing a rise in arrears as a result of more tenancies moving onto Universal Credit. These additional protections still allow the service to address other serious issues where eviction remains a necessary option.
- 7.2 Financial Implications: Given the experience of the past year or more there is no reason to assume that by maintaining these additional protections that income will fall. Nonetheless, this will be watched carefully. By keeping tenants within their properties and working with them to manage their arrears this will ultimately reduce the burden on the General fund homelessness budget and on other public sector agencies.
- 7.3 Legal Implications: There are no legal implications of this report.

8. Background Papers

N/A

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Agenda Item 11

Crawley Borough Council

Report to Overview and Scrutiny Commission
28th June 2021

Report to Cabinet
30th June 2021

Temporary Accommodation Modular Housing Solution

Report of the Head of Strategic Housing Services, *SHAP/81*

1. Purpose

- 1.1. The purpose of this report is to request Cabinet to approve the delegated authority for Officers to progress with the procurement of a modular housing solution for the provision of urgently needed temporary accommodation. To negotiate and complete all relevant legal documentation, and for the appropriate delegation required for the Leader to enter into the necessary contracts.
- 1.2. The reasoning behind this approach is to expedite the provision of quality accommodation through the use of off-site construction methods as the quickest and most versatile option in meeting the immediate demand for temporary accommodation. This will reduce the reliance on expensive nightly paid accommodation, including out of borough placements. This in turn reduces the pressure on the General Fund and the risk of breaching the legal requirement to ensure families do not remain in this type of accommodation for more than 6 weeks.
- 1.3. The selection of suitable sites will be undertaken by the Head of Strategic Housing Services, following discussion with any relevant Ward Councillors and in consultation with, and agreement in-principle, with the Leader of the Council and Cabinet Member for Housing.
- 1.4. Any contracts to be considered will be procurement compliant and any schemes to be progressed will remain subject to a successful planning application. Schemes will be from within an approved budget, and the delegated authority being requested will permit Officers to proceed with procuring a suitable provider, and determining the appropriate sites to progress through to Planning. Delegated authority for the Leader to award any contracts will enable approved schemes to be delivered through to completion in the most expeditious way.

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.

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2.2. To the Cabinet

The Cabinet is recommended to:

- a) Delegate authority to the Head of Strategic Housing Services, following discussion with any relevant Ward Councillors and in consultation with, and agreement in-principle from the Leader of the Council and Cabinet Member for Housing to identify suitable sites.
(Generic Delegation 7 will be used to enact this recommendation)
- b) Delegate authority to the Head of Strategic Housing Services to progress with procurement to address the need for temporary accommodation.
(Generic Delegation 7 will be used to enact this recommendation).
- c) Delegate authority to the Leader of the Council in consultation with the Cabinet Member for Housing, Head of Strategic Housing Services, Head of Legal, Governance and HR to approve the award of the contract following an appropriate procurement process.
- d) Delegate the negotiation, approval and completion of all relevant legal documentation, following the awarding of the contracts to the Head of Strategic Housing Services, Head of Legal, Governance and HR, Head of Corporate Finance, in consultation with the Leader of the Council and the Cabinet Member for Housing.
(Generic Delegations 2 & 3 will be used to enact this recommendation)

3. Reasons for the Recommendations

- 3.1. The Council currently has 265 households in temporary accommodation, with 97 of these presently in nightly paid accommodation, including 26 out of borough placements. This represents the highest level of need and demand for temporary accommodation across the County. These levels will inevitably rise significantly with the lifting of the ban on evictions.
- 3.2. The average cost of nightly paid accommodation to the council per household per week is £211.50 equating to £21,154.00 per week for current numbers (rent arrears and ineligibility for benefits not included in this figure). There are also the additional costs and burdens on Housing Benefit to process and pay the associated claims.
- 3.3. Nightly paid temporary accommodation is the most expensive and least desirable form of accommodation, particularly where there are children in the household and as a result, such households can only be placed into this type of accommodation in an emergency, and then only for a maximum period of six weeks.
- 3.4. A raft of measures are being progressed both locally and at a county-wide level to reduce the pressure on nightly paid accommodation. This report is focused on one of these work strands, namely the modular housing solution with its rapid pace of delivery.
- 3.5. The Council has recently secured £600k capital funding from the Government towards the provision of 10 additional units as part of a temporary housing pathway to support the prevention of homelessness and rough sleeping. Linked to this capital grant is a further £240k in revenue funding that has been awarded over a 3-year period to provide wrap around support services. The grant conditions require these units to be delivered within the current financial year or this funding will be lost.

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- 3.6. Due to the volumetric design concept of modular housing, it is necessary to first select the particular modular provider. The scheme is then designed in accordance with their volumetric design, and progressed through the planning process while gearing up the off-site construction. A short period of on-site works then follows to complete the development. The delegated authority being requested will enable Officers to progress this procurement, and for the Leader (in consultation with those mentioned in 2.2c) to award any contracts that will allow this initiative to derive the full benefits of fast-track housing delivery that modular housing offers.
- 3.7. The selection of any particular modular housing provider will be procurement compliant, and the site selection and planning application will follow the usual internal and external consultation, and will be fully policy compliant, including meeting national space standards. It will be delivered in accordance with an approved planning application, and to the high levels of efficiency and sustainability as is expected for Council housing.

4. Background

- 4.1. The Covid pandemic and the current economic climate has fuelled what is already a high demand on the homelessness service. In responding to this demand the Council has been forced to resort to some of the most expensive forms of temporary accommodation, such as B&B's and other nightly rated forms of accommodation.
- 4.2. The Council presently has access to 192 temporary accommodation units, with about one-third in the form of Council-owned hostel accommodation, and the other two-thirds being self-contained accommodation provided by Housing Association partners. To meet the current needs that exceeds this available stock, the Council spot-purchases nightly paid provision within and outside of Crawley.
- 4.3. The need to increase the supply of available temporary accommodation, in order to reduce the demand on nightly paid accommodation, is a key priority within the Council's Homelessness and Rough Sleepers Strategy. It is estimated that a small 10-unit scheme for temporary accommodation can save the Council in excess of £110k per annum in temporary accommodation costs.
- 4.4. The Council has been successful in bidding for £600k in capital funding, and £240k in revenue funding, towards the prevention of homelessness and rough sleeping, which needs to be implemented within the current financial year as a condition of this funding.
- 4.5. A range of other measures are also being implemented alongside this proposed fast-track modular housing approach, which include property acquisitions as well as homeless prevention, tenancy sustainment and move-on options with different levels of support.

5. Description of Issue to be Resolved

- 5.1. In order to respond to the immediate and pressing need for temporary accommodation, alongside the knowledge that a substantial spike is expected in future months, it is imperative that the Council pursues all available avenues to expand the existing temporary accommodation portfolio.
- 5.2. While traditional build remains an option, this route is typically drawn-out when compared with the off-site modular construction model that is proven to be significantly quicker to deliver and at a very competitive cost, and offers versatility of use such as using 'air-space' above car-parks or garages.

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- 5.3. With the current burden of nightly paid accommodation, and the increases demand that is expected to follow, it is considered that off-site modular construction will result in the quickest solution that will remain in Council's control to provide the most cost-effective and sustainable solution, alongside all the other measures that are also being explored.
- 5.4. The delegated authority being requested will serve to expedite the process that will enable Officers to directly engage with modular providers and to progress into contract for the identified schemes to be delivered most effectively through to completion in response to the immediate need for temporary accommodation.

6. Information & Analysis Supporting Recommendation

- 6.1. The proposal to explore off-site modular construction is primarily due to the pace at which schemes can be delivered in order to address this immediate challenge for temporary accommodation, and in anticipation of the pending increase in this demand that is expected on temporary accommodation.
- 6.2. A significant benefit of modular housing is the off-site construction method, which ensures that quality is maintained in a controlled environment, and that the disruption of on-site works is reduced to a minimum. Modular housing is now being provided at almost 'Passivhaus' standards of sustainability, and offers an array of internal designs and a wide palette of external finishes, and meets all Building Regulations and National Space Standards as is necessary to be policy compliant.
- 6.3. Furthermore, modular housing can be placed on podiums above car-parks or garages, or used for upward extensions of existing buildings, thereby able to utilise 'air-space' that traditional build methods would find challenging. If required, it also has the potential to be moved and relocated if this requirement is incorporated into the design brief. Otherwise it can be permanently sited in the same way as traditionally built housing.
- 6.4. This report is not intended to be site specific, as site selection is still to be agreed with the Leader and relevant Members, which will then be further explored with the identified modular housing provider, to assess the best options. Proposed sites will be brought forward through normal planning processes and subject to the usual Ward Member and public consultation.
- 6.5. With respect to addressing this pressing need for temporary accommodation, the Local Government Association (LGA) has promoted modular housing as a solution for Local Authorities to follow.
- 6.6. The £600k in capital funding and £240k in revenue funding that has recently been awarded by the Government, is to be match-funded with £800k from the Council's homelessness prevention budget, to enable the delivery of 10-units for move-on accommodation, with the potential to expand this provision to approximately 20-units within the available budget, aimed at preventing homelessness and rough sleeping and to increase the supply of temporary accommodation.
- 6.7. The Housing Options Team saw a 39% increase in overall approaches from 1st January – 31st December 2020 when directly compared to the previous year which equated to 507 additional cases during that 12 month period. This translated through to the additional demand for temporary accommodation.

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- 6.8. The increase in demand has remained at the same elevated level between 1st January 2021 through to 31st May 2021.
- 6.9. A large proportion of the demand from March 2020 was direct result of the “Everyone In Initiative” in response to the Covid pandemic, where rough sleepers and those at risk of rough sleeping were accommodated from March 2020 and the drive to ‘keep everyone in’. However, the same increased levels have remained steady and are likely to increase further this year.
- 6.10. The ban on the enforcement of most residential repossessions ended on 30th May 2021 (referred to as the “Eviction Ban”) and those in private rented and mortgage accommodation who saw a change to their financial circumstances and built up rent and mortgage arrears since lockdown measures started in March 2020 will now see their safety net disappear. It is this anticipated increase in demand that will start presenting to the Housing Options Service from June 2021 onwards, and will increase significantly from September 2021 as the Courts start working through the backlog of cases and notices are enforced.
- 6.11. Research from the National Residential Landlords Association 18th December 2020 suggested that 7% of private renters in England and Wales have built arrears since lockdown measures started in March 2020, which amounts to 840,000 renters across the sector as a whole. This situation will result in greater demands for temporary accommodation. The latest research by Shelter indicates 1.8 million private rented adults in England (22%) are worried they will lose or be asked to leave their home at short notice, equating to one in five private renters.
- 6.12. The above will meet the Council’s Homelessness & Rough Sleeping Strategy 2019-2024 priority 4.2 to “*keep the temporary accommodation portfolio under review to ensure it meets the Council’s statutory duties*”.
- 6.13. It will meet the Council’s Statutory Duties under the Housing Act 1996 (as amended) to secure suitable temporary accommodation for the homeless whilst investigations are made into their entitlement and subsequently, if certain conditions are met.
- 6.14. It will meet the duty under section 208 of the Housing Act 1996 (as amended) which states the Council “*must, so far as practicable, secure temporary accommodation within its district*”.
- 6.15. It will meet the duties of The Homelessness (Suitability of Accommodation) (England) Order 2012 and the accompanying Supplementary Guidance issued by the Secretary of State, which confirms that the location of the accommodation – including “*where the accommodation is out of the borough, its distance from the borough is relevant to the suitability of the accommodation secured*”. The 2012 Order also identifies a series of other matters related to location to which the authority must have regard in considering suitability of accommodation.
- 6.16. To fulfil the Council’s Temporary accommodation Placement Policy “*to provide, wherever reasonably practicable, suitable accommodation within Crawley, except in cases where there is a specific reason why the household should not be accommodated within our borough. However, our ability to meet this policy objective is subject to the supply of suitable temporary accommodation being available*”.

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7. Implications

7.1. Financial implications:

- 7.1.1. The Budget and Council Tax 2021/22 [FIN/514](#) report to Cabinet on 3rd February 2021 and Full Council on 24th February 2021 included a recommendation to increase the budget for temporary accommodation acquisition to £1.1m funded from Homelessness monies.
- 7.1.2. Report Fin/526 2020/2201 Budget Monitoring Quarter 4 elsewhere on this Agenda has a recommendation to full Council to increase the budget for Temporary Accommodation Acquisitions to £2.4m, this will be funded in part by the £600,000 capital grant that has been secured.
- 7.1.3. The purchase of such modular housing can be funded from this allocation where the report states: '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.'
- 7.1.4. A further £600k capital funding and £240k revenue funding for an additional 10 units of temporary accommodation is available to the Council through Government grant to supplement this budget subject to these additional 10 units being delivered during the current financial year.
- 7.1.5. The properties will be general fund properties, they will be maintained by Crawley Homes and a charge will be made for that. Rental income will be covered by housing benefits, this will result in additional income into the general fund.

7.2. Legal Implications:

- 7.2.1. In accordance with the recommendations above, the delegation of the negotiation, approval and completion of all legal documentation, and the awarding of any contracts, will require legal oversight and approval, and will also ensure procurement compliance.
- 7.2.2. Over-reliance on nightly paid accommodation increases the risk of failing to comply with legal duties.

7.3. Staffing Implications:

- 7.3.1. An additional £240k revenue funding spread across three years is available to the Council to meet the additional management and support costs associated with the prevention of homelessness and rough sleeping, subject to the delivery of 10 additional units in the current financial year. Any additional costs will be addressed, as far as practically possible, through current grant allocations and further funding bids.

7.4. Procurement Implications:

- 7.4.1. Procurement will be managed in accordance with the Public Procurement Regulations (2015) and in accordance with the Council's Procurement Code.

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7.5. Consultation Implications

- 7.5.1. Consultation with Ward Members will take place at an appropriate stage of the site identification process, once agreed by the Cabinet Member for Housing and the Leader of the Council.

8. Background Papers

Crawley Borough Council's Homelessness & Rough Sleeper Strategy 2019-2024

[Housing Act 1996](#)

[Homelessness Reduction Act 2017](#)

Council's Temporary accommodation Placement Policy

Homelessness (Suitability of Accommodation) (England) Order 2012

Crawley Borough Council's Temporary accommodation Placement Policy

[Homelessness Code of Guidance](#)

<https://www.nrla.org.uk/research/deep-insight/tenant-survey-nov2020>

LGA Council Innovation and Learning in Housing our Homelessness Households

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Crawley Borough Council

Report to Cabinet 30th June 2021

Forward Programme of Key Procurements (July – December 2021)

Report of the Head of Corporate Finance – FIN/525

1. Purpose

- 1.1 The purpose of this report is to present the procurement forward programme. The forward plan identifies the Council's key procurements over a contract value of £500k that will require tendering over the coming six-month period.
- 1.2 A brief update on the previous programme from January - June 2021 is also provided.

2. Recommendations

- 2.1 To the Cabinet

The Cabinet is recommended to:

- a) Approve the procurement forward programme July – December 2021.
- b) Delegate authority to the Leader of the Council in consultation with the relevant Cabinet Member, Opposition Leader, Head of Service, and Head of Legal, Democracy and HR to approve the award of the contract following an appropriate procurement process
- c) Delegate the negotiation, approval and completion of all relevant legal documentation, following the awarding of the contracts to the relevant Head of Service, Head of Legal, Democracy and HR, Head of Corporate Finance, in consultation with the appropriate Cabinet Member.
(Generic Delegations 2 & 3 will be used to enact this recommendation)

3. Reasons for the Recommendations

- 3.1 By approving the procurement forward programme there is greater transparency of future procurement processes allowing more scope for internal stakeholders to input into how future contracts are delivered.
- 3.2 The approval of the forward programme provides a key decision that will enable the individual procurement processes to be awarded under delegated authority once the tender process has concluded giving the Council the ability to reduce the time required to complete a procurement process.

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4. Background

- 4.1 The Council's procurement is governed by The Public Contracts Regulations 2015 along with its own internal rules which are set out in the Procurement Code. The Procurement Code dictates that any contracts awarded above the total value of £500k (across its duration) must be approved by Cabinet.
- 4.2 The attached forward programme at Appendix 1 identifies those high value procurement processes that the Council is currently aware of that are due to go out to tender in the next six months. This is subject to change.
- 4.3 There may be additional projects that are identified that require procurement action that are not currently on the current forward plan however it is hoped that these will be minimal and are more likely to be one-off or construction-based procurements where additional funding / capital investment has been agreed.
- 4.4 Appendix 2 gives a brief update on the procurement projects that were previously identified.

5. Description of Issue to be resolved

- 5.1 It is hoped that there is greater transparency and awareness of key procurement projects.
- 5.2 Allowing contracts to be awarded under delegation shortens the tender process.

6. Information & Analysis Supporting Recommendation

- 6.1 By identifying procurement processes in a forward programme, internal stakeholders can input into the process at an earlier stage where there is more ability to influence and make decisions on the future contract delivery model. The organisation can manage resources more effectively

7. Implications

- 7.1 Whilst every effort will be made to ensure that procurement processes are identified and reported in the forward programme there may be some instances where this is not achieved, an individual report will therefore be taken as per the previous model.

8. Background Papers

- 8.1 Procurement Code
- 8.2 [Report to Cabinet - Forward Programme of Procurements](#)

Report author and contact officer: *Jo Newton-Smith, Procurement Manager, 01293 438363*

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Appendix 1 – Procurement Forward Programme

Contract Title	Estimated Contract Value	Brief Description
Arboricultural Services Contract	£2.6m	Contract for the provision of Arboricultural Services (tree maintenance), The current contract which is with County Tree Surgeons expires in April 2022. The value of the future contract is approx. £200k p.a. and it is anticipated that this will be a 7 + 7 year contract period and will be collaborative procurement with Horsham District Council. The tender is due for issue in July 2021. This tender process is subject to final options analysis and sign off prior to issue of tender. Lead Officer Jo Newton-Smith / Karen Rham
Town Hall CatC Fitout	£1.1m	The Council approved the development project for the new Town Hall in 2019. This associated budget includes the provision of fixtures, fittings and equipment for the council chamber, customer area and shared office space. Whilst it may be possible to reuse elements of the current furniture, likely to be office desks and some equipment, the majority is not suitable for the new layouts and not in keeping with a modern, flexible and adaptable workspace. Professional advice on layout and furniture options is being sought from the design team with a view to issuing tender documents in August 21. Lead Officers; Simon Jones & Sarah Barnes
Property Partnering Contract	£180k p.a Estimated value £1.1m based on 4+2 contract term.	The current contract expires in April 2022 with current expenditure in the region of £180k p.a. It is anticipated that the contract will be a minimum of 4 years with options to extend. The contract is for consultancy services including PM, structural engineering, CDM, civil engineering, clerk of works and drainage and flood alleviation consultancy. Currently reviewing the scope with a view to issuing tenders in July 2021. Lead Officers; Ray Hook / Lisa Venn.

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Appendix 2 – Update on Procurements January – June 2021 Procurements

Contract Title	Estimated Contract Value	Brief Update
Migration to the public cloud (ICT)	c£500k total cost	Complete. Transition to the public cloud. The contract assists with the transition of the Council's estate from the current environment to the cloud through the Government's GCloud 12 framework agreement. Delegated Authority was awarded to Head of Digital and Transformation on 25 November 2020 and a contract has been awarded to 6DG as a partner organisation for a 2 year contract commencing March 2021, with the option to extend for an additional 2 years if required. Lead Officer; Emma Nash / Simon Jones.
Income Management System	£665k over 7 years £95,000 per annum.	Our current system Paye.net/AXIs is supplied by Capita and has been extended to March 2023. Market engagement has now been completed. Value of contract anticipated at £95k p.a but will be more if acquirer fees are included which are currently £100k p.a Currently in the process of preparing the documents and writing the spec. Plan is to do a 5 year plus 2 year extension option. Mini comp to be run via Crown Commercial framework RM3821. Aim is to award the contract in October. Lead Officer: Mohammed Din
Perryfield Road	£600k	Extension and refurbishment of existing property into four one-bedroomed flats with associated parking and landscaping. Evaluation of tenders returned near complete. Start on site due late summer 2021 with an estimated 18 month construction programme. Lead Officer: Lisa Venn
Temp Agency Staff	£750,000 £250k p.a.	Complete. This is a collaborative contract with Horsham DC, Mid Sussex DC and Mole Valley DC. Dynamic Purchasing System (DPS) established, currently including over 30 suppliers across 9 categories with the ability to add suppliers throughout the 3 year period. Internal communications being established with formal roll out across the council June 2021. Lead Officer; Becca Williams.
Building Repairs & Maintenance	£3.6m Approx. £900k p.a	The current contract is a framework agreement with multiple suppliers, the contract has expired. The contract covered planned and responsive repairs and maintenance of our non-housing assets including glazing, heating and plumbing, drainage, electrical works, ventilation, painting and decorating, lift maintenance, fire equipment testing etc. It includes town hall, community centres, depot, pavilions, public conveniences, Tilgate nature centre, Hawth, K2 etc. A review of our current assets and what model will be required for repairs & maintenance of the new town hall was being explored. Due to resource changes in Major Projects and Commercial Services no lead client has been identified to assist in developing the specifications required to take this contract forward. Anticipated that the procurement will commence Summer. Lead Officer; Major Projects and Commercial Services / Procurement.

Crawley Borough Council

**Report to Cabinet
30 June 2021**

Replacement Article 4 Directions for Main Employment Areas (Class MA)

Report of the Head of Economy and Planning, **PES/387**

1. Purpose

- 1.1 The Government has recently amended the Use Class Order for England, consolidating several previously distinct use classes into the new Use Class E. Further, it has introduced a new permitted development right (Class MA) through amendments to the General Permitted Development Order (GPDO) 2015 that will allow buildings within Class E to convert to residential (Class C3) through prior approval.
- 1.2 The changes will have implications for the existing Article 4 Directions made by the council, which prevent office and light industrial uses converting to residential use through prior approval. These are currently in force at the Main Employment Areas (MEAs) of Manor Royal, Maidenbower Business Park, Lowfield Heath, Three Bridges Corridor, and Tilgate Forest Business Centre.
- 1.3 Should the Council wish to retain the protections made by these Directions, it will be necessary to prepare replacement Article 4 Directions related to the new Class MA permitted development right.

2. Recommendations

- 2.1 To the Cabinet

The Cabinet is recommended to:

- a) Approve the making of non-immediate Article 4 Directions under the Town and Country (General Permitted Development Order) 2015 (as amended) to remove the Class MA permitted development right for Commercial, Business & Service (E) to residential (C3) at the Main Employment Areas shown at Appendix A, these being:
 - i. Manor Royal
 - ii. Maidenbower Business Park
 - iii. Lowfield Heath
 - iv. Three Bridges Corridor
 - v. Tilgate Forest Business Centre
- 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 Directions should be made.

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3. Reasons for the Recommendations

- 3.1 Crawley is firmly established as one of the key economic drivers in the South East of England, representing the economic heart of the Gatwick Diamond and the wider Coast to Capital Local Enterprise Partnership (LEP) area. The COVID-19 pandemic has impacted substantially upon Crawley's economy and, whilst it is anticipated that the local economy will respond positively to the current challenges, it is vital that the right conditions are in place to support recovery.
- 3.2 There remains significant need for business land in Crawley, with the adopted 2015 Local Plan identifying an overall need for 57.9ha new employment land in the period up to 2030. However, with an available land supply pipeline of 23ha, there is a deficit of some 35ha business land. The available business land has continued to reduce as sites are built out, and the land supply pipeline is currently 17.56ha, as per the Employment Land Trajectory (Base Date 1 September 2020). To help meet Crawley's employment needs, the Draft Submission (Reg. 19) Local Plan proposes the allocation of an industrial-led Strategic Employment Location at Gatwick Green, though in order to ensure a sufficient supply of employment land it is also critical to ensure that the function of borough's existing Main Employment Areas (MEAs) are protected.
- 3.3 Crawley has already lost around 61,500sqm of commercial space to residential development via permitted development rights, and the presence of amenity-sensitive residential uses in the MEAs can constrain remaining business operations and erode market confidence. Some MEAs, for example Broadfield Business Park, have been undermined to such an extent by the introduction of residential uses that their overall employment function has effectively been lost. Of further concern is that working MEAs are not a suitable location for people to live, resulting in an isolated and poor quality of life that is contrary to the planned nature of Crawley as a New Town.
- 3.4 The Council has been selective in identifying the MEAs within which Article 4 Directions apply, having made these only where they are necessary to protect local amenity, the existing local business function and employment base and the well-being of the area. The existing Article 4 Directions, whilst having helped address the concerns mentioned above, will not be effective against the new right for Use Class E (GPDO Class MA). Should the council wish to retain the current protections made by these Article 4 Directions, it will be necessary to bring into force replacement Directions relating to the new Use Class E (GPDO Class MA) permitted development right. This has been confirmed through legal advice.

4. Background

- 4.1 The council, supported by local business groups, has brought into force a number of non-immediate directions under Article 4(1) of the Town and Country (General Permitted Development) Order 2015. These remove permitted development rights that would otherwise allow B1a offices, B1c light industrial, and B8 storage & distribution uses, to change to C3 residential through the prior approval process. This means that planning permission is required where a change of use is proposed to residential, giving the council greater control to ensure that development is appropriate and properly planned.
- 4.2 The Directions apply to designated MEAs at Manor Royal, Maidenbower Business Park, Lowfield Heath, Three Bridges Corridor, and Tilgate Forest Business Centre. In conjunction with the Local Plan, the Directions enable the council to take a strong position to safeguard the supply of employment land, and ensure that residential development is properly and sustainably planned.

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- 4.3 The Government recently amended the Use Class Order in England, with changes having taken effect on 1 September 2020. The revised Use Class Order subsumes the former Use Classes A1 (retail), A2 (financial & professional services), A3 (restaurant), B1a/b/c (business) and parts of D1 (non-residential institution) and D2 (assembly & leisure) into a single new Use Class E (Commercial, Business and Service). This means that changes between these uses can now take place without any planning consent.
- 4.4 Following this revision, the Government has introduced a new permitted development right (referred to as Class MA) that will come into force on 1 August 2021. Subject to specific limitations and conditions, the new right would allow any building or planning unit within Use Class E to convert to residential use through prior approval. The newly introduced Class MA permitted development right seeks not only to consolidate existing permitted development rights that allow conversion of office and light industrial buildings to residential use, but will also expand this right considerably to permit the conversion of any commercial premises within the new Use Class E to residential use.
- 4.5 It should be noted that the permitted development right relating to Use Class B8 storage & distribution (GPDO Class P) was time limited and expired on 19 June 2019. Use Class B8 is unaffected by the recent changes, and does not form part of Class E. There is no current permitted development right which allows property in a Class B8 use to be converted to C3 residential use.
- 4.6 The permitted development right relating to B1c light industrial use (GPDO Class PA) was also time limited, and expired on 1 October 2020. However, Use Class B1c now forms part of the new Use Class E, and is therefore subject to change of use under the new Class MA permitted development right.

5. Description of Issue to be resolved

- 5.1 As the council's existing Article 4 Directions relate to the superseded Use Class B1a and B1c, they will not be effective against the new right for Use Class E (GPDO Class MA). Should the council wish to retain the protections made by Article 4 Directions, it will be necessary to bring into force replacement Directions relating to the new Use Class E (GPDO Class MA) permitted development right.
- 5.2 The Government has introduced transitional arrangements where existing Article 4 Directions relating to offices are in place. This means that although the new right to convert office buildings to residential comes into effect on 1 August 2021, where Article 4 Directions removing the previous iteration of this right were in force before 31 July 2021, these will remain in force until 1 August 2022 unless otherwise cancelled. There would therefore be sufficient time for the Council to prepare new non-immediate Article 4 Directions to come into force before the carry over date of 1 August 2022.
- 5.3 The transitional arrangements do not apply to light industrial units, and these remain subject to the new permitted development right through Class MA.
- 5.4 The council remains committed to developing a clear and transparent planning framework to assist developers, businesses and investors. This approach is even more important as the borough seeks to respond positively to the unprecedented economic impacts of the COVID-19 pandemic. By responding to the new prior approval rights with replacement Article 4 Directions, the council will be responding positively to support economic recovery, protecting the existing employment land supply and removing the uncertainty that would otherwise be experienced by businesses.

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6. Information & Analysis Supporting Recommendation

- 6.1 The National Planning Policy Framework states at paragraph 53 that the use of Article 4 directions to remove national permitted development rights should be limited to situations where this is necessary to protect local amenity or the wellbeing of the area.
- 6.2 Through the Local Plan and the Article 4 Directions that are currently in force, the council has worked closely with the business community to establish a clear planning framework which pro-actively supports the business function of Crawley. There is significant risk that the newly proposed permitted development right will undermine this work, justifying the making of replacement Article 4 Directions.
- 6.3 Introduction of unplanned residential use into the MEAs creates scope for conflict, as environmental legislation requires that the amenity of the new residents is protected. This can create uncertainty for existing and future businesses, as issues such as noise, parking, hours of operation, vibration and industrial processes, which were previously acceptable, may become a statutory nuisance when noise-sensitive residential uses are introduced to an industrial area.
- 6.4 It should be noted that for Class MA, the GPDO will allow prior approval decisions to consider impacts of noise from commercial premises on the intended occupiers of development, and also impacts on the intended occupiers of the development that may arise from introducing residential use in an area which the authority considers to be important for general or heavy industry, waste management, storage and distribution, or a mix of such uses. These conditions represent welcome additions to the GPDO, though given the uncertainty created by Class MA, there remains risk that without up-to-date Article 4 Directions in place, Crawley's business land supply will continue to be undermined.
- 6.5 Replacement Directions are therefore proposed at the location shown in Appendix A to ensure that protections provided by existing Article 4 Directions can be retained. The proposed replacement Article 4 Directions will help to retain the supply of employment land and floorspace in the borough, ensuring that there is a good mix and supply of business premises, helping to support businesses, protect jobs, and promote economic recovery. The approach will ensure that the positive impact made by the Article 4 Directions already in force is not undermined.
- 6.6 In terms of housing supply, the Council is meeting its supply-led Local Plan housing requirement, exceeding the requirements set by the Housing Delivery Test, and having in place greater than the minimum five year housing land supply. This has been achieved through maximising the use of land within Crawley borough and working with neighbouring authorities through Duty to Cooperate to ensure that the remaining unmet housing needs are met. It is considered that new housing should only be provided in areas that are appropriate for residents to live. The Local Plan 2030 and the emerging Local Plan review support this through key policies relating to noise, buffer zones, and general design principles. As the permitted development rights override these considerations, it is considered that, whilst the provision of housing is very important, this need should not be at the expense of ensuring a good standard of living for residents, nor should it override or compromise the importance of maintaining the supply of employment land.
- 6.7 Introduction of replacement Article 4 Directions at the identified MEAs will require applicants to formally submit a planning application (free of charge) for the specified changes of use covered by the direction. This will allow the council to be involved in a formal decision making process, enabling a case-by-case judgement to be made

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as to whether or not a proposed change of use to residential would be appropriate having regard to Development Management considerations that prior approval places outside the control of the Local Planning Authority.

- 6.8 There are two potential types of Article 4 Directions; immediate and non-immediate. The immediate route allows an Article 4 Direction to be put in place immediately by the Local Authority, but there are significant risks attached to the approach, as it exposes the Council to legal and financial risk because substantial compensation rights are afforded to land owners. For this reason the immediate approach is generally not used by Local Authorities other than in emergency situations. As has been the case with previous Article 4 Directions, it is recommended that the non-immediate route is pursued.
- 6.9 The legal process to implement a non-immediate Article 4 Direction requires a 12 month formal notification period that includes a 21 day minimum statutory consultation period. The council propose to extend this to a 3 month consultation period, during which businesses and stakeholders will be invited to comment on whether the proposed Article 4 Directions are supported and provide feedback on the boundaries proposed. In addition to statutory local advertisement and site notices, direct consultation will be undertaken with specific interested parties. These include business groups, owner/occupiers of businesses in the relevant main employment area and key local developers. Consultation details will also be published on the council's website.

7. Implications

- 7.1 The non-immediate Article 4 Direction route mitigates the council's exposure to legal and financial risk of compensation claims and is therefore the recommended approach. The transition arrangements mean that changes of use from office to residential will remain covered for this period where existing Article 4 Directions are in place. Office to residential has formed the vast majority of prior approval applications in Crawley to date, and therefore whilst prior approval applications for light industrial to residential may come forward during the intervening period, based on previous trends this is anticipated to be relatively few in number. The making of new Article 4 Directions will have the effect of cancelling the preceding direction.
- 7.2 Applications for prior approval under Class MA submit a fee of £100 per dwelling house, up to a maximum level of £5,000. This is a significant rise from the £96 total fee that is currently charged for determination of prior approval B1a/B1c/B8 to residential applications. When an Article 4 Direction comes into force, any planning application required solely as a result of the Article 4 Direction would not incur a fee, and therefore an amount of planning application income will be lost.
- 7.3 In progressing the replacement Article 4 Directions, it has been necessary to obtain legal advice, sourced from Horsham District Council and funded by CBC Legal. It is possible that further legal advice may be required to support the bringing into force of the replacement Directions.
- 7.4 Planning regulations require the council to place an individual public notice in the local press for each Article 4 Direction, firstly at the start of the notification period, and again a year later should the Direction(s) come into force. The cost of a single public notice is around £500, so the anticipated cost implication of replacing the existing Directions would total around £5,000. The Finance team will look to allocate a budget for public notice costs from 'new burdens' funding received for the current financial year, as this is a grant that is not ring-fenced.

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8. Background Papers

Adopted Crawley Borough Local Plan 2015

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

Draft Submission (Reg. 19) Crawley Borough Local Plan January 2021

<https://crawley.gov.uk/sites/default/files/2021-01/Submission%20Draft%20Local%20Plan%20January%202021.pdf>

Employment Land Trajectory (Base Date 1 September 2020) January 2021

<https://crawley.gov.uk/sites/default/files/2021-01/Employment%20Land%20Trajectory%20January%202021.pdf>

Economic Growth Assessment – focussed update for Crawley September 2020

<https://crawley.gov.uk/sites/default/files/2020-10/Economic%20Growth%20Assessment%20-%20focussed%20update%20for%20Crawley.pdf>

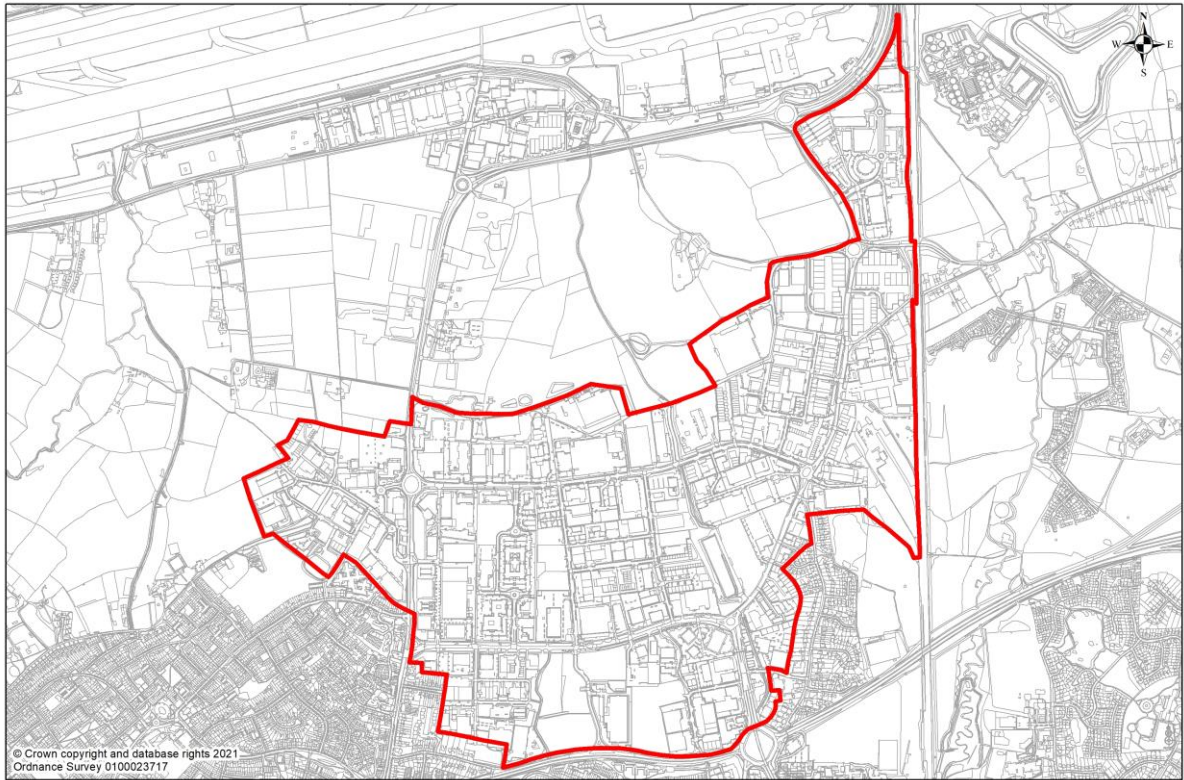
The Town and Country Planning (General Permitted Development etc.) (England) (Amendment) Order 2021 <https://www.legislation.gov.uk/uksi/2021/428/made>

Report author and contact officer: Anthony Masson, Senior Planning Officer. 01293 438761 anthony.masson@crawley.gov.uk

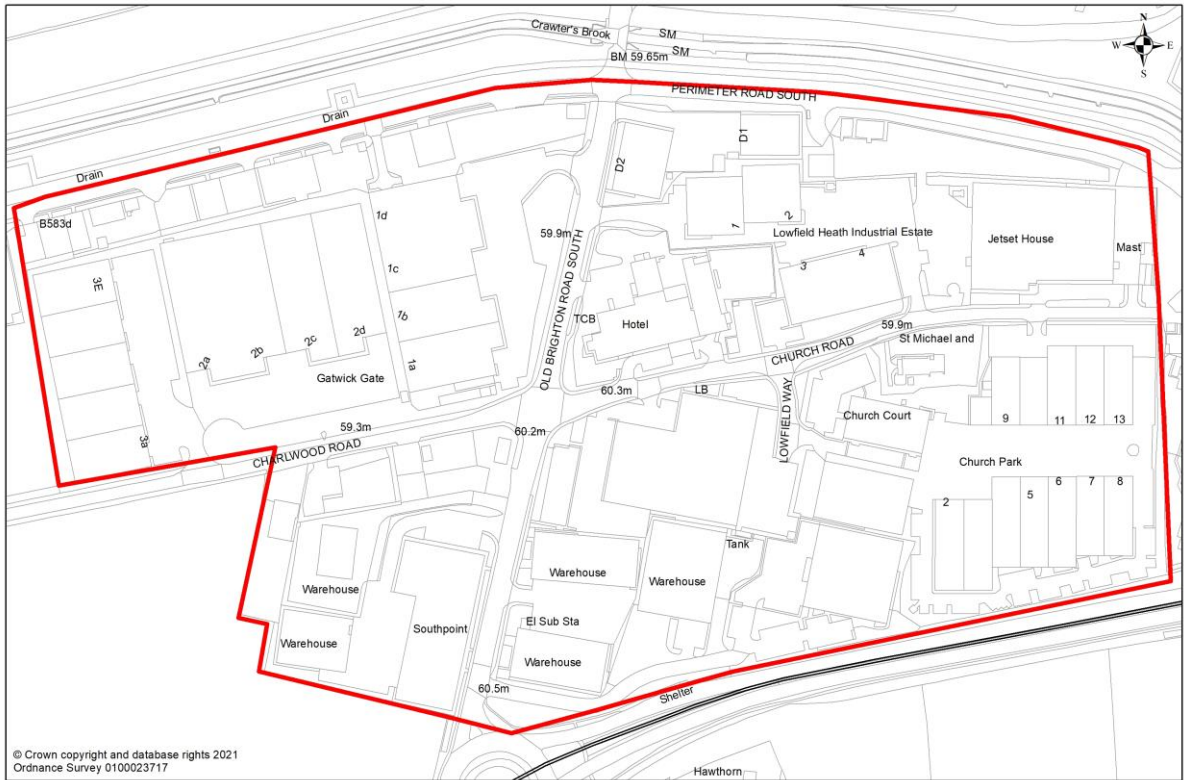
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Appendix A: Replacement Article 4 Directions: Proposed Boundaries

ARTICLE 4 DIRECTION: MANOR ROYAL

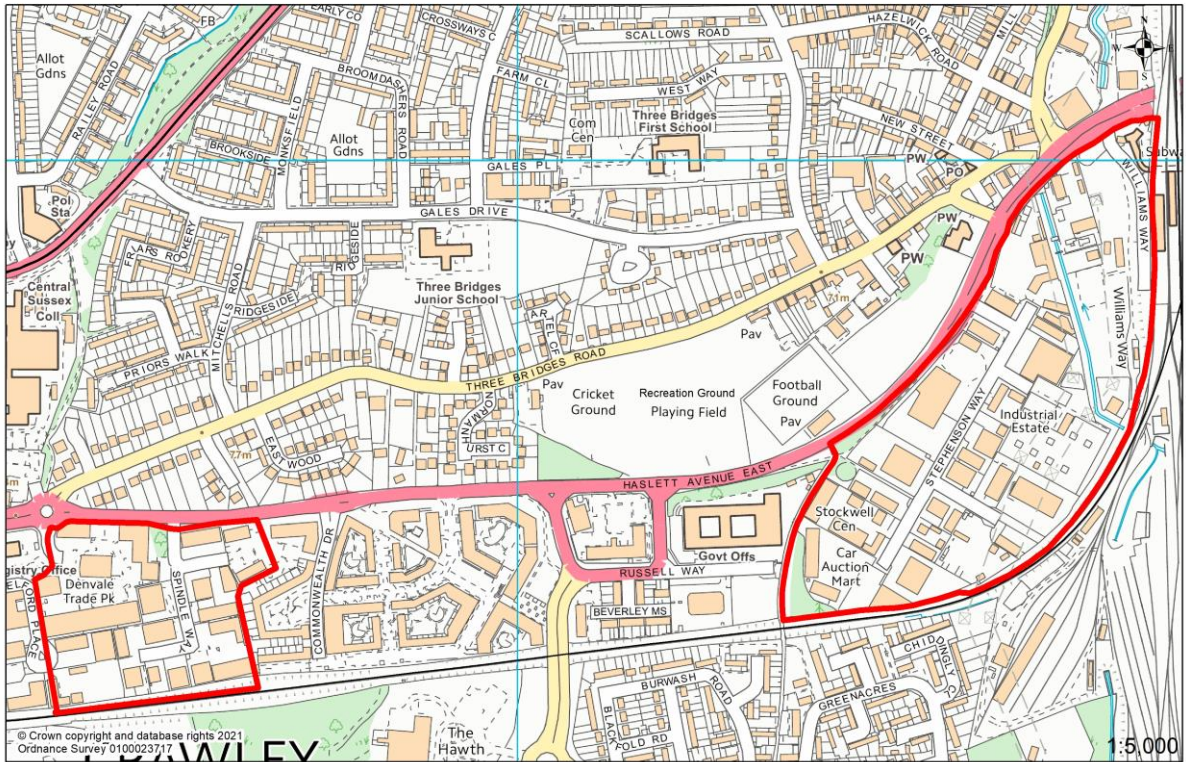


ARTICLE 4 DIRECTION: LOWFIELD HEATH MAIN EMPLOYMENT AREA



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ARTICLE 4 DIRECTION: THREE BRIDGES CORRIDOR MAIN EMPLOYMENT AREA

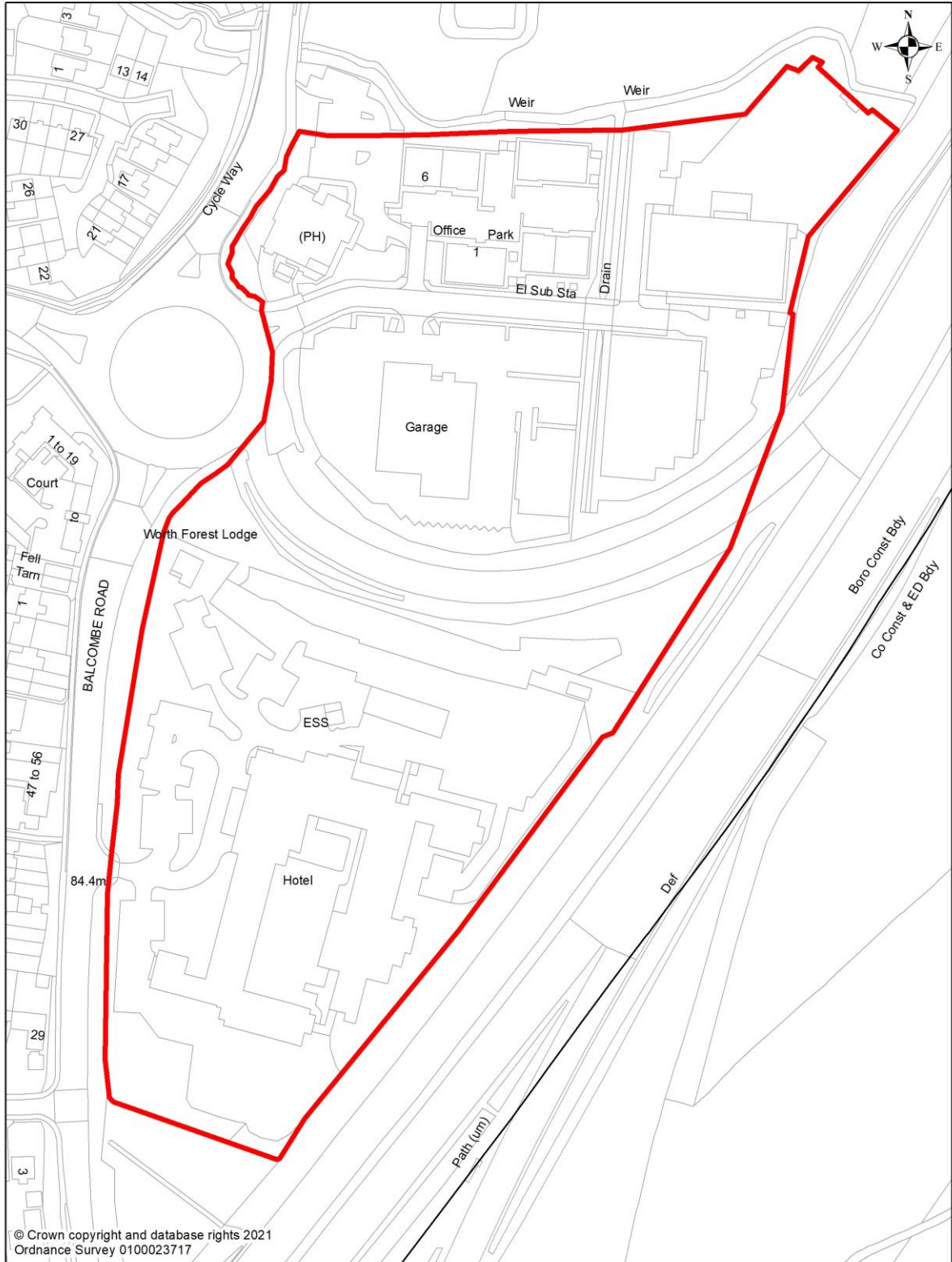


ARTICLE 4 DIRECTION: TILGATE FOREST BUSINESS CENTRE MAIN EMPLOYMENT AREA



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ARTICLE 4 DIRECTION: MAIDENBOWER BUSINESS PARK MAIN EMPLOYMENT AREA



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