

Crawley Borough Council

Overview and Scrutiny Commission

Agenda for the **Overview and Scrutiny Commission** which will be held in **Committee Rooms A & B - Town Hall**, on **Monday, 3 October 2022** at **7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:

Councillors

T G Belben (Chair), K Khan (Vice-Chair), M L Ayling, H Hellier, I T Irvine, R A Lanzer, A Pendlington, S Piggott, S Pritchard, T Rana and S Sivarajah

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest and Whipping Declarations	
In accordance with the Council's Code of Conduct, councillors are reminded that it is a requirement to declare interests where appropriate.	
Councillors must also declare if they are subject to their party group whip in relation to any items under consideration.	
3. Minutes	5 - 14
To approve as a correct record the minutes of the Overview and Scrutiny Commission held on 5 September 2022.	
4. Public Question Time	
To answer any questions or hear brief statements from the public which are relevant to the items on this agenda. The period will end after 15 minutes or later at the Chair's discretion.	
5. 2022/2023 Budget Monitoring - Quarter 1	15 - 34
To consider report FIN/586 of the Head of Corporate Finance.	
6. Budget Strategy 2023/24 - 2027/28	35 - 62
To consider report FIN/583 of the Head of Corporate Finance.	
7. Proposed Increase of Weekly Rent to Council Owned Garages	63 - 72
To consider report CEX/59 of the Chief Executive.	
8. Health and Adult Social Care Scrutiny Committee (HASC)	
To receive a brief update on the Health and Adult Social Care Scrutiny Committee (HASC).	
9. Forthcoming Decision List - and Provisional List of Reports for the Commission's following Meetings	
To consider any requests for future items . Those highlighted items have been referred to the Commission.	

Cabinet 2 Nov 2022

OSC 31 Oct

Proposals to Introduce New Conservation Areas and Change Existing Conservation Area boundaries

Allocating Monies Collected Through CIL, Neighbourhood Improvement Strand

Climate Change Update Report

Environmental Services & Sustainability Cabinet Member Discussion

Cabinet 23 Nov 2022

OSC 21 Nov

Budget Strategy Mid-Year Review 2022

2022/2023 Budget Monitoring - Quarter 2

Treasury Management Mid-Year Review 2022-2023

Review of Statement of Licensing Policy Gambling Act 2005 (2023 – 2025)

Anti-Bribery Policy

Anti-Money Laundering Policy

10. Supplemental Agenda

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

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Crawley Borough Council

Minutes of Overview and Scrutiny Commission

Monday, 5 September 2022 at 7.00 pm

Councillors Present:

T G Belben (Chair)

K Khan (Vice-Chair)

M L Ayling, H Hellier, I T Irvine, R A Lanzer, A Pendlington, S Piggott, S Pritchard, T Rana and S Sivarajah

Also in Attendance:

Councillor R D Burrett, M G Jones and S Malik

Officers Present:

Siraj Choudhury Head of Governance, People & Performance

Ian Duke Deputy Chief Executive

Richard Gammie Commercial Asset Manager

Heather Girling Democratic Services Officer

Karen Hayes Head of Corporate Finance

Simon Jones Head of Digital and Transformation

Jess Tamplin Democratic Services Officer

1. Disclosures of Interest and Whipping Declarations

The following disclosures were made:

Councillor	Item and Minute	Type and Nature of Disclosure
Councillor R A Lanzer	Crawley BC's Equality, Diversity & Inclusion Statement 2022-2026 (Minute 5)	Personal Interest – Member of WSCC –
Councillor R A Lanzer	Crawley BC's Equality, Diversity & Inclusion Statement 2022-2026 (Minute 5)	Personal Interest – WSCC Cabinet Member for Public Health & Wellbeing
Councillor R A Lanzer	Health and Adult Social Care Scrutiny Committee (HASC) (Minute 8)	Personal Interest – Member of WSCC

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Overview and Scrutiny Commission (14)
5 September 2022

Councillor
R A Lanzer

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

Personal Interest –
WSCC Cabinet Member for Public
Health & Wellbeing

2. Minutes

The minutes of the meeting of the Commission held on 4 July 2022 were approved as a correct record and signed by the Chair, subject to the following amendments:

Item 3: Public Question Time - Councillor Irvine commented that the PSPO was a serious decision for the Council as it can potentially lead to an individual being fined (of up to £1000) or a criminal record.

Item 4: Public Spaces Protection Order - Keep your dog on a lead in Tilgate Park: the sentence "Views were expressed that the item should be unwhipped at Full Council, however this was not felt to be a discussion point to comment upon further at the Commission's meeting" be removed from the minutes.

3. Public Question Time

Questioner's Name	Name of Councillor Responding
<p>Ahmad Darvishi, Parade Tenant</p> <p>I have been a Crawley tenant for over 30 years and unfortunately, there have been lots of problems, particularly at Tilgate and Furnace Green. Last December there was an issue following a break in at the shop and also with flooding. Having contacted the Asset Team we were informed to complete the work, which was difficult given the time of year, but the issue is still ongoing. I've sent the documentation to the Council and I have yet to receive any insurance money. I have contacted the insurance department and I have not received any response. There is a lack of communication and support with the Council.</p> <p>Supplementary – I would like to thank Richard Gammie who came and saw the completion of the work. With regards to empty shops these should not be given to fast food outlets, as we have enough of these. Shops should be on a tender basis. Elderly residents require shops to be open on a parade. Please bring back the traditional shops; greengrocers, butchers and charge them less.</p>	<p>Councillor Belben (Chair of the Overview and Scrutiny Commission) -</p> <p>I apologise you do not feel you have not had the support from the Council but we will take your details away and look at this further.</p> <p>Councillor Jones (Leader of the Council) – I am not aware of the individual matters of this case, but I am sure we can look into the matter further and respond to our tenant.</p> <p>Richard Gammie (Commercial Asset Manager) - I am aware of the case and I'm afraid I do not have the latest information, but we will pick up the details separate to this discussion.</p> <p>Richard Gammie (Commercial Asset Manager) – I am happy to look at this if it relates to empty properties and marketing but it does need to be at the correct level of rent.</p> <p>Councillor Irvine (Overview and Scrutiny Commission Member) - I sympathise and agree. My concern would be with empty units at the parades and the decline of the parades as they equate to a large part of the Council's income. Unfortunately some of the traditional</p>

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5 September 2022

	<p>choices do not exist anymore. Think the Council does its best to ensure the parades are viable.</p> <p>Councillor Hellier (Overview and Scrutiny Commission Member) - Furnace Green parade has two empty units on it and as a result of the empty units the trade has declined.</p> <p>Councillor Lanzer (Overview and Scrutiny Commission Member) - Sometimes a unit is physically empty but has already been let, however the tenant has yet to move in. Empty units cannot be determined by the frontages of the shops. National policy will dictate the use of Post Offices on the parades.</p> <p>Councillor Khan (Overview and Scrutiny Commission Member) - Huge concern when the post office closed in town particularly as the local post offices are important to residents.</p>
<p>Martin Stone, Business Owner Town Centre</p> <p>Firstly I would like to commend the Scrutiny Panel's report. With regards to 15.1a, "Maintain a list of essential/traditional and desirable parade uses to allow consideration of lower offers for essential/traditional trades" and I'm just wondering what that means? Does that mean the Council will be getting the right sort of shops on the parades and would be willing to offer 3-6 months rent-free periods as an incentive for them to take on the shops? In the report it does say, subject to still obtaining a market rent to be decided upon. What other areas would they be willing to support please?</p>	<p>Councillor Lanzer (Overview and Scrutiny Commission Member) -</p> <p>Thank you for your question and for your comments on the report. The market rent point is important but it is an obligation under the 1972 Local Government Act to secure a reasonable return for residents. Some uses will tend to command a higher return than others because they are profitable perhaps hot food takeaways and bookmakers. It is important for the Council to be transparent in its thinking of what trades it would like to see on the parades and the reason behind maintaining a list of trades and that would be something for Cabinet/Cabinet member to develop and it is used in other councils. Some of the uses increasingly reflect the way people live their lives and the return on certain businesses is helpful in terms of maintaining the viability of the neighbourhood parades overall, whilst not compromising the Council's desire to maintain a good balance of trade.</p>

4. Final Report of the Council-owned Neighbourhood Parades Scrutiny Panel

The Commission considered report [OSC/303](#) of the Chair of the Council-owned Neighbourhood Parades Scrutiny Panel, Councillor Lanzer.

The OSC was reminded that the main aims of the Scrutiny Panel were to examine the various roles of Crawley Borough Council's neighbourhood shopping parades, explore how effectively these were being discharged, and to consider any improvements that could be made. Commission members were informed that the Scrutiny Panel's large number recommendations were consciously framed with a whole Council approach, noting that contributions can be made by various departments beyond that responsible for the Property Strategy, and by partner organisations.

As a result of the final report and the discussion Councillor Lanzer (Chair of the Panel), the Head of Corporate Finance, Asset Manager and Democratic Services Officer (JT), the following points were expressed:

- There was general support for the report and the Panel's work. Panel members and officers were thanked for a thorough review and comprehensive report.
- The Commission considered the Panel's recommendations to be practical and offered support for actively encouraging the use of the borough's parades. It was commented that they provided a community hub for the neighbourhood and there was a need to focus on engagement and awareness going forward.
- It was felt disheartening that there had been a low response to the parade tenant section of the Panel's survey but acknowledged that tenants' attendance at the Panel's meetings and witness sessions had been positive and engaging.
- There was support for various points documented within the report including the cleanliness of the parades, safety aspects, local community engagement and the cost of living (ie affordability). It would be beneficial to look at the cost of living in parallel with the cost of services. It was acknowledged that signposting businesses was important to ensure they receive the support and assistance as and when required, particularly to providing information regarding the rent review process.
- Clarification sought and obtained on the maintenance responsibilities as outlined within each lease agreement; most of the responsibilities for building upkeep fell to the tenant.
- It was felt that there was a need to diversify the range of units on the parades as usage had changed over time. It was subjective as to what constituted a '*good range of parade shops*'. Demand for parade units was high and some may appear vacant but were already let. Traditional uses were popular with shoppers and the parades should reflect this however there was a need for balance of necessity and achieving rent rate. Additionally some use classes were more profitable than others and it was acknowledged that use classes under Planning legislation had become streamlined.
- It was recognised that legislation implemented during the pandemic had restricted the measures that the Council as landlord could take to recover owed funds. This legislation was due to fall away in September 2022 and whilst the majority of tenants worked well with the Council to manage their finances, it was noted a large portion of the substantial arrears was owed by a small number of tenants and this was unacceptable.
- Concern was raised regarding some of the Panel's recommendations given the financial pressures on the Council's General Fund and ultimately any proposals would need to be cost-effective. It was however noted that items for the Capital Programme were driven by the need for the upkeep of council assets and environmental obligations and schemes will also be considered that are spend to

save or spend to earn, but that such prioritisation should not preclude the initial consideration of capital projects that could deliver “*social value*”.

RESOLVED

That the Commission noted the report and requested that the views expressed during the debate, were fed back to the Cabinet through the Commission’s Comment sheet.

5. Crawley BC's Equality, Diversity & Inclusion Statement 2022-2026

The Commission considered report [LDS/181](#) of the Head of Governance, People and Performance. The report sought approval for the refreshed and updated Council's Equality, Diversity & Inclusion (EDI) approach, including a revised statement and action plan.

During the discussion with the Cabinet Member for Resources and the Head of Governance, People and Performance, the following comments were made:

- Clarification sought as to the training to be offered for Councillors. It was acknowledged the training programme for officers and Councillors was currently being devised. It was identified that the training would need to be tailored for the range of roles which employees fulfil e.g. some roles are more public facing or work with particular vulnerable groups. Similarly, a specific course will be designed for councillors. This will be a starting point to cover the legal duty, the protected characteristics and to build awareness around this complex and developing field. It was confirmed that training would look to help employees and councillors to understand and identify unconscious biases which might potentially influence behaviour and decision making. External trainers will be considered subject to cost and considering that there is a large staff complement to train.
- Confirmation was provided that no feedback had been received from UNISON.
- Support for the work in Community Services with regards to the outreach work and identifying community champions. It was hoped this would provide better services and reduce barriers to participation, increasing access to health and wellbeing. The key was having EDI in mind when embarking on new projects or significant decisions.
- Concerns were expressed over equality and access when vehicles park on footpaths. It was noted that this was an enforcement issue and that if it was within the Council's powers, it could act. All concerns and incidents should be reported directly to the Head of Community Services.
- Clarification sought as to whether assistance dogs would be permitted within not just the new Town Hall, but also the leased offices, as currently assistance dogs were allowed in the current building. Whilst it was anticipated assistance dogs would be permitted in the Council's area, further discussion would be required for the leased offices. It was also confirmed induction loops were to be fitted in the new Town Hall.

RESOLVED

That the Commission noted the report and requested that the views expressed during the debate, were fed back to the Cabinet through the Commission’s Comment sheet.

6. Review of Transformation Plan

Commission Members considered report [DCE/13](#) of the Deputy Chief Executive. The Commission has within its function to review the council's transformation programme, measures, and performance information (including budgetary information) together with service reviews.

The Transformation Plan was revised in 2020 with a first review report to OSC in November 2020 and then again in November 2021 - [DCE/09](#), providing an update on progress to the six themes and activities. [DCE/13](#) provides an update to the Commission, identifying those activities that have been delivered sufficiently, where remaining activities are incorporated into service plans as business as usual or likely to carry across to the next iteration of the plan. Much progress had been made and the challenges of the Covid-19 pandemic accelerated the Transformation Plan, in particular in terms of new ways of working, values and behaviours and digital transformation.

The Transformation Plan included:

- Channel Shift – reflected the massive shift to online work, which included how residents wished to interact with the council. There were huge advantages to the council in terms of efficiencies. These were the simple, transactional and information driven activities such as myCrawley which had resulted in 37,998 registrations together with an option for eBilling for Council Tax. Work will continue to capitalise on this approach where possible whilst retaining options for more traditional phone or face to face interactions for those who require this. Just 5% of all traffic through the Contact Centre was now face to face.
- New Ways of Working – The Council continued to focus on how best to use new technology to release staff to work in a more agile way. The most significant project was the migration of the Council's infrastructure to the cloud along with a range of service led projects. The move to the new Town Hall had provided momentum to digitise historic data creating space, improving access to information and modernising working practices. Ultimately these will drive efficiencies and provide enhanced customer access. In addition the mobile working phase 3 project was underway and would see improvements in service areas.
- People Strategy – As the Council's ways of working evolve and change there was a need to review the employment offer and practices to ensure it continued to attract and retain the best workforce and get the most out of the talent the Council has. It was important to create and embed a culture of going forward to be more flexible and adaptable whilst providing support for all staff as the Council continued its journey to transform and develop.
- Service Re-design – This addresses services or functions where it was decided to undertake a review or make changes to improve services or deliver efficiencies. It was important to look at services in an holistic sense. myCrawley deals with multiple transactions and with the addition of links and pages can assist with supporting customers in the future.
- Commercialisation (PIPES model) - By adopting a more commercial mindset the Council is able to respond more flexibly and pragmatically in responding to the Medium-Term Financial Strategy (MTFS). There is a clear need to continue to offer high quality and sustainable services which must operate, as a minimum, as cost neutral. Achieving this at a time where residents and businesses are incurring a raft of increased prices is understandably, extremely sensitive. It does however minimise the need for future reductions in services by developing new ideas, new income streams, greater efficiencies and savings.

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- Assets – Within the Council’s current estate there are a range of land and spaces subject to varying levels of use. Several of these offer opportunities for the Council in terms of disposal, development or repurposing. Initially work has focused on Metcalf Way depot and the relocation of its staff and services through a trial of the mobile Patch Teams, thereby freeing up the site for alternative use.

Following the discussion with the Deputy Chief Executive and Head of Digital and Transformation, Councillors raised a number of queries:

- Clarification sought and obtained on the condition and maintenance of the Council’s assets. It was acknowledged that in some case maintenance programmes had reduced due to the pandemic but it was important to contact the relevant departments where deterioration required reporting. Additionally any anti-social behaviour should be reported to the ASB Team or the Police.
- Confirmation that the Council would continue to accept cash payments via the self-pay kiosk. Some residents within the borough insist on paying cash, especially for housing tenancy. It would be a legitimate way for the Council, as a public service, to receive (debt) payment.
- Clarification was provided over the Contact Centre opening hours and call wait (queuing) times, together with potential new IT initiatives being explored as part of the Council’s option to shift demand away from the Contact Centre to provide additional capacity. However, it was noted that these initiatives would only be established once thoroughly tested and if they would generate additional value.
- It was acknowledged that the Council’s ‘report a problem’ page on the website was currently under review. A new page was scheduled for re-launch in the future.
- Explanations were sought and obtained on the details provided within the number of transactions, both internal and external.
- It was acknowledged that the cost of postage had risen since the return to the Town Hall following the pandemic and this was regularly monitored. However it was noted that whilst some efficiencies could be made, there were some items that required to be posted under legislation.

RESOLVED

That the Commission noted the report, with the views expressed being acknowledged and documented by the officers.

7. Cabinet Member Discussion with the Cabinet Member for Resources

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

The following topics were discussed:

- The mobilisation into the new Town Hall would potentially commence during autumn 2022.
- A trial was underway for mobile Patch Teams within the borough to increase efficiencies. This also assisted in identifying and evaluating alternative use for the Council’s assets, in particular Metcalf Way.
- The IT programme had increased and was also developed its approach. Recently introduced the heightened cyber-security training.
- Governance, People and Performance Team had concentrated on the elections, together with the potential new voted-ID legislation, whilst the Legal Team has installed a new case management system which had resulted in improved efficiencies. A change in both Audit and the new Corporate Performance Team had resulted in an improved ways of working throughout the organisation.
- Confirmation provided that currently no adjustment was being made on the rent levels of the new Town Hall due to the advantage of its design sustainability.

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5 September 2022

- Clarification sought and obtained on the risk strategy. There were various risk categories and different risk appetites were applied in individual areas of the Council.
- With regards to recruitment and staff vacancies, it was acknowledged that this was a challenge across the Council as there was difficulty in recruitment to various professional roles due to a skill shortage. Work had been carried out in terms of marketing and adapting the current recruitment material.
- It was confirmed that the Council workplaces remained the nominated contracted place of work. However, it was important to offer flexibility and staff were encouraged to be present in the office for a minimum of two days per week for full time employees and one day a week for part time employees. It was queried whether there had been a desire to return to the Town Hall for additional hours/days as a result of the cost of living. However as yet there had not been a change in working patterns.

RESOLVED

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

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

An update was provided from the most recent [HASC](#) meeting. Key items of discussion included:

- The Public Health and Wellbeing Programme was analysed and was making good, steady progress.
- Unfortunately Adult Services was currently experiencing issues with resources.
- It was confirmed that smoking rates within young people had increased and as yet there the reasons were unknown. The Committee asked to be signposted to the [Khan review](#): making smoking obsolete by 2030.
- Following a query by the Commission it was clarified that the review and figures referred just to smoking (and not vaping).

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

The Commission confirmed the following reports:

OSC 3 Oct

Budget Strategy 2023/24 – 2027/28

2022/2023 Budget Monitoring – Quarter 1

Proposals to Introduce New Conservation Areas and Change Existing Conservation Area boundaries

OSC 31 Oct

Climate Change Emergency Action Plan ([OSC Update Report](#))

Environmental Services & Sustainability Cabinet Member Discussion

Closure of Meeting

With the business of the Overview and Scrutiny Commission concluded, the Chair declared the meeting closed at 10.09 pm

T G Belben (Chair)

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Agenda Item 5

Crawley Borough Council

Report to Overview and Scrutiny Commission 3rd October 2022

Report to Cabinet 5th October 2022

2022/2023 Budget Monitoring - Quarter 1

Report of the Head of Corporate Finance - **FIN/586**

1. Purpose

- 1.1 The report sets out a summary of the Council's actual revenue and capital spending for the first Quarter to June 2022. It identifies the main variations from the approved spending levels and any potential impact on future budgets.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet:

The Cabinet is recommended to:

- a) **Agree to note the projected outturn for the year 2022/2023 as summarised in this report.**
- b) **Add £40,000 to the capital programme, funded from the Tilgate Park Investment Reserve, for a replacement tractor flail as outlined in section 8.7 of this report.**

3. Reasons for the Recommendations

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

4. Background

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

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- 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 has the opportunity to scrutinise expenditure. Quarterly monitoring information is also included in the Councillors' Information Bulletin.
- 4.3 This report outlines the projected outturn for 2022/2023 as at the end of June 2022.
- 4.4 As discussed in the budget report and Budget Strategy, due to the pandemic it is very difficult to accurately forecast our financial position for the year.

5. Budget Monitoring Variations

5.1 General Fund

The table below summarises the projected variances in the relevant Portfolio at Quarter 1.

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

	Variance Projected at Quarter 1	
	£'000's	
Cabinet	580	U
Public Protection & Community Engagement	(16)	F
Environmental Services & Sustainability	12	U
Housing	895	U
Wellbeing	(334)	F
Planning & Economic Development	(72)	F
Resources	(13)	F
TOTAL (SURPLUS)/DEFICIT	1,052	U
Investment Interest	(457)	F
Lower Tier Services Grant	76	U
ADJUSTED (SURPLUS)/DEFICIT	671	U
Budgeted transfer from reserves	452	
Total transfer from reserves	1,123	

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

Significant Quarter 1 variances over £20,000

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5.1.1 Cabinet

A pay award offer of £1,925 per spinal point has been made to unions on behalf of the main local government NJC workforce. This equates to a 10.5% pay award for those on scale 1, with all NJC employees receiving at least a 4.04% increase. The budget for 2022/23 had an allowance for 2%, the projected overspend is therefore £800,000.

An underspend of £215,000 in Investment and Operational Properties includes £95,000 savings identified as part of the Challenge of Budgets reported in the Budget Strategy. The remaining underspend of £120,000 relates to additional income arising from rent renewals.

5.1.2 Public Protection & Community Engagement

There are no significant variations to report this quarter.

5.1.3 Environmental Services & Sustainability Services

New legislation was approved during 2021/22 which provides 100% business rates relief for public conveniences, resulting in a saving of £20,000. This has been built into future budget plans.

As a result of covid there has been no income from Gatwick Airport for imported food fees in previous years. Although this has started to improve, the number of consignments coming through the airport is still lower than pre-covid years so an income shortfall of £39,000 is expected.

Due to a lack of vacancies in the Environmental Health team, there is an unmet vacancy provision of £24,000.

5.1.4 Housing Services

The Homelessness team continue to see sustained pressure with 361 households currently in all forms of temporary accommodation. Due to demand, placements by other local housing authorities, and commercial hotels being unable (due to refugee bridging) or unwilling to take local authority placements, there continues to be reducing supply alongside increasing demand which has driven up costs. 75 households are currently being accommodated outside of the borough.

5.1.5 Wellbeing

There are currently three vacancies in the Play team which are not expected to be filled until later in the year. This is to allow the service manager to review the staff structure to be able to provide the best service to residents. The projected underspend is £43,000.

Hire for community centres is increasing to near pre-covid levels, with adult social care hire also having returned in March 2022. There is therefore a projected underspend of £30,000 due to additional income.

K2 Crawley continues to move back to pre-pandemic usage. The budget allowed for £100,000 income from the management fee, and projections at Quarter 1 are for an additional income of £273,000.

5.1.6 Planning & Economic Development

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There is a projected underspend of £80,000 in the Property-Built Environment team. This includes £39,450 of operational savings identified as part of the Challenge of Budgets reported in the Budget Strategy. The remaining underspend is due to vacancies within the team.

5.1.7 Resources

Due to a lack of vacancies in the Contact Centre, there is an unmet vacancy provision of £33,000.

Following feedback from last year's election there has been a reduction in the number of staff required at polling stations. This, coupled with operational savings including postage, has led to a projected underspend of £36,000.

5.1.8 Investment Income

Interest rates have increased sharply due to the Bank of England reacting to inflationary pressures and they are expected to rise further. Current projections are for additional investment income of £457,000 for the year.

5.1.9 Lower Tier Services Grant

The provisional settlement received by Government included £272,299 for this grant. The final settlement, which came through after the budget was set in February, saw this reduced to £195,567: an in-year shortfall of £76,732.

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 have been no virements in this quarter.

7. Council Housing (Crawley Homes) – Revenue

7.1 The table below provides details of the 2022/2023 HRA variances.

HOUSING REVENUE ACCOUNT

	Q1 Projected Variation £000's	
<u>Income</u>		
Rental Income	0	
Other Income	(5)	F
Interest Received on balances	(170)	F
	(175)	F
<u>Expenditure</u>		
Employees	295	U
Repairs & Maintenance	1	U
Other running costs	53	U
Support services	0	

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	349	U
Net (Surplus) / Deficit	174	U
Transfer to the Housing Investment Reserve	(174)	

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

7.2 Interest

Interest rates have increased sharply due to the Bank of England reacting to inflationary pressures and they are expected to rise further. Current projections are for additional investment income of £170,000 for the year.

7.3 Employees

The pay award for Local Government is now anticipated to be a minimum of £1,925 per spinal point. This equates to a 10.5% pay award for those on scale 1, with all NJC employees receiving at least a 4.04% increase. The budget for 2022/23 had an allowance for 2%. The additional cost of this is projected to be £225,000 for the HRA.

There is an unmet vacancy provision of £77,000 overall within the service.

7.4 Other Running Costs

The service's subscription fee to the Housing Ombudsman has more than doubled when compared to 2021/22 causing an overspend of £31,000. This is largely as a result of The Housing White Paper requiring the Ombudsman to recruit additional resource to deal with increase workloads.

8. Capital

8.1 The table below shows the 2022/23 projected capital outturn and proposed carry forward into 2023/24. Further details on the Capital Programme are provided in Appendix 2 to this report.

	Latest Budget 2022/23	Spend to Q1 2022/23	Estimated Outturn 2022/23	Under/ (over) spend	Re-profiled to/(from) future years
	£000's	£000's	£000's	£000's	£000's
Joint Responsibility	6,240	4,716	6,240	0	0
Cabinet	511	46	511	0	0
Environmental Services & Sustainability	824	33	543	65	216

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Housing Services	5,385	879	2,896	0	2,489
Planning & Economic Development	8,323	180	2,246	0	6,077
Resources	2,279	8	459	(2)	1,822
Wellbeing	1,569	171	1,287	0	282
Total General Fund	25,131	6,033	14,182	63	10,886
Council Housing	23,927	8,884	23,850	0	77
Total Capital	49,058	14,917	38,032	63	10,963

- 8.2 It has not been possible to deliver the cycle path at Crawters /Manor Royal due to being unable to resolve issues with individual landowners of the desired route, giving an underspend of £65,665. The scheme partly was funded through S106 receipts and will be redistributed in 2022/23.
- 8.3 Tilgate Lake Bank Erosion is in the design and review stage with the main works requiring low water levels with the window of opportunity to commence works before this winter has passed giving a slippage into 2023/24 of £120,000.
- 8.4 The Temporary Accommodation Acquisitions general fund capital budget has slipped £2,488,658 into 2023/24, due to the purchase of a property at Ifield Road falling through. The service is proactively looking for suitable temporary accommodation to purchase. If a suitable property becomes available, the budget will be brought forward into the current financial year.
- 8.5 The Crawley Growth Programme is slipping £4,077,330 into 2023/24 the Crawley Growth Programme Board is holding a series of meetings over the autumn to agree a revised programme which will give more certainty.
- 8.6 The Gigabit project has slipped £1,350,000 into 2023/24 as payment is only due when 90% of the CityFibre rollout is complete.
- 8.7 The current tractor flail needs replacement to ensure that the Council is compliant with Zoo Licencing requirements around the perimeter of the zoo at Tilgate. The flail will also help to maintain other large cutting jobs across the Town including high speed roads. It is recommended that this is added to the capital programme with a budget of £40,000 and to be funded from the Tilgate Park Investment Reserve.
- 8.8 Housing (Crawley Homes HRA)

Acquisition of Land or Dwellings

Acquisitions of Land or Dwellings has been slipped £1,701,750 forward into 2022/23 due to the opportunity to purchase additional properties at Forge Wood, with work ongoing to identify additional suitable properties

Forge Wood Phase 4b

Forge Wood Phase 4b has slipped £194,234 into 2023/24 due to the planning permission being caught up in water neutrality. Crawley has been working with all the authorities involved with water neutrality to find a way forward.

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Breezehurst Phase 2

Breezehurst Phase 2 has slipped £689,456 into 2023/24 due to the planning permissions being caught up in water neutrality. Breezehurst has now been granted to permit at the Planning Committee on Tuesday 30th August but it is estimated that it will take at least six months before any work is started on site as there are various other planning obligations to be completed and updated discussions with contractor on financial costs. A revised programme will be presented to the Strategic Housing Board in September.

Fairlawn House

Fairlawn House project is to deliver three new sheltered flats but the team that will deliver this project is currently working on Milton Mount and will move to the Fairlawn project once Milton Mount is finished therefore slipping £207,134 into 2023/24.

- 8.9 From the 1st April 2021 the reporting of the use of Right to Buy 1-4-1 receipts to the Ministry of Housing, Communities and Local Government (MHCLG) has moved to an annual return. Other changes are that these receipts now need to be used within 5 years of receipt instead of 3 years and can be used to fund up to 40% of new affordable homes including shared ownership dwellings. This was as a result to responses to [Government consultation](#) on Right to Buy receipts.
- 8.10 Within the first quarter of 2022/23 **Eighteen** Council Houses with a sale value of £3,212,100 compared to fifteen in the first quarter of last year. Of these receipts a proportion will be paid over to the Government with the remainder being retained by the Council being set aside as 1-4-1 receipts and general capital receipts. The values of each will be calculated within the annual return. [The 1-4-1 arrangement is one where the Council retains a larger proportion of right to buy receipts then they otherwise would, in return for a commitment to spend the addition receipts on building or acquiring properties.]

9. Treasury Management

- 9.1 The Head of Corporate Finance reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance is demonstrated in Appendix 3 below.

10. Background Papers

Budget Strategy 2023/24 – 2027/28 FIN/583

[2022/2023 Budget and Council Tax FIN/549](#)

[Treasury Management Strategy 2022/23 FIN/557](#)

[Financial Outturn 2021/2022: Budget Monitoring – Quarter 4 FIN/572](#)

[Treasury Management Outturn for 2021/22 FIN/575](#)

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

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Appendix 1 (i)

REVENUE MONITORING SUMMARY 2022/23 GENERAL FUND

	Latest Budget £000's	Projected Outturn £000's	Variance £000's
Cabinet	(4,287)	(3,707)	580
Public Protection & Community Engagement	1,306	1,290	(16)
Environmental Services & Sustainability	4,771	4,783	12
Housing	2,743	3,638	895
Wellbeing	10,127	9,793	(334)
Planning & Economic Development	1,870	1,798	(72)
Resources	378	365	(13)
	16,908	17,960	1,052
Depreciation	(3,226)	(3,226)	0
Renewals Fund	750	750	0
NET COST OF SERVICES	14,432	15,484	1,052
Investment Interest	(398)	(401)	(3)
MRP	942	942	0
Council Tax	(7,891)	(7,891)	0
RSG	(63)	(63)	0
NNDR	(5,236)	(5,236)	0
New Homes Bonus	(606)	(606)	0
Service Grant	(251)	(251)	0
Lower Tier Services Grant	(272)	(196)	76
Net contribution from / (-to) Reserves	452	1,123	671

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Main Variations identified for 2022/23 - General Fund Appendix 1 (ii)

	Q1 Total Variation
	£'000s
<u>Cabinet</u>	
Pay Award (£1,925 per banding)	800
Investment & Operational Properties Agreed Back-Rent	(215)
Minor Variations	(5)
	580
<u>Public Protection & Community Engagement</u>	
Minor Variations	(16)
	(16)
<u>Environmental Services & Sustainability</u>	
Public Conveniences Business Rates	(20)
Port Health Income	39
Environmental Health Vacancy Provision	24
Minor Variations	(31)
	12
<u>Housing</u>	
Homelessness Pressures	872
Minor Variations	12
	895
<u>Wellbeing</u>	
Play Vacancies	(43)
Community Centres Reduction in Expected Shortfall	(30)
K2 Crawley Reduction in Expected Shortfall	(273)
Minor Variations	12
	(334)
<u>Planning & Economic Development</u>	
Property Built Environment Vacancies and Operational Savings	(80)
Minor Variations	8
	(72)
<u>Resources</u>	
Contact Centre Vacancy Provision	33
Elections Reduced Staffing Requirement	(36)
Minor Variations	(3)
	(13)

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TOTAL GENERAL FUND VARIANCES

1,577

**Lower Tier Services Grant
Investment Interest**

**76
(457)**

TOTAL VARIANCES

271

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Appendix 1 (iii)

QUARTER 1

HOUSING REVENUE ACCOUNT			
Expenditure Description	Latest Estimate £'000s	Projected Outturn £'000s	Variation £'000s
Income			
Rental Income	(48,002)	(48,002)	0
Other Income	(2,685)	(2,690)	(5)
Interest received on balances	(305)	(475)	(170)
Total income	(50,992)	(51,167)	(175)
Expenditure			
Employees	4,165	4,460	295
Repairs & Maintenance	13,467	13,468	1
Other running costs	2,111	2,164	53
Support services	3,096	3,096	0
	22,839	23,188	349
Net (Surplus) / Deficit	(28,153)	(27,979)	174
Use of Reserves:			
Debt Interest Payments	8,309	8,309	0
Depreciation, Revaluation & Impairment	6,216	6,216	0
Transfer to/(from) Housing Reserve	12,649	12,475	(174)
Total	28,153	27,979	(174)

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Appendix 1 (iv)

Main Variations Identified - Housing Revenue Account

	Q1 Variation £'000s
Income	
Interest	(170)
Minor Variations	(5)
	(175)
Employees	
Pay award	225
Unmet Vacancy Provision	77
Minor Variations	(7)
	295
Repairs & Maintenance	
Minor Variations	1
	1
Other Running Costs	
Housing Ombudsman Subscription	31
Minor Variations	22
	53
TOTAL VARIANCES	174

2022/23 Qtr. 1 Capital

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 it forward from later years.

Scheme Description	Budget 2022/23	Spend to Date	Projected Outturn	Under / (Over Spend)	Slippage
	£	£	£	£	£
New Town Hall Redevelopment - Joint responsibility	6,140,470	4,639,258	6,140,470	0	0
Town Centre Fund					
Project Jupiter	100,000	76,560	100,000		
Joint responsibility	6,240,470	4,715,818	6,240,470	0	0

Budget 2023/24	Budget 2024/25	Budget 2025/26	Future Years
£	£	£	£
0	0	0	0
410,000			
744,163			
1,154,163	0	0	0

Garages	510,571	46,020	510,571		
Cabinet	510,571	46,020	510,571	0	0

200,000	338,897		
200,000	338,897	0	0

Environmental Services and Sustainability					
New Cemetery	2,530		2,530		
Muslim Burial Ground Cemetery	319,850	5,772	289,309		30,541
Cycle Paths	25,300				25,300
Crawters / Manor Royal Cycle Path	65,665			65,665	
District Heat Network Phase 2	94,950		94,950		
Flooding Emergency Works	73,357		33,357		40,000
Telemetry Measuring Equipment	4,605		4,605		
Leat Stream Ifield Flood Alleviation	7,289		7,289		
Tilgate Lake Bank Erosion	150,000		30,000		120,000
Water Course Work	80,925	27,550	80,925		
Solar PV CBC Operational Buildings					60,000
TOTAL ENVIRONMENTAL SERVICES & SUSTAINABILITY PORTFOLIO	824,471	33,322	542,965	65,665	215,841

30,541			
	25,300		
96,804			
120,000			
60,000			
307,345	25,300	0	0

Housing Enabling (General Fund)					
Temp Accommodation Acquisitions	4,298,258	611,050	1,809,600		2,488,658
Affordable Housing Town Hall					
Longley House	70,000		70,000		
Disabled Facilities Grants	1,000,000	268,766	1,000,000		
Improvement/Repair Loans	16,704		16,704		
TOTAL HOUSING (GENERAL FUND) PORTFOLIO	5,384,962	879,816	2,896,304	0	2,488,658

6,588,658			
	3,238,250		
345,000	1,200,000		1,700,000
909,537			
15,000			
7,858,195	4,438,250	0	1,700,000

Planning and Economic Development					
Manor Royal Business Group					
Crawley Fusion Innovation Centre	2,629,114	73,999	629,114		2,000,000
<u>Crawley Growth Programme</u>					
Queensway	116,083	1,590	7,590		108,493
Town Centre Signage and Wayfinding	11,487	1,955	11,487		
Town Centre General					
Manor Royal Cycle Improvements	360,632				360,632
Town Centre Western Boulevard (cycle improvements)	960,307	30,645	692,898		267,409
Manor Royal Super Hub	263,028				263,028
Station Gateway	331,491	69,381	104,381		227,110
Town Centre Super Hub					
Town Centre Commercial Space	2,457,000	2,253	57,000		2,400,000
Three Bridges Station	493,658		43,000		450,658
Total Crawley Growth Programme	4,993,686	105,824	916,356	0	4,077,330
Towns Fund					
Manor Royal Business Environment Improvement Programme	350,000		350,000		
Green Business Infrastructure Grants	350,000		350,000		

200,000			
3,650,000	250,000		
108,493			
71,100			
1,775,935			
267,409			
263,028			
1,971,623	2,880,000	1,990,000	50,004
			74,231
5,943,000			
450,000	650,000	308,844	
10,850,588	3,530,000	2,298,844	124,235
500,000	500,000	150,000	
860,000	620,000	170,000	

TOTAL PLANNING & ECONOMIC DEVELOPMENT PORTFOLIO	8,322,800	179,823	2,245,470	0	6,077,330	16,060,588	4,900,000	2,618,844	124,235
Resources									
Gigabit	1,350,000				1,350,000	1,350,000			
ICT Capital - Future Projects	108,079		40,400	2,679	65,000	65,000			
New Website And Intranet	52,406		52,406						
Digital Works	10,000			10,000					
ICT Transformation Future	75,000			50,000	25,000	25,000			
Power and UPS						20,000			
ICT Cloud	300,024	3,650	82,000		218,024	218,024			
Income Management System	60,000		60,000						
Commercial Property System	2,176	4,086	4,086	(1,910)					
Sharepoint	50,000		50,000						
Agile Working	120,000		70,000	(52,679)	102,679	102,679			
Channel Shift	51,000			(10,000)	61,000	61,000			
Hardware Renewals	100,000		100,000						
TOTAL RESOURCES PORTFOLIO	2,278,685	7,736	458,892	(1,910)	1,821,703	1,841,703	0	0	0

Wellbeing									
Vehicle Replacement Programme	302,500	95,246	206,500		96,000	96,000			
Refurb Playgrounds Future Schemes	39,360				39,360	39,360			
Skate Park Equipment	46,000				46,000	46,000			
Memorial Gardens Improvements	33,400				33,400	33,400			
Tilgate Park	4,769		4,769						
Nature & Wildlife Centre	45,905	35,340	45,905						
Allotments	45,000		58,000		(13,000)	27,000			
Adventure Playgrounds	339,330	22,904	339,330						
Memorial Gardens Play Improvements	16,933		16,933						
Meadowlands	65,000				65,000	65,000			
Southgate Playing Fields	50,851		50,851						
Perkstead Court Play Area Bewbush	20,000		20,000						

Park Tennis	160,460	17,570	160,460		
Halley Close Play	15,000				15,000
Curteys Walk Play	15,000		15,000		
Brideake Play	17,000		17,000		
Wakehams Play	55,000		55,000		
Puffin Road Play					
Browness Close Play					
Plantain Crescent Play					
K2 Crawley Replacement Chiller	155,000		155,000		
Broadfield 3G Lighting	45,000		45,000		
Changing Places	97,000		97,000		
TOTAL WELLBEING PORTFOLIO	1,568,508	171,060	1,286,748	0	281,760

15,000					
18,000					
18,000					
15,000					
372,760	0	0	0	0	0

TOTAL GENERAL FUND	25,130,467	6,033,595	14,181,420	63,755	10,885,292
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27,794,754	9,702,447	2,618,844	1,824,235
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Housing - HRA (Crawley Homes)					
Improvements -					
Decent Homes	4,992,043	1,570,682	4,992,043		
Renovations	732,929	218,148	732,929		
Insulation	2,775,113	145,236	2,775,113		
Renewable Technology/Carbon Efficiency	268,620	126,063	268,620		
Compliancy Works	1,671,791	65,556	1,671,791		
Boilers & Heating	1,668,805	202,212	1,668,805		
Electrical Test & Inspection	474,348	84,927	474,348		
Adaptations For The Disabled	1,370,571	249,947	1,370,571		
Hostels	187,992	7,968	187,992		
TOTAL HRA IMPROVEMENTS	14,142,212	2,670,739	14,142,212	0	0

2,300,000	2,300,000				
650,000	650,000				
2,200,000	2,200,000				
250,000	250,000				
1,450,000	1,450,000				
1,800,000	1,800,000				
350,000	350,000				
1,300,000	1,300,000				
200,000	200,000				
10,500,000	10,500,000	0	0	0	0

Other HRA (Crawley Homes)					
HRA Database	293,273	32,200	293,273		
Bridgefield House	52,776			52,776	
Acquisition Of Land Or Dwellings	298,250	1,117,002	2,000,000		(1,701,750)

298,250					

Forge Wood					
Telford Place Development	115,973		18,500		97,473
Forge Wood Phase 2	2,550,414	1,753,160	2,550,414		
Forge Wood Phase 4	194,234				194,234
Purchase Of Properties	2,700,000	2,680,165	2,680,165		19,835
5 Perryfields	50,000		10,500		39,500
Carey House	69,821	191	69,821		
Fairlawn House	207,134				207,134
Milton Mount Major Works	1,606,870	581,780	1,606,870		
Breezehurst Phase 2	860,961	3,505	171,505		689,456
Orchards Hostel	21,000				21,000
Water Neutrality	170,000		170,000		
Contingencies	169,415			(52,776)	222,191
Prelims	424,624	45,299	136,924		287,700
TOTAL OTHER HRA	9,784,745	6,213,302	9,707,972	0	76,773

TOTAL HRA	23,926,957	8,884,041	23,850,184	0	76,773
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TOTAL CAPITAL PROGRAMME	49,057,424	14,917,636	38,031,604	63,755	10,962,065
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FUNDED BY

Capital Receipts	(5,716,329)	(846,152)	(8,124,364)	1,910	2,406,125
Capital Reserve	(152,406)	(76,560)	(52,406)		(100,000)
Better Care Fund (formally DFGs)	(1,000,000)	(268,766)	(1,000,000)		
External Funding	(8,035,746)	(54,064)	(3,417,184)	(18,852)	(4,599,711)
HRA Revenue Contribution	(21,001,905)	(3,991,770)	(11,507,348)		(9,494,558)
Replacement Fund/Revenue Financing	(2,933,633)	(118,149)	(1,451,733)		(1,481,900)
Section 106	(1,101,469)	(30,645)	(410,734)		(690,735)
1-4-1	(2,650,050)	(2,221,533)	(3,369,818)	(46,813)	766,583
Borrowing	(6,465,886)	(7,309,997)	(8,698,017)		2,232,131
TOTAL FUNDING	(49,057,424)	(14,917,636)	(38,031,604)	(63,755)	(10,962,065)

	1,235,388	1,128,115	776,517		
	3,902,500	7,730,000	7,986,256	1,010,000	
	4,034,751	4,121,345	4,277,787		
	819,835				
	191,000	372,076	33,042		
	207,134				
	9,380,577	4,973,932		210,000	
	126,000	196,000	16,485		
	1,137,311	222,191			
	287,700				
	20,385,058	18,850,932	13,441,685	1,996,517	

30,885,058	29,350,932	13,441,685	1,996,517		
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58,679,812	39,053,379	16,060,529	3,820,752		
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(9,075,297)	(2,144,779)	(419,848)	(1,173,469)		
(744,163)	(314,000)		(586,000)		
(909,537)					
(9,255,284)	(4,136,500)	(2,198,996)			
(23,875,073)	(22,229,777)	(8,084,821)	(1,197,910)		
(1,781,900)	(483,508)				
(1,028,574)	(897,347)		(64,766)		
(7,009,984)	(8,847,467)	(5,356,864)	(798,607)		
(5,000,000)					
(58,679,812)	(39,053,378)	(16,060,529)	(3,820,752)		

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Appendix 3

Treasury Management and Prudential Code Compliance

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Debt Limits

£000	2022/23 Maximum	30.6.22 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	261,095	260,325	261,325	271,325	Yes
Finance Leases	44	44	44	44	Yes
Total debt	261,139	260,469	261,369	271,369	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Investment Limits

	2022/23 Maximum	30.6.22 Actual	2022/23 Limit	Complied?
Any single organisation, except the UK Government	£10m	£10m	£10m	Yes
Any group of organisations under the same ownership	£10m	£10m	£10m	Yes
Any group of pooled funds under the same management	£10m	£10m	£25m	Yes
Negotiable instruments held in a broker's nominee account	£10m	£10m	£25m	Yes
Limit per non-UK country	-	-	£10m	Yes
Registered providers and registered social landlords	-	-	£10m	Yes
Unsecured investments with building societies	-	-	£10m	Yes
Loans to unrated corporates	-	-	£5m	Yes
Money Market Funds	£27.75m	£10.68m	Unlimited	Yes
Strategic pooled funds	£10m	£10m	£20m	Yes
Real Estate Investment Trusts	-	-	£20m	Yes

Treasury Management Indicators

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

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

	30.6.22 Actual	2022/23 Target	Complied?
Portfolio average credit rating	A+	A	Yes

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Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-week period, without additional borrowing.

	30.6.22 Actual	2022/23 Target	Complied?
Total cash available within 1 week	£22.8m	£3m	Yes

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.6.22 Actual	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£0.276m	£1m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.276m	£1m	Yes

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

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Refinancing rate risk indicator	30.6.22 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	4%	20%	0%	Yes
12 months and within 24 months	5%	20%	0%	Yes
24 months and within 5 years	16%	30%	0%	Yes
5 years and within 10 years	35%	40%	0%	Yes
10 years and within 20 years	40%	50%	0%	Yes
20 years and within 30 years	0%	10%	0%	Yes
30 years and within 40 years	0%	10%	0%	Yes
40 years and within 50 years	0%	10%	0%	Yes

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

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£5m	£20m	-
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied?	Yes	Yes	Yes

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Agenda Item 6

Crawley Borough Council

Report to Overview & Scrutiny Commission
3 October 2022

Report to Cabinet
5 October 2022

Budget Strategy 2023/24 – 2027/28

Report of the Head of Corporate Finance, **FIN/583**

1. Purpose

- 1.1 The 2023/2024 General Fund and Housing Revenue Account Budgets and the updated capital programme will be determined by the Full Council in February 2023. This report sets out the projected financial position for 2023/24 to 2027/28 for the General Fund and the underlying assumptions.
- 1.2 The report also sets the policy framework for the budget process, recognising that there are a range of options for capital investment, income generation, savings, and Council Tax levels; none of which can be considered in isolation. The overall objective in the past has been to work towards a balanced General Fund budget over a three year period, this however due to the impact of the pandemic and the new Town Hall build, this was increased to four years in [Budget Strategy](#) report to Cabinet in November 2021.
- 1.3 The proposed budget will be developed against a backdrop of high inflation. When the budget was set, the war in Ukraine had yet to start and this continues to affect global economies with the prolonged impact of the energy markets and the consequential cost of living challenges, which are playing out in communities with a very high demand on the Homelessness Team together with increasing arrears for the Council's services.
- 1.4 The report below will give the latest projections together with the actions that the Corporate Management team have taken to help mitigate the impact of these increased costs. A further update will be given in a report to Cabinet on 23rd November 2022 in the Budget Strategy Mid-Year review report.

2. Recommendations

2.1 To the Overview & Scrutiny Commission

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

2.2 To the Cabinet

The Cabinet is asked to recommend to Full Council the approval of the Budget Strategy 2023/24 to 2027/28 and to:

- a) **Approve the process for meeting the gap as outlined in section 8 of report FIN/583.**

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- b) **Approve to continue with the policy of balancing the budget over a four-year period, including putting back into reserves when the Budget is in surplus. This is due to the current economic climate.**
- c) **Note the following highlights of the Budget Strategy:**
 - i. **that the Budget is aligned to the Council's Corporate Priorities.**
 - ii. **that the current budget deficit of £204,109 for 2023/24 is based on a Council tax increase of 2.21% which is £4.95 and increases in fees and charges of 5% on average. However table 9 highlights that the gap could be higher when looking at sensitivity analysis.**
 - iii. **that the outline 5 year forecast as shown in table 3 of report FIN/583.**
 - iv. **that the savings identified by the Corporate Management Team challenge of budgets of £413,080 have been included within the budget projections.**
 - v. **that there are uncertainties around Government funding prior to the settlement in December and the delay in Local Government Funding reforms such as business rates retention and the future of New Homes Bonus.**
 - vi. **that despite having a £5.26m General Fund reserve that the budgeted use of this reserve was £451,730 at the beginning of the current financial year, however there is a projected overspend in year due to the cost-of-living crisis and its impacts and with so many financial uncertainties the reserve must remain between £3m and £5m. The Council cannot rely on using reserves in the long term to balance the budget.**
 - vii. **that no additional revenue budgets have been budgeted towards the costs of the Climate Change commitment at this stage. Table 10 within report FIN/583 shows existing capital commitments to Climate Change.**
 - viii. **that items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations and schemes will also be considered that are spent to save or spend to earn but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.**
 - ix. **that costs associated with splitting upper floors for the New Town Hall were not included within the original budget. Any costs will be added to the capital programme but will be funded from rental income.**
 - x. **that an update on this strategy will be presented to Cabinet on 23rd November 2022, this will include capital bids and the revised Crawley Homes capital investment plan.**

3. Reasons for the Recommendations

- 3.1 To continue with the implementation of the Council's budget strategy and to deal with the Council's projected budget deficit which is higher than previously anticipated due to

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the impact of increasing inflation, increased homelessness costs, future Council tax and Business rates income projections and impact of the cost-of-living crisis on other income sources such as fees and charges.

- 3.2 To reaffirm the criteria for capital programme bids.
- 3.3 To note that until the Local Government Finance Settlement is known in December 2022 these projections are highly likely to change. Revised projections will be presented to Cabinet in November 2022 due to these constant changes, such as inflation and demands on services such as Homelessness. At that meeting any revenue growth bids, capital bids, and the HRA capital investment plan will also be reported for approval.

4. Background

- 4.1 In February 2022, the Council set its Revenue Budget and Capital programme for 2022/23 ([FIN/549](#)). As a result of the pandemic, the Government implemented a three-year Spending Review for 2022/23 to 2024/25. The Council, as with all other Local Authorities, received a one-year funding settlement for the year. In addition to revenue support grant of £61,613 two other grants were received. Lower Tier Services grant - the original sum advised by Government was £272,299, however the final figure was £195,567; this results in a shortfall in the current year against budget of £76,732 as identified in the Quarter 1 monitoring report elsewhere on this agenda.
- 4.2 The 'Services Grant' of £251,134, is a grant to support all services delivered by councils, this grant includes funding for local government cost for the increase in employer National Insurance Contributions. Despite this due to the impact of the pandemic on income levels there was still a requirement to budget to use reserves in 2022/23 of **£451,730**.
- 4.3 It is a long time since the Council has had any certainty during budget setting and this trend is continuing. Having come through the pandemic, the Council must now address the challenge of high inflation which looks set to impact several of its costs significantly. The impact of any fairer funding review is now looking likely to be deferred yet again for at least a further year. Local Government do not know what will replace it for future years. The costs of the Council's commitment to Climate Change have not been factored into future budget projections; these will be extremely costly and budget cuts are highly likely to have to be made to help meet the costs of this commitment without significant external financial support.
- 4.4 The cost-of-living crisis will continue to impact, along with interest rates which are expected to increase significantly in the current financial year and not return to modest levels until 2024/25. In addition, for the pay award employees each were offered £1,925, and this would result in additional costs of £800,000 in the current financial year. This offer has not been accepted and the cost could be higher.
- 4.5 Energy costs are expected to increase significantly when contracts are renewed over the coming months. These inflationary impacts will also impact on Council contractors such as the refuse and recycling contract and the leisure contract. For the strategy at this point an increase of 100% has been assumed for gas and electricity. The outcome of the contract renewal will be known early in October; however this may be delayed due to the announcement by the Government on energy caps made on 21st September 2022.
- 4.6 The 2023/24 General Fund and Housing Revenue Account Budgets and the revised capital programme will be set by the Full Council in February 2023. This will be informed by the recommendations of the Cabinet and will take into account the efficiencies, increased income identified through the work of the commercialisation

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group, which dovetails with the Council's [Transformation Plan](#). At the same meeting the Treasury Management Strategy will address the financing of the capital programme, taking into consideration the capital strategy included within this report.

- 4.7 Many of the underlying financial assumptions in this report apply equally to the Housing Revenue Account as to the General Fund (for example inflation and employee related costs). However, the financial position of the Housing Revenue Account (HRA) is heavily influenced by the financing regime introduced in April 2012.
- 4.8 Under this regime the Council has taken on debt of £260.325m and determined a repayment profile which gives it the capacity to spend capital sums to achieve some of its objectives for housing. This includes a comprehensive stock investment programme and the building of new Council homes.
- 4.9 The Cabinet Member for Housing has delegated responsibility for rent setting. The guidance in the past has been CPI + 1%, this however would be unaffordable to tenants. A [consultation paper on Social Housing rents](#) was issued on 31st August 2022, with a closing date of 12th October 2022. This paper is saying by law the Government must consult and seek views on ceiling options. The suggestion is that the rents are increased by CPI + 1% or by 5%, whichever is the lower. The paper also looks at options to increase on a 3%, 5% and 7% ceiling option. The outcome of the consultation will be known before the Cabinet Member sets the rent level.
- 4.10 The Quarter 1 monitoring report (elsewhere on this agenda), identifies financial pressures in the current financial year. These include pay inflation, energy pressures, support for the leisure contract (Covid impact), but the biggest demand is homelessness. Assumptions have been made in future budgets around these pressures. The Corporate Management Team have undertaken a series of budget challenge sessions with the Chief Executive and the Head of Corporate Finance, this has resulted in savings both in year and future years to help mitigate these pressures. However multiple rounds of challenge of budgets have meant that the Council has a number of vital services that lack resilience. Recruitment and retention is a strategic risk with some posts difficult to fill in a competitive market.
- 4.11 With increasing costs it may be necessary to look at the services that the Council provides and switch off discretionary services or ensure that these services fully recover their costs and are not subsidised by the Council Taxpayer.

5. Key Assumptions

- 5.1 Local Government has seen reductions in funding for the last ten years. Assumptions have been made that the service grant will continue with some compensation for the cost of the pay award and the National Insurance increase, there may be changes to National Insurance contributions, this would be fed into the Mid-Year update or the budget itself in February 2023.
- 5.2 For the purposes of the development of the Council's Budget Strategy, it is assumed that the Government will simply roll-forward the 2022/23 settlement into 2023/24 adjusted for inflation, that there will be support as seen in the current year in the form of Lower Tier Services Grant, but this reduces annually. Assuming this, the table below provides a summary of the forecast funding.

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Table 1 Forecast of core funding to 2027/2028

	Actual 2021/22 £000's	Actual 2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Revenue Support Grant	60	63	63	0	0	0	0
New Homes Bonus	1,108	606	300	300	300	300	300
Lower Tier Services Grant	363	196	170	128	96	72	54
Services Grant	0	251	251	188	141	106	79
Local Council Tax Support Grant	169	0	0	0	0	0	0
Sub-total	1,700	1,116	784	616	537	478	433
Estimated share of NNDR	4,306	5,236	5,275	5,398	4,941	5,006	5,105
Total 'core funding'	6,006	6,352	6,059	6,014	5,478	5,484	5,538

The assumptions above use a modelling tool provided by Pixel the Council's advisors on Local Government funding. This sees a reduction in business rates funding in future years due to business rates reform.

5.3 Retained Business Rates

The Government has been reviewing the business rates system for some time, with some improvements introduced following consultation last year including:

- a new temporary relief for eligible retail, hospitality, and leisure properties.
- the Chancellor also announced a freeze on the Business Rate Multiplier.
- support for small businesses.
- 100% relief for eligible heat networks from 1 April 2023 until 31 March 2035.

5.4 Council Tax

The Council's share of a council tax band D is currently £218.79. Councillors approved an increase of 2.31% which is £4.95 when setting the budget this year. Current council tax referendum principles limit district and borough councils to a maximum of 2% or no more than £5 per annum (whichever is the greater) without the need for a referendum. The assumptions in the plan are therefore £4.95 per annum on a Band D property. By capping the amount that the Council tax can increase it is not keeping up with inflationary increases. With costs increasing this increases the need to reduce services or identify additional income.

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Table 2 Projected increase in Council tax

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Band D Council tax	£218.79	£223.74	£228.69	£233.64	£238.59	£243.54
Increase	2.31%	2.26%	2.21%	2.16%	2.12%	2.07%

5.5 New Homes Bonus

- 5.5.1 The Government introduced the New Homes Bonus (NHB) in 2011 to give local authorities additional money for each new residential property created in the area. At that time Local Authorities would receive a sum equivalent to the average national Council Tax for a property in that band for each of the following six years. In 2017/18 this was reduced to each year for four years. For 2022/23, the sum for each new dwelling receivable was £1,518.78 with £379.70 per property going to West Sussex County Council.
- 5.5.2 There is an additional payment of £350 for each year if the property falls into the definition of affordable housing. This additional element is paid a year in arrears. In two tier areas the District or Borough Council receives 80% of the bonus and the County Council 20%.
- 5.5.3 New Homes Bonus of £605,604 was received in the current year. This scheme was due to stop but no updates have been received, an assumption has been made for £300,000 per annum for future years. The water neutrality issue will also impact on the New Homes Bonus that we are able to receive due to the constraints on development. Some scheme would have to be implemented to replace NHB, but the likelihood is that more funding would go to Northern authorities as part of the Levelling Up agenda.

6. Budget Projections 2023/24 to 2027/28

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

Table 3 Budget projections

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Base Budget	15,069	14,788	14,507	14,732	15,066
Investment interest (- receivable, + payable)	-582	176	231	231	231
Net Budget (A)	14,487	14,964	14,738	14,963	15,297
Funded by -					
Council Tax	8,223	8,531	8,866	9,235	9,615
New Homes Bonus	300	300	300	300	300
Retained Business Rates	5,276	5,398	4,941	4,979	5,029
Revenue Support Grant	63	0	0	0	0
Services Grant	251	188	141	106	79

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Lower Tier Services Grant	170	128	96	72	54
Total Funding (B)	14,283	14,545	14,344	14,692	15,077
Budget Gap (A-B)	204	419	394	271	220

Previous budget strategies have been to balance a budget over a four-year period. This was because of the staggered approach to the allocation of the letting of the upper floors of the New Town Hall had been assumed. In the longer term there is still a gap of **£220,000**. To meet this gap either savings need to be sought or increased income achieved such as increasing fees and charges for garages as shown elsewhere on this agenda.

- 6.2 The Savings Strategy developed during 2020 because of the impact of the pandemic achieved ongoing savings of £2.132m to ensure that future budgets were sustainable and to avoid any s114 notice. These were -

Table 4 – Previous savings identified

Saving	2021/22 £	Current Year £
Corporate Management Team – challenge of budget review.	506,450	506,450
Member approved savings – see table 5 below	506,000	819,000
Appropriation of garages from HRA to General Fund (FIN/511)	807,000	807,000
Total savings identified to meet future budget gaps	1,819,450	2,132,450

Table 5 – Savings identified in 2020

Saving	Full Year effect from 2022/23 £
Community and Voluntary Sector	212,000
Superloos	52,000
Adventure play	210,000
Pitch and Putt / fine turf pitches	28,000
Fees and charges	137,000
Essential users / standby (internal and not part of public consultation) *	100,000
Neighbourhood Services (internal and not part of public consultation)	80,000
Total	819,000

*This saving was not achieved.

During the current financial year the cost-of-living crisis has resulted in the need to identify further savings and efficiencies, as a result CMT have undertaken a further challenge of budgets and have identified £413,080. A breakdown of these savings is shown in Appendix A. In addition, there was £56,970 identified within Crawley Homes.

Without these savings the budget gap would be higher as shown in the table below. This would have resulted in a savings target of £897,000.

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Table 6 Budget Gap before challenge of budgets savings

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Gap in Table 3 above	204	419	394	271	220
CMT Challenge of budgets	413	413	413	413	413
Gap before CMT mitigations	617	832	807	684	633

6.3 The table below gives the assumptions that have been used when calculating the budget gap as outlined in Table 3 above.

Table 7 - Summary of assumptions

	2023/24	2024/25	2025/26	2026/27	2027/28
Pay Award	7.4%	3.5%	2.5%	2.0%	2.0%
Running costs	0.0%	0.0%	0.0%	0.0%	0.0%
Contracts - RPI	12.3%	10.87%	2.74%	1.38%	1.72%
CPI	10.1%	9.53%	2.0%	0.76%	1.00%
Gas	100.0%	2.7%	-40.0%	2.7%	2.7%
Electricity	100.0%	10.87%	-40.0%	1.92%	2.72%
Customer receipts	5.00%	3.50%	2.00%	2.00%	2.00%
Tax Base change	2.0%	2.00%	2.00%	2.00%	2.00%

The tax base includes an allowance of the numbers of new builds but also a provision for variations in the numbers of claimants for Council Tax Reduction. This is based on external advice and looks at the local plan, water neutrality however, may slow growth in properties down.

6.4.1 Homelessness

There is a projected overspend on temporary accommodation in the current financial year, with the total annual budget spent in the first quarter. The current year budget is £900,000. Estimated year end spend is £2.8m. This cost is mitigated in part through charges to the users of the service and income from housing benefits. After using one off grants in the current year there will be a projected overspend of c£900,000. However, it is highly likely that this situation will remain due to the cost-of-living crisis. Therefore, a provision of an additional £900,000 has been included in the budget for 2023/24 for homelessness. This sum is then assumed to reduce to £400,000 in 2024/25 and by a further £200,000 in 2025/26 and 2026/27 to get back to the current level in future years. There was a proposal to purchase a property that would assist in reducing numbers in temporary accommodation but unfortunately the property was taken off the market. There are significant future risks around homelessness that are outside of the control of the council, these assumptions around future reductions will be constantly monitored.

6.4.2 Pay Award

Local Government pay is negotiated nationally, and the Council has no direct influence on the settlement. The budgeted increase was 2% in the current financial year, this was set back in February 2022. An assumption of 4.5% has been included for 2023/24

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however the figure above is higher as it is considering the additional costs associated with the current pay offer. The offer of £1,925 per full time equivalent is more in the region of 5.8%. This pay award however has not been accepted.

6.4.3 Investment Interest

The Council has traditionally relied heavily on investment interest to support the revenue budget. Interest rates have been at an all-time low of 0.1% until December 2021. The Bank of England have increased rates rapidly since then as they attempt to keep inflation under control. The current base rate is now 1.75% and is expected to peak at 2.75% by the end of this year before falling back as inflation eases.

An average investment rate of 2.45% has been assumed for 2023/24, falling to 1.89% in 2024/25 and 1.85% in 2025/26. Interest rate projections will be kept under constant review during the year.

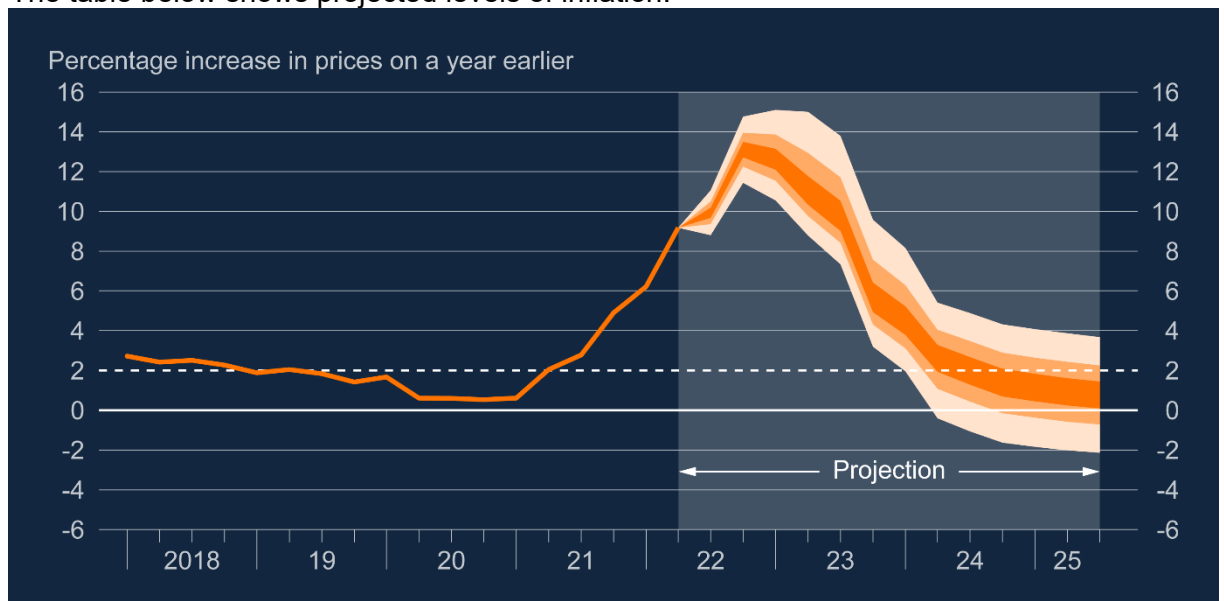
Expenditure on the capital programme results in reduced investment income as there are fewer resources available for investment. However, delays in the capital programme will result in higher balances available than anticipated for investment.

6.4.4 Pensions

The actuarial revaluation of the pension fund managed by West Sussex County Council has recommended a 1.0% decrease in employers' contributions per annum from 2020/21 and for the following two years. Early indications are that a further 1% reduction can be included within 2023/24 budgets.

6.4.5 General Inflation

The table below shows projected levels of inflation.



In recent years many budgets have been frozen or reduced which has compensated for those budgets that have increased by more than the base assumption (for example energy and fuel).

6.4.6 Fees and Charges –

In previous years the **average** increase of CPI or 2% has been approved for fees and charges budgets, whichever is the highest. This is based on the September CPI. CPI is running very high and by increasing all fees and charges by over 10% would result in most services being unobtainable. However, an increase of 2% would result in a larger budget gap and is not sustainable because of the pressures on budgets

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including homelessness, pay, utility bills and general inflation. There is a projected budget gap due to all these pressures; therefore, fees and charges will have to be increased by a minimum average of **5%** to help mitigate this. Some fees and charges may not go up as high, these will be mitigated by others with a higher increase.

Councils are having to increase fees and charges to help balance budgets due to all the other pressures, neighbouring Councils are looking at increasing above 6%. Each further 1% increase in fees and charges will result in additional income of £150,000.

An agreed saving suggestion was a review of fees and charges to ensure that they do cover the cost where appropriate of the provision of the service.

As part of the transformation programme there are reviews of some fees and charges to ensure that where appropriate costs are covered. The 2021/2022 Budget and Council Tax FIN/514 report, appendix 7, page 40 approved the pricing strategy which was approved in February 2021 by Full Council.

Fees and charges - Water Neutrality, planning fees

Following the position statement from Natural England on water neutral planning applications a provision for £120,000 for reduced income has been included in both the current and 2023/24 financial years.

6.4.7 New Town Hall Assumptions

Within the financial projections the assumptions around letting the upper floors of the New Town Hall are –

Table 8

Financial Year	Number of floors
2022/23	0.5 (assume one floor for 6 months)
2023/24	Two floors fully let
2024/25	Three floors fully let
2025/26	Four floors fully let
2026/27	Four and a half floors

Assumptions are that the building would never be fully let. If it was, a reserve would be set aside from additional income from the final floor to cover lost income during void periods and future repairs to the shared space or enhanced services in consultation with the public. Assumptions around the letting of floors will be updated once the building is complete and there is more confidence in the market.

A new reserve has been created to help with smoothing out the letting income compared with budget assumptions. This reserve could also be called upon to absorb the costs of splitting floors when tenants request half a floor rather than a full floor. This reserve however is only £150,000, should two floors not be let and occupied by 1st April 2023 there would be a need to use the general fund reserve.

When the budget was approved back in 2018 for the new Town Hall there was no provision for splitting floors included. The commercial market has changed because of the pandemic with more hybrid working and companies looking for a smaller footprint, as a result demand for half a floor is higher than previously anticipated, but by accommodating this we can ensure occupancy.

Any costs of splitting would be capital by nature. The costs would therefore have to be included within the capital programme. The cost of this would come from the new

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reserve or from future income from tenants; rental values are exceeding our expectations and the cost of splitting these floors will be met over the medium to long term.

6.4.8 The new Environment Act passed into legislation in November 2021. There are changes which have a potential financial impact, these include -

- The implementation of charges for the producers of packaging towards the cost of disposal (Producer pays principle) which will be distributed to local government although it is unclear how this will be distributed.
- The implementation of weekly food waste collections by 2024/25.
- The potential requirement to provide free fortnightly garden waste collections to all households, this is currently charged for via a subscription service.

The Government has committed to funding the net cost of the proposed changes, however there is little information at this time on how any funding mechanisms will work and whether the funding is sufficient to cover the costs of the proposals. Therefore, there has been a provision made for £300,000 of additional costs in future years, this is based on estimates obtained by consultants on the impact. There is also a provision for additional costs of extending the existing contract after February 2024.

6.4.9 Sensitivity Analysis

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

Table 9 – Sensitivity Analysis

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Gap in Table 3 above	204	419	394	271	220
Gap with -					
An increase in pay by 1% in 23/24	390	611	590	471	424
Pay the same but gas and electricity at 200%	576	824	637	518	472
CPI an additional 1%	273	495	471	349	299

Because of all the uncertainties there is a requirement to leave the general fund balance at its current high level, see 7.1 below.

6.5 Modelling for future years at this stage is difficult. The impact on Business Rates and Council Tax is significant. There will also be demands on services such as benefits, and homelessness as described above. As people claim Universal Credit, they are entitled to Council Tax reduction, this results in less Council Tax collectable to support Council services.

The cost of supply of materials has resulted in costs increasing significantly, together with increased cost of utilities and fuel to factor into future budgets. The pay offer is significantly higher than anticipated and additional Government support to fund this is highly unlikely.

As referred to above the Council's income streams are likely to continue to be impacted by any longer-term downturn in the economy and any future outbreaks. The cash flow and budgetary impact on the council will be significant. There continues to be a growing gap between funding and service pressures, driven by demographic change,

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unfunded burdens such as net zero. This places additional pressures on council services.

7. Reserves

Appendix B explains why the Council holds reserves and gives more details of the types of reserves held.

Local government has had reduced financial resources from the Government and it is clear that this is going to continue for several years.

For both the Housing Revenue Account and the General Fund, the Council needs sufficient funds to be able to sustain services. In the case of the Housing Revenue Account the reserves are sufficient, and no changes are proposed.

7.1 General Fund Reserve

The current year budgeted use of reserves is £451,730, however there is a projected overspend in the current financial year, this will result in use of reserves in the region of £1.123m as projected in the Quarter 1 monitoring report. The General Fund reserve is currently £5.46m. The use of reserves in the current year would take this reserve to £4.334m.

The net budget for the current financial year before the use of reserves is £14.770m. The recommendation is to have a minimum of £3m in the past which is 20% of the net budget. There is therefore an additional £1.334m available in this reserve that is uncommitted. However with so many unknowns around demands on services including homelessness, reduced income due to budgetary pressures and inflation factors together with the uncertainty of letting the upper floors of the new Town Hall this level of reserves should be protected at this stage. Based on the impact that the last two years have had on budgets at this stage a minimum of £3m is recommended and a maximum of £5m. A review of this reserve can take place once the cost-of-living crisis has stabilised. A provision of 20% is a healthy balance during normal circumstances. Any surplus could be transferred to the capital programme reserve to meet future costs of the programme.

7.2 Earmarked Reserves

The level of reserves should be regularly reviewed. The Corporate Management Team is currently reviewing these reserves and looking at identifying sums that can be used to help with the cost-of-living crisis to help residents. This will be reported to Cabinet at its meeting in November.

8. Budget Process and Savings Strategy

8.1 The proposed strategy to meet the gap is -

1. Identify potential for permanent savings by the Corporate Management Team as part of the challenge of budgets process (£413,080 identified).
2. Identify additional income opportunities through the commercialisation agenda. Where possible ensure that discretionary service is self-financing.
3. Undertake several thematic and service reviews to improve services and drive future efficiencies, these reviews are in early stages and will be reported to future Overview and Scrutiny and/or Cabinet meetings.

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4. Go to public consultation on proposed budget cuts to services to be implemented from April 2023 (last resort).

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

9. Capital Funding

9.1 Future bids for capital should be based on expenditure required to maintain the Council's assets, for environmental obligations such as flood prevention and for disabled facilities grants. In addition bids will be for spend to save projects or spend to earn investment income but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value. Due to commitments within the capital programme future large capital schemes will result in borrowing.

The Treasury Management Strategy which will be reported to Overview and Scrutiny Commission, Cabinet and Full Council in February 2023 will address these borrowing requirements.

Attached as Appendix C is the Capital Strategy.

9.2 The balance available for capital bids is **£2m** using current available capital resources over the next two years. Bids are being worked up, these will be reported to the Corporate Projects Assurance Group (CPAG) and then will be presented to an all Member working group in October 2022 and Cabinet in November 2022 for approval for inclusion in the future capital programme.

9.3 Towns Fund

The Council was identified as one of 101 places to receive funding as part of the £3.6bn Towns Fund. The maximum allocation to Crawley was £21.1 million subject to the outcome of the Comprehensive spending review and that all conditions are met. The schemes identified were -

- Crawley innovation centre –establishing Crawley's first advanced engineering and digital technologies fusion centre
- Invest in Skills - infrastructure for vocational training and higher education
- Green business infrastructure grants - to attract green technology and construction businesses
- New "Commercial Eastern Gateway" in the town centre – to design and enable a hub for professional services
- A transformed bus station and sustainable transport interchange
- An investment programme in priority arterial and segregated cycle track - to link key employment destinations.
- Manor Royal Gigabit Business Park –an incentive programme for Manor Royal businesses to connect to full fibre and 5G infrastructure
- Designing a new Cultural Quarter in the town centre – to unlock employment and business growth in the cultural and creative industries
- Manor Royal business environment improvement programme - business environment upgrades and modernisation

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- Crawley home “green retrofitting” programme - to design, launch and deliver home “green retrofit” grants.

As schemes are approved by the Department of Levelling up, Housing and Communities and funding received these are added to the capital programme and to revenue budgets where applicable.

9.4 Climate Change

The commitment to the climate change targets will be very costly and in the case of Crawley Homes housing stock will not result in any additional rental income from investment. However it should help with fuel poverty. The table below shows what is currently in the capital programme for such initiatives.

Table 10 below shows the current commitment of £21,819m towards climate change initiatives

Table 10 Climate change initiatives

Scheme Description	Projected Spend Current Year	Budget 2023/24	Budget 2024/25	Budget 2025/26	Future Years
	£	£	£	£	£
Heat Network	337,622				
Cycle Paths			25,300		
Crawlers / Manor Royal Cycle Path					
District Heat Network Phase 2	94,950				
Flooding Emergency Works	33,357	96,804			
Telemetry Measuring Equipment	4,605				
Leat Stream Ifield Flood Alleviation	7,289				
Tilgate Lake Bank Erosion	30,000	120,000			
Water Course Work	80,925				
Solar PV CBC Operational Buildings		60,000			
<u>Crawley Growth Programme</u>					
Manor Royal Cycle Improvements		1,775,935			
Town Centre Western Boulevard (cycle improvements)	692,898	267,409			
Manor Royal Super Hub		263,028			
Town Centre Super Hub					74,231
Towns Fund					
Manor Royal Business Environment Improvement Programme	350,000	500,000	500,000	150,000	
Green Business Infrastructure Grants	350,000	860,000	620,000	170,000	
Housing - HRA (Crawley Homes) Improvements -					
Insulation	2,775,113	2,200,000	2,200,000		
Renewable Technology/Carbon Efficiency	268,620	250,000	250,000		
Boilers & Heating	1,668,805	1,800,000	1,800,000		
Total Climate Change initiatives	6,694,184	8,193,176	5,395,300	320,000	74,231

10. Housing Revenue Account

- 10.1 Full Council on 22 February 2012 ([FIN/257](#)) approved the payment of £260.325m to the Department for Communities and Local Government as part of the Government’s abolition of the previous housing subsidy regime. The money was borrowed via a series of loans from the Public Works Loan Board. The repayment dates vary between

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2022/2023 and 2037/2038. Based on the current capital programme, it will be necessary to replace some of these loans and this will be reported in the Treasury Management Strategy.

- 10.2 The net effect of these changes was that the HRA had budgeted for significant surplus over the following years. This was to enable the Council to make capital investments that will help it achieve its corporate housing objectives. Investments already approved include the provision of housing at Breezehurst Drive, Bridgefield House and Forge Wood. Changes to Right to Buy discounts and the announcement in the July 2015 budget that rents will decrease by 1% per annum for 4 years from 2016/17, resulted in fewer resources available to meet all aspirations.
- 10.3 The HRA 30-year plan is constantly being updated and is reported to the affordable housing group. This takes both revenue and capital budget projections and shows resources available for future investment in housing. The impact of the rents error going back to 2014 was fed into this plan.
- 10.4 The debt cap has subsequently been removed. This would allow an increase in borrowing to build more housing. In addition the transfer of garages to the General fund resulted in more resources being available. However there are delays in building programmes due to the water neutrality issue and the need to provide offsets.
- 10.5 The capital investment plan for Crawley Homes for approval in future capital budgets, this is funded from the HRA, will be reported to Cabinet in November.

11. Risk Management

- 11.1 The risks associated with the Council's Budget Strategy as previously set out. The Covid-19 Pandemic has had a significant impact on the Council's activities and continues to do so. This represents a further risk to the financial position of the Council. In addition the cost-of-living crisis is impacting significantly on costs and future income.
- 11.2 The key risks for the Council highlighted in this report is the future funding provided by the Government for both revenue and capital spending and the impact of the cost-of-living crisis, impacting especially on the homelessness budget. These matters taken together pose a significant business risk to the Council and requires effective action to be taken. As identified above there is rising costs of inflation, homelessness, costs of pay award, supply costs and issues and increasing costs of utilities.
- 11.3 There will also be costs associated with the Climate Emergency Action Plan that will have to be factored into future budgets. Therefore there may be a need, to put in place plans to make savings/increased income to achieve a balanced budget in the longer term and this will inevitably impact on the Council's ability to maintain existing service levels.
- 11.4 There remains a great deal of uncertainty regarding the timing and implications of reforms including the Fair Funding review and the outcome of the Spending Review.
- 11.5 A key component of the CIPFA Financial Management Model is assessing the financial resilience and sustainability of the Council. Appendix D contains an assessment of this financial strategy against key financial indicators to verify the ongoing financial resilience of the Council.

12. Background Papers

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Cabinet Reports 25 November 2020

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

Cabinet Reports 24 November 2021

[Crawley Homes Rent Overcharge DCE/11](#)

Cabinet Reports 2 February 2022

[2022/2023 Budget and Council Tax FIN/549](#)

[Treasury Management Strategy 2022/2023 FIN/557](#)

Cabinet Reports 6 July 2022

[Treasury Management Outturn 2021/2022 FIN/575](#)

Cabinet Reports 8 February 2012

[2012/2013 Budget and Council Tax FIN/257](#)

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Appendix A – Challenge of Budgets

Budget Challenge Savings Summary

General Fund	£
Anti-Social Behaviour	
Nuisance and Anti-Social Behaviour Team Uniforms	1,200
	1,200
Community Services	
Community Safety - Subscriptions	3,000
Community Development - Training & Operational Costs	2,200
Neighbourhood Services - Street Furniture, Casual staff, and Operational Costs	51,500
Port Health Investigation - Subscriptions	1,000
Pest control - Fuel	1,300
Car parks - Abandoned Vehicles	5,630
Car parks - Town Hall MSCP Business Rates & Cash Security	13,070
	77,700
Corporate Finance	
Pension added years (people reaching retirement age)	20,000
Training and misc. expenses	7,500
Investment property repairs	20,000
Commercial property savings including business rates	34,000
Commercial rent (discretionary relief)	40,000
	121,500
Digital & Transformation	
Transformation team - Training	1,500
IT Business Support - various expenses	8,070
Contact Centre - Uniforms, training, cash security	6,900
Printing	6,000
	22,470
Governance, People and Performance	
Committee Administration - various expenses	1,300
Civic ceremonies - External Hospitality & Civic Regalia	2,400
Electoral registration - Printing	1,000
HR - Overtime	670
Occupational Health - Managed Services & operational savings	7,660
	13,030
Major Projects & Commercial Services	
CCTV savings	2,610
K2 Leisure Centre - Floral Decorations	11,630
Metcalf way vehicle workshop - subcontracted	5,000
Community facilities - Staff & Licences	9,630
Recycling & Waste reduction - fees & charges	35,000
Public Conveniences - business rates and running costs	19,610
Cemeteries - Grave spaces and burial fees	10,000

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Built Environment - managed services & misc. expenses	39,450
	<u>132,930</u>
Economy and Environment	
Head of Environment Services - Training & Hospitality	1,000
Development management service - Operational Costs	13,250
	<u>14,250</u>
Car Allowances	<u>30,000</u>
TOTAL GENERAL FUND	<u>413,080</u>

HRA	£
Policy and Engagement - Operational Costs	11,820
Housing Management - Overtime & Operational Costs	20,600
Responsive Repairs (Staff) - Software Licences	6,980
Programmed Works - Operational Costs	8,750
Support Services - Translation & Interpretation	1,000
Caretaking and Cleaning - Operational Costs	2,620
Leasehold Services - External Agency Staff	5,200
	<u>56,970</u>
TOTAL HRA	<u>56,970</u>

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Appendix B – Reserves

There are two purposes for holding reserves. The first is to have sufficient funds to be able to maintain services, both in the short and medium term. The second is to earmark funds for specific purposes. There should be plans to spend earmarked reserves, even if the amount and timing of that spending is uncertain. In accordance with CIPFA guidance, earmarked reserves are held for several purposes:

- Sums set aside for major schemes such as capital developments or asset purchases.
- Insurance reserves.
- Reserves for unspent revenue grants.

The nature and purposes of these reserves means that from year-to-year funds will flow in and out as projects progress, grants are received, insurance costs are incurred and on the other hand capital receipts are set aside for future capital investment, insurance funds are topped up to prudent level or authorities seek to set aside funds which will allow them to invest to generate future revenue savings. Some authorities will have accumulated reserves as part of a plan to ease future budget reductions and to allow longer term savings to come to fruition. However, it is not a proper use of reserves to just draw down to support revenue budgets with no clear plan for how the gap will be bridged in future years when reserves are no longer available.

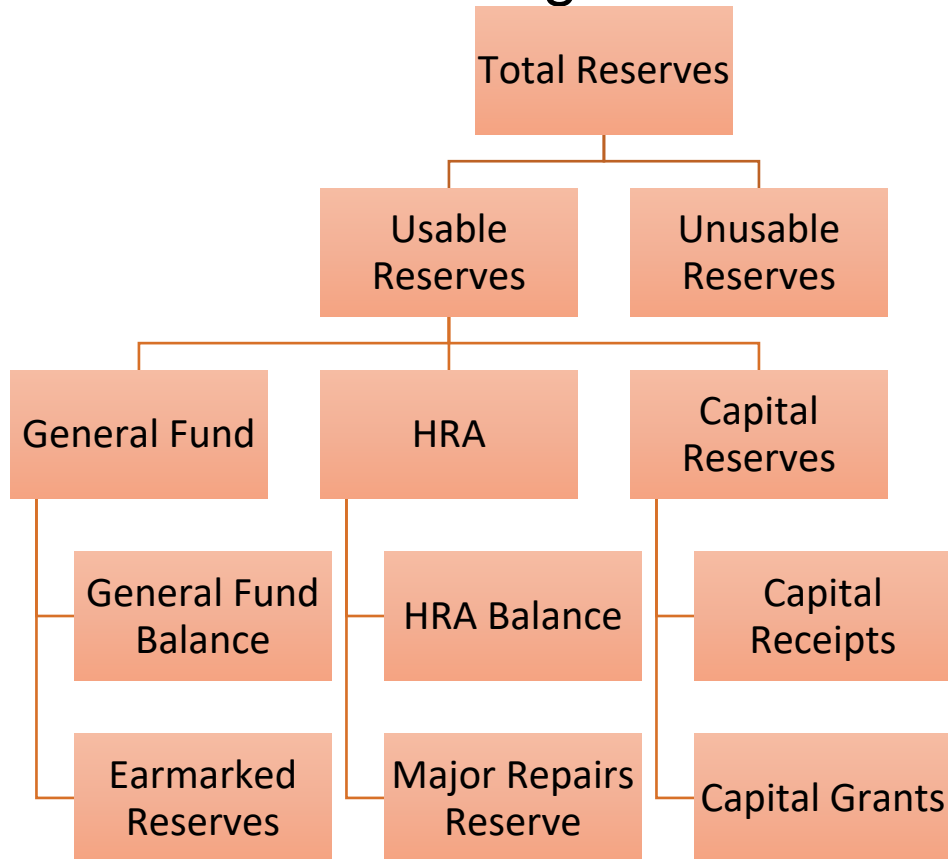
Councils manage money by dividing it between two pots of reserves - useable reserves and unusable reserves (an explanation of these terms can be found below).

Managing money in this way means that we can budget successfully for what we need to deliver services now whilst building up funds that will grow over time and so protecting services in the future.

The level of reserves should be regularly reviewed. This is particularly true in the current situation. Local government has had reduced financial resources from the Government, and this is going to continue for several years.

For both the Housing Revenue Account and the General Fund, the Council needs sufficient funds to be able to sustain services. In the case of the Housing Revenue Account the reserves are sufficient, and no changes are proposed.

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Useable reserves: This is money that each council has set aside for specific purposes an example is insurance reserves.

Unusable reserves: The unusable reserves pot contains funds that cannot be used to provide services or used for day to day running costs. The unusable reserves hold funds that have 'unrealised gains or losses'. This means that we have assets such as buildings whose value changes over time. There may also be commitments linked to these assets such as loans or maintenance needs. The funds held in the unusable reserves fund can only be unlocked and turned into usable money if the assets are sold.

General fund / HRA balance: This is a contingency fund - money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as unexpected repairs. There is a requirement to keep such reserves at an appropriate level.

Earmarked reserves: This is money that has been set aside for a particular purpose, such as buying or repairing equipment or the maintenance of public parks or buildings.

Capital receipts: This is the name given to the income received when assets are sold (such as land or buildings). Capital receipts can only be used to buy or fund capital expenditure. Capital expenditure is the money spent on buying assets that have a lasting value. These assets could be land, buildings, or large pieces of equipment such as vehicles. Capital expenditure can sometimes also be used to fund grants to people or organisations.

Capital grants: Capital grants are sums of money given to councils by the government. This money can only be used as capital expenditure, in other words this money can only be used to buy assets of lasting value.

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Major Repairs Reserve

The major repairs reserve controls an element of capital resources required to be used on Housing Revenue Account (HRA) assets or for capital financing purposes. This can be used for repairs to existing stock, provision of new stock or repaying debt.

A statement by the Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) - Councils are topping up their reserves where they can, reflecting the absence of a long-term funding settlement for the sector, continued uncertainty around the spending review and Fair Funding Review and an expectation that the long hard winter of austerity is set to continue,' he said.

'Local government reserves play a crucial role in good public financial management. They exist so that a council can invest in service transformation for the future or else allow them to respond to unexpected events or emerging needs. Critics have been quick to criticise these pots of money held by councils, arguing that services should not be failing while councils hold reserves. But taking away capital and technical sums such as insurance, usable revenue reserves usually only amount to about a month's turnover on operations. And always remember as one-off resources, they can only be spent once, while service demands will continue year on year.'

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Appendix C

Capital Strategy

1. Purpose

- 1.1 The CIPFA revised 2017 Prudential and Treasury Management Code require all local authorities to prepare a Capital Strategy which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability

This Capital Strategy sets out how the Council will manage the investment and financing of capital resources to contribute towards the achievement of its key objectives and priorities. This includes the appraisal process for determining investment decisions and the process for identifying and prioritising funding requirements

2. Background

- 2.1 The Strategy should demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability.
- 2.2 The purpose of the Capital Strategy is to tell a story that gives a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It should provide enough detail to ensure that all members understand how the Council is delivering stewardship of the Council's resources, prudence and sustainability and meeting the Council's reporting requirements.
- 2.3 The Department of Levelling up, Housing and Communities revised its Investment Guidance and the (Minimum Revenue Provision) MRP Guidance. Local authorities are increasingly investing in non-financial assets, and this revised guidance brings these investments into scope.

3. Objectives of the Capital Strategy

- 3.1 The objectives of the Capital Strategy are to:
- Prioritise and deploy capital resources in advancement of the Corporate Objectives and the criteria within the Budget Strategy which are –
 - Items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations,
 - and schemes will also be considered that are spent to save or spend to earn,
 - But that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

There is no annual target of expenditure for capital purposes as the programme will be based on the criteria above.

The council is also committed to building affordable housing for local people. This can be through the Housing Revenue Account by building Council Housing; or through enabling Registered Social Landlords through the General Fund, where the council would have nomination rights for this housing.

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- a. The Capital Strategy considers all aspects of the Council's capital expenditure and extends to areas where the Council is able to influence others through the use of its capital resources (for example housing enabling with Registered Social Landlords). It forms part of the Council's integrated revenue, capital, and balance sheet planning.
- b. The Strategy covers capital expenditure, capital financing and asset management and is one of the key strategies alongside the more operational strategies and policies for these and other areas including Treasury Management, Property Investment, and service areas such as housing and other spending areas. It also gives an overview of how associated risk is managed and the implications for future financial sustainability.
- c. The Strategy provides a set of objectives and a framework, within CIPFA Codes and legislation, by which new capital projects are evaluated and decisions made whilst ensuring funding is targeted towards meeting priorities.

The Capital Strategy:

- States the Council's processes for:
 - Project initiation
 - deciding on the prioritisation of capital projects
 - monitoring and evaluating schemes
- Takes account of significant revenue implications (these are included in the Budget Strategy)
- Provides a framework for the management and monitoring of the capital programme, through budget monitoring and reporting to the Corporate Projects Assurance Group.
- Identifies funding and provides a basis to inform bidding for additional capital resources (e.g. from the Local Enterprise Partnership, National Lottery, Government initiatives)

Project Initiation

- d. Capital projects are subject to robust justification process, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions can be taken. Business cases are prepared in accordance with the Corporate Projects Assurance Group guidelines.
- e. Proposals are given independent oversight and review by the Corporate Projects Assurance Group. This includes validation arrangement, estimated figures, project milestones and an evaluation of risks. The group will also consider Governance arrangements.
- f. For larger projects where feasibility is less certain viability assessments and robust business cases are prepared before bids are made for funds. This includes undertaking all preparatory work to fully understand the requirements of the project before budget is sought.

Prioritisation on capital projects

- g. Capital projects will be assessed based on the criteria in section 9.1 above.
- h. The business case put forward for a capital project will be reviewed to ensure it takes account of stewardship, value for money, prudence, sustainability, and affordability.

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Formal approval process

- i. Project proposals will be direct reports for recommendations to Cabinet. The Cabinet report will outline how the scheme is funded. If part of the annual budget process these schemes will have Full Council approval.

Monitoring and evaluating schemes

- j. The finance system is used as a tool for budget management, this is accessed by both finance staff and capital project managers to give up to date information on project spend. Quarterly monitoring and reporting of slippage is undertaken to ensure that full use of resources and effective treasury management is undertaken.
- k. A subgroup of the Corporate Projects Assurance Group – the Capital Programme Board oversees a range of capital projects, the group will –
- Receive updates at the end of each quarter from the relevant budget holders to challenge the current budget and spend.
 - Challenge any over or underspend and provide advice to prevent further variances in spend.
 - Review the future years capital programme and challenge if the schemes will be delivered and what governance arrangements are in place.
 - Post project reviews are also fed back, and learning is included in future schemes.
- The Council will assign a project manager to each project to oversee planning, delivery, management, and governance including risk management of the capital project.

Funding the Strategy

- l. Funding must be appropriate for the project and will come from:
- Capital receipts – from the sale of assets or finance lease receipts
 - Government grants
 - Third party grants and contributions
 - Community Infrastructure Levy
 - Other developer contributions
 - Reserves
 - Revenue contributions (see below)
 - External (prudential) borrowing
- m. The revenue budget has an annual budget of around £564,000 for programmed repairs, there is a three-year plan of how to spend this money. This is based on condition surveys and includes works at K2 Crawley, the Hawth, car parks, depots, parks and pavilions and community centres. The Corporate Projects Assurance Group reviews these plans.
- n. In addition there are annual contributions from Revenue to the renewal's funds. Annually there is a contribution of £100,000 for both IT equipment replacement and specialist equipment at the Hawth and K2 Crawley, together with an annual contribution of £400,000 for vehicle replacements. Delegation is given to Heads of Service for replacement of vehicles and to Cabinet Member for IT equipment. The specialist equipment for leisure services forms part of the approved capital programme through Cabinet.

4. External Factors Influencing the Capital Strategy

4.1 Water neutrality

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A Position Statement in September 2021 from Natural England, the government's advisors on the environment, has been received which advocates that until an agreed water neutrality strategy is in place and secured, decisions on planning applications within Southern Water's Sussex North Water Supply Zone, where there would be an increased water demand implication, the planning applications should be deferred. Most of Crawley is situated within the Sussex North supply except for Maidenbower, Gatwick Airport and land to the north of Manor Royal.

Natural England has advised that the emerging Local Plan policies should achieve water neutrality. A water neutrality strategy is being prepared for all the Local Authorities involved by JBA Consulting as required by Natural England that assess the in-combination impacts of planned development across the whole area and will suggest approaches to offset these impacts. New developments will be required to achieve water neutrality through provision of ambitious water efficiency measures coupled with a contribution towards the retrofitting to existing developments to offset impacts.

In July 2022, the Cabinet approved a Water Neutrality Off-Setting Programme to retrofit the first tranche of properties providing sufficient water off-set to enable selected affordable housing schemes that are already within the Capital Programme to progress.

4.2 Climate Emergency Action Plan

In July 2019, Full Council declared a Climate Emergency and made a commitment to reduce the Council's carbon emissions by at least 45% by 2030 and zero by 2050.

With the urgent need to for action the Full Council pledged in December 2021 to reduce emissions by at least 50%, and as close to net zero as possible by 2030, and to reach net zero by 2040 at the latest.

The Climate Emergency Action Plan to 2030 sets out the Council's overall aim to reduce the Council's carbon emissions generated by its activities as per the Climate Emergency declaration.

The future costs have not been included within the Budget Strategy at this stage as the plan is being costed up.

The key areas identified for action are:

- Energy – demand reduction & low carbon heat and cooling
- Renewable Energy & Storage
- Low carbon transport – demand reduction & transition to low carbon modes
- Waste & Water – reduction (linked to procurement), recognising the hierarchy of practice.
- Procurement - supply chain tracing to minimise and reuse, develop 'closed loops and sustainable sourcing for products and services
- Green & Blue Infrastructure – natural systems for biodiversity and carbon stores.

5. **Debt and Borrowing and Treasury Management**

- 5.1 The council's approach to borrowing is set out in [Treasury Management Strategy 2022/2023 FIN/557](#). The Council will consider external borrowing in the Treasury Management Strategy which will be submitted to Cabinet in February 2023.

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6. Commercial Activity

- 6.1 The Council may invest in other financial assets, including loans and property primarily for financial return, which are not part of the treasury management activity.

Officers would use the following criteria to assess potential purchases. It is expected that proposals should meet all of these criteria unless there are sound reasons not to.

- i purchase price of less than £8m (there is no current provision in the capital programme).
- ii preferably freehold, but if leasehold then at least 125 years left on lease, or the ability to purchase an extension to the lease length.
- iii an income flow of at least 8 years duration, before either a lease renewal or tenant's option to break.
- iv a covenant check of the tenant confirms the ability to perform the conditions of the lease, including payment of rent.
- v the investment should be in such a condition that any further short term capital investment would be limited.
- vi whilst Crawley may be a preferable location, other locations within East and West Sussex and Surrey will be considered.

The Table below lists the investment properties that the Council owns and their value at 31st March 2022.

Name	Valuation
Ashdown House – High Street	£ 8,337,500
Atlantic House – Three Bridges	£ 4,021,400
Ask – High Street	£ 1,182,700
Sub Total	£13,541,600
Voluntary Organisations (Station Road)	£ 1,319,200
Telford Place Car Park	£ 1,636,500
Other	£ 1,391,100
Total	£17,888,400

7. Future Capital programme

The 2023/24 and future capital programme will be included as part of the Budget and Council tax report which will be considered by Cabinet and Full Council in February 2023. Future use of council property including asset management planning is included within the Council's Transformation programme.

8. Implications

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

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Appendix D

Financial Resilience Indicators

1. The funding gap as a percentage of net revenue expenditure (NRE) over the MTFP period

The table below demonstrates that there is a robust savings plan in place to address the funding gap identified in the financial strategy. A distinction is made between those savings that have been agreed and for which there is a clear delivery plan; those that have been agreed in principle but do not yet have a clear strategy for implementation; those that have been proposed but not yet agreed; and those that are simply ideas.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
NRE	14,487	14,964	14,738	14,963	15,297
Estimated funding gap	753	973	950	831	783
Gap as % of NRE	4.3%	5.6%	5.5%	4.6%	4.1%
Savings identified:					
1. Agreed	413	413	413	413	413
2. Agreed in principle					
3. Proposed	240	240	240	240	240
4. Potential					
Unidentified gap as a % of NRE	(0.2%)	1.2%	1.0%	(0.2%)	(0.1%)

2. Savings delivered as a percentage of planned savings

The ability of the Council to not only identify areas where specific financial savings can be made but to also make those savings is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered, this can result in overspends that require the use of limited reserves, while increasing the level of savings required in future years to compensate for this.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
MTFP savings planned (cashable)	695	1,257	628	1,819	313
MTFP savings achieved	695	1,257	628	1,719	313
% of savings achieved	100%	100%	100%	95%	100%

3. Over/underspend relative to net expenditure

Significant and recurring patterns of underspending may indicate an inability of the Council to meet its service objectives, or it might indicate that there are unidentified savings that could be taken to fund other objectives.

Overspends met from reserves to balance budgets are not sustainable. Regular unplanned use of reserves reduces the Council's resilience to fund unforeseen budget pressures in future years.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
NRE	14,356	17,071	17,114	10,951	14,770
Over/(under)spend	(425)	(245)	(1,272)	(656)	671
Over/(under)spend as a % of NRE	(3.0%)	(1.4%)	(7.4%)	(6.0%)	4.5%

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4. Useable reserves as a percentage of net revenue budget

Reserves allow financial uncertainty to be managed. Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves are also used to fund projects and capital investment. Section 7 of the report and Appendix B contain more details on the reserves held.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
NRE	14,356	17,071	17,114	10,951	14,770	14,487	14,964	14,738	14,963	15,297
General Fund reserves	22,225	19,166	38,845	25,512	24,231	21,764	21,281	20,451	20,330	20,260
General Fund reserves as a % of NRE	154.8%	112.3%	227.0%	233.0%	164.1%	150.2%	142.2%	138.8%	135.9%	132.4%

5. Council tax as a percentage of NRE

This indicator shows the Council's reliance on government grants. Council tax is a stable income source – an authority with a high ratio will be less dependent on government grants.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Council tax	6,930	7,182	7,481	7,476	7,824	8,161	8,508	8,866	9,235	9,615
NRE	14,356	17,071	17,114	10,951	14,770	14,487	14,964	14,738	14,963	15,297
Council tax as a % of NRE	48.3%	42.1%	43.7%	68.3%	53.0%	56.3%	56.9%	60.2%	61.7%	62.9%

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Crawley Borough Council

**Report to Overview and Scrutiny Commission
3 October 2022**

**Report to Cabinet
5 October 2022**

Proposed Increase of Weekly Rent to Council Owned Garages

Report of Chief Executive – CEX/59

1. Purpose

- 1.1. This report, in accordance with the Council's budget setting strategy, outlines a proposed mid-year increase for garage and storage cupboard weekly rental fees, to be implemented from 01 December 2022.

2. Recommendations

- 2.1. To the Overview and Scrutiny Commission:

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

- 2.2. To the Cabinet

The Cabinet is requested to recommend to the Full Council the approval of the change in garage and storage cupboard fees, as detailed in Section 5 of this report to:

- a) Increase rental fees with effect from 1 December 2022, with no further increase until April 2024 as follows:
- i) weekly garage rental costs for Crawley Homes tenants,
 - ii) weekly garage rental cost for Private Tenants residing in Crawley
 - iii) weekly rental costs of storage cupboards
- b) Introduce an additional charge for Crawley Homes tenants and Crawley resident private tenants with three or more garages.
- c) Introduce a new non-Crawley Borough resident weekly garage rental cost.
- d) Introduce an additional charge for non-Crawley Borough residents with two or more garages.
- e) Remove the previous multi garage discount from any remaining accounts.

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3. Reasons for the Recommendations

- 3.1. The Budget Strategy 2023/24 – 2027/28 (FIN/583) elsewhere on this agenda identifies in Table 3 an initial budget gap of £240,000 in 2023/24, this rises to £419,000 in 2024/25. This assumes an increase in fees and charges of 5% on average, as financially modelled. Table 9 in the same report identifies some sensitivity analysis and shows large increases in the gap should the pay award for Local Government employees be higher or inflation be higher, or further pressure on providing temporary accommodation for those we owe a duty - therefore additional income from garages would support meeting future gaps.

4. Background

- 4.1. The Council owns 5130 garages and store cupboards across all 14 neighbourhoods which are made available for rent as a discretionary service.
- 4.2. The 2021/2022 Budget and Council Tax report ([FIN/514](#)) was approved by Full Council in February 2021. This incorporated a new Pricing Strategy, which was unanimously agreed at Full Council when the Budget was set (Appendix A), which recognises that fees and charges are an important source of income enabling services to be sustained and improved.
- 4.3. Then Full Council agreed to transfer the garage assets from the Housing Revenue Account to the General Fund in December 2020 ([FIN/511](#)) providing additional income to the General Fund going forward.
- 4.4. A review of the operational aspects of the garage service was undertaken earlier this year which focused on providing a service to make the rental of clean, safe and secure garages easier for customers. The process will be integrated into a new Housing Management system later this year.
- 4.5. It was therefore timely to assess the current fees and charges in line with the Pricing Strategy by market testing costs with other Local Authorities and other service providers to identify any commercial opportunities and promote automated and online payment methods.
- 4.6. Garage rents have been increased in line with CPI for a number of years and current prices are:

Weekly rental costs: £11.46 for Crawley Homes tenants
£15.23 for private tenants
£ 2.00 for store cupboards

- 4.7. Analysis of the current demand for garages in August 2022 shows:

71%	Let to Private tenants
29%	Let to Council tenants
77%	Paying by Direct Debit

- 4.8. Garages provide spaces for parking cars, however many are used for storage purposes. A survey conducted by the RAC and reported on their website in 2021

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found that 83% use their garage space for storage with many not being large enough to store modern vehicles.

- 4.9. That said the service remains popular for both Council and private tenants due to their proximity to residents homes or key locations. In addition nearly 250 garage tenancies are for individuals living outside of Crawley. A waiting list is currently in operation, this has recently been reviewed and currently has 83 applications. Figures for 01 January 2022 to 31 August 2022 showed that 336 garage tenancies were terminated and 405 new tenancies taken, indicating that as garages become available they are quickly rented.
- 4.10. Further service demands identified that nearly a third of garages are rented to tenants renting more than one garage.

Number of garages	Number of customers (total)
2	442 (884)
3	111 (333)
4	36 (144)
5	13 (65)
6	7 (42)
7	5 (35)
8	1 (8)

- 4.11. The Council previously offered a multi garage discount of 50% however this was withdrawn for new accounts in 2016. There are still 570 tenancies where this remains in place.
- 4.12. The net income received from garages in 2022/2023 will create a surplus of £1,020,050, as shown in the table below. There is a requirement for repair work for some sites along with ongoing annual maintenance costs.

Income	2022/2023
Rental income	£2,625,000
Expenses	
Employee salaries (including oncosts)	£ 85,000
Responsive Repairs	£ 200,000
Planned Repairs (including contractor fees)	£ 376,950
Minimum revenue provision (internal repayment)	£ 828,000
Interest	£ 115,000
Total Income achieved to support services	£ 1,020,050

5. Proposed rental fee structure

- 5.1. The benchmarking analysis, Appendix B, demonstrates the regional charges associated with the renting of a standard size garage. Whilst there are some differences within Local Authority rates the Council is currently charging at the lower end. Commercial storage options for lock up garages are higher with purpose built storage options at the top threshold, however these offer a different service and arrangement.
- 5.2. The proposed fee structure would increase prices from 01 December 2022, with the next increase in April 2024. Charges would still be at a lower than market average rate.

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Proposed weekly rental costs £13.06 for Crawley Homes tenants
 £ 17.36 for Crawley resident private tenants
 £ 2.28 for store cupboards

- 5.3. It is proposed that an additional charge is to be applied to Crawley Homes and Crawley resident private tenants with **three** or more garages providing opportunity to make garage spaces available to more residents to meet the waiting list demand.

Proposed additional garage charge £1.50 per week (*3 or more garages*)

- 5.4. Garages rented to non Crawley Borough residents would pay a different rate to help ensure garages meet the demand of local residents as a priority. An additional charge for each subsequent garage would also be applicable for two or more garages.

Non Crawley Borough resident weekly rental cost £20.00 (*one garage*)
 Proposed additional garage charge £1.50 per week (*two or more garages*)
 eg, *second garage* £21.50 per week.

- 5.5. The historic multi garage discount to be removed effective 01 December 2022.
- 5.6. The above rental structure will generate income in year and during the next financial year.

	Dec 22 – Mar 23	Apr 23 – Mar 24
Increased rental costs Crawley residents	£ 170,000	£ 510,000
Additional garage charge Crawley residents	£ 6,000	£ 18,000
Non Crawley residents rental costs	£ 20,000	£ 60,000
Additional garage charge non Crawley residents	£ 500	£ 1,500
Total	£ 196,500	£ 589,500
Less the 5% already projected/modelled in the Budget Strategy	-	-£134,500
Total additional income to meet budget shortfalls	£ 196,500	£ 455,000

6. Implications

- 6.1. Increasing fees and charges at a time where residents and businesses are incurring other increased prices is understandably sensitive. It does however minimise the need for future reductions in services.
- 6.2. All current customers will be notified in writing providing four weeks written notice of the change in charges. Those that wish to continue with the tenancy are not required to take any further action with systems and payment plans automatically updated.
- 6.3. The proposed change in fees is likely to result in some increased levels of contact from customers responding to questions or queries however it is anticipated this will be handled within the existing staffing from the Contact Centre and Garages Teams.
- 6.4. Customers who do not wish to continue with the tenancy may give notice to terminate, which will take effect once the keys are returned to the Town Hall and

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subject to the garage being cleared, so not to incur any potential recharge as per the tenancy agreement.

- 6.5. Where a tenancy is surrendered there is a period of lost income during void weeks whilst a new customer is identified and secured.
- 6.6. The Council must take into account implications for people covered by the Equality Act 2010 and any particular impact on the protected group. There are no specific equality implications arising from the increase in charges that the Council is proposing.

7. **Background Papers**

Cabinet Reports 25 November 2020

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

Cabinet reports 3 February 2021

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

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CBC Pricing Strategy

Introduction

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

Statutory charges

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

For Example: Local Land Charges

Discretionary charges

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

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

Purpose of the Pricing Strategy

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

Key principles

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

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



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

Appendix B

Garage Benchmarking Analysis:

These are current 2022/23 fees, increases to 2023/24 fees will also apply but have not been seen set.

Location	Tenants/ Leaseholder Price per week	Non- Tenant Price per week	Notes/ Extras
Adur Council	Standard Size Garages: £11.17 for Adur Homes Tenants/Leaseholders	£13.40 for Non-tenants (inc £2.33 VAT)	Fees set to increased by 4%
Arun	£13.58	£16.29	
Bristol- council	Tenant: £13.29 Leaseholder: £15.95	£19.47 inc VAT Premium site £39.64 Business rate:£39.64	
Croydon- Council	£14		Cost of clearance and lock change
Enfield- Council	Vehicle £13.50 +VAT Storage £26.50 +VAT	£26.50 +VAT	Concessions for private tenants receiving job seekers allowance, universal credit, pension credit, employment support, disability allowance, carers allowance, mobility allowance.
Dartford	£15.10	£17.92	
Waverley - Council	£15.18- £25.58	£18.22- £30.70	Some sites exceed average prices, up to £30, depending on garage site
Horsham- Saxon Weald	£16.22		Only for vehicle storage
Hounslow- Council	Tenant: £15.90 Leaseholder: £20.00	£24.00	
Worthing- Council	£6.83	£13.61	Only for vehicle storage. Parking tickets at garage sites
Guildford- Council	£10.43 non town centre £12.69 town centre	£20.86 for tenants living over a mile from town centre garage space	20% VAT for all non council tenants

Runnymede-Council	£16.20		Vehicle only
Harlow Council	£10.67- £13.06		Direct debit-online, phone, standing order or cheque via post
Fareham Council	£13.20	£15.84	
Portsmouth Council	£11 - £24.66		
Peterborough Council	£7.50 - £18 dependent upon location		With fees set to increase by 8.73% next year.
Stevenage-Council	£12.05 Road Facing: £13.70 New Premium: £15	£14.46 Road Facing: £16.44 New Premium: £18	
Raven Housing Trust- Horley, Redhill, Woodhatch, Hooley, Banstead, Burgh Heath	£14.15		£16.89 for second garage
Southern housing group-	West Sussex £10.86 London £12.93	West Sussex £13.03 London £15.51	
Lock Up Garages- Crawley		£24/ £25 per location	
Crawley- Privately Owned Garages		£115- £350	
Purpose built storage solutions Crawley (garage size equivalent space)		£64 per week, for initial rental period and then increase in rates up to £80 per week	