Cabinet
Wednesday 3 February 2021

Comments from the Overview and Scrutiny Commission at its meeting on Monday 1 February 20201
OSC/293

1. Cabinet Agenda Item 7 - Petition – Save Crawley's Adventure Playgrounds

Comments and Recommendations

The Commission considered report HSC/26 and the submission from the Principal Petitioner.

During the discussion with the Cabinet Member for Wellbeing and the Head of Community Services, Members made the following comments:
- Residents should feel compelled to organise a petition if they were concerned regarding an issue affecting the town. It allowed officers and councillors to re-assess issues.
- It was remarked that the results of the consultation should not be ignored, whereby there was a 68% reduction in attendance at the playgrounds.
- It was acknowledged that other providers (not for profit) may be interested in the adventure playgrounds. However the sites would require substantial capital investment that exceeded current funds and the operational costs were significant.
- Children and young people had different expectations regarding play and the budget needed to be spent wisely, with the play team being allocated in the most effective and efficient way possible to ensure children could continue to be engaged.
- It was noted that the playgrounds were a part of Crawley's history and whilst they had been successful in the past, there was a need to move away from static sites. The proposed outreach model was more effective and would be provided in open spaces, parks and buildings, covering the whole town and be fully accessible and inclusive.
- It was acknowledged that the Play Service was primarily aimed at five to thirteen year olds. It was not intended as an alternative to youth provision. Youth Service provision was within the remit of West Sussex County Council.
- Clarification was provided regarding the cost per visit.

RESOLVED

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

2. Cabinet Agenda Item 8 – Climate Change Scrutiny Panel Final Report

Comments and Recommendations
The Commission considered report OSC/292 of the Chair of the Climate Change Scrutiny Panel, Councillor K L Jaggard.

Councillors made the following comments:
- General support for the report and the Panel's work. Panel members and officers were thanked for a thorough and comprehensive report.
- It was considered that the Panel's recommendations to be practical and thought the idea of the climate change impact assessment document on any new project/change in policy or service to be very important.
- It was disheartening that there had been a lack of response from co-optees but the public attendance pre-Covid and witness sessions had been positive and engaging.
- Acknowledgement there was the option to share best practice with other districts and boroughs.
- Recognition that in order to reach its carbon emissions target the council may have to lead by example and change the way it works and adapt.

- It was commented that the heating of the pool at K2 Crawley was the major consideration of energy consumption and the Panel had fully recognised there were industry standards and there were mixed views from individuals on the pool temperature. However it strongly wished for the recommendation to be considered.
- Support for the Climate Emergency Action Plan to be regularly reported back to OSC and Cabinet. The Climate Emergency Officer Advisory Group would consider options for reporting and report back as part of actions. The officers' group was best placed to have the expert knowledge and skill to identify actions, activities and timescales within the council's services. The action plan was set to identify resources, sources of funding and timescales for completion of actions in order to ensure the council remained on target. Led by the Climate Emergency Officer Advisory Group who have in-depth, enhanced expert knowledge of specific projects and have a crucial view on the council's services.
- Whilst there was general support for the recommendations from the majority of members, there was concern raised from some regarding recommendation 'q' and paperless meetings, particularly the need to read reports thoroughly and length of time on devices. In contrast, there was recognition of the large environmental and financial benefits together with the availability of additional equipment along with further training. It was acknowledged the Cabinet Member for Resources took the decision that any newly elected councillor would be paperless from May 2018, whilst remaining compliant under the Equality Act.
- During the debate Councillor Lanzer (seconded by Councillor T Belben) moved a proposed amendment adding a further recommendation:

Recommendation:
2.3 c) *Request the Governance Committee look at the future format of the Council's formal and informal meetings to consider which should be face to face, virtual or hybrid*.

No objection was expression by the Commission and the inclusion of Recommendation 2.3c was therefore declared to be Carried.

RESOLVED

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

3. Cabinet Agenda Item 9 – Proposed Article 4 Directions - Planning Change of Use from C3 (dwellinghouses) to C4 (houses in multiple occupation)

Comments and Recommendations
The Commission considered report PES/366 of the Head of Economy and Planning.

During the discussion with the Cabinet Member for Planning and Economic Development, the Head of Economy and Planning, Forward Planning Manager and Senior Planning Officer, Councillors made the following comments:

- It was acknowledged that HMOs above the five-person threshold require a licence and this assisted in monitoring, particularly the use of the map of licensed HMOs.
- The Directions would target specifically the 10 residential zones in Crawley where there was a clear majority of residential dwellings that were 3-storey terraced properties and multiple HMOs. Acknowledgement that the rationale was the coincidence of these types of properties, increased concentration and potential for HMO clustering. It was important to ensure that evidence and figures used to support the proposal was robust, for example in relation to numbers of bedrooms.
- With regards to Burwash Road in Furnace Green there were no licenced HMOs on the current list at present but it would be monitored. Concerns raised regarding conversions to HMOs elsewhere and displacement to other areas within the neighbourhoods and other areas within the town.
- It was anticipated that by introducing the Directions in some areas which currently have a lower number of HMOs, it may avoid the need to introduce further Directions in such areas at a later date.
- Support for a welcomed and balanced approach.

RESOLVED

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

4. Cabinet Agenda Item 10 – 2021/2022 Budget and Council Tax

Comments and Recommendations

The Commission considered report FIN/514 with the Leader of the Council, Head of Corporate Finance and the Chief Accountant.

During the discussion, the following points were expressed:
- Confirmation that the savings for the pitch and putt would be made through an increase in fees and charges. It was noted that the service had temporarily had to close due to the pandemic.
- Clarification sought on the redundancy provision and pension entitlement information held within the Pay Policy statement, following introduction of the reform of local government exit payments.
- Confirmation that the £506,450 was agreed in December 2020 as part of the in-year savings exercise, whilst the £506,000 has been identified as further current year savings as part of the consultation exercise.
- Acknowledgement that there had been genuine cross party working throughout the budget process and that members had been involved throughout the budget process.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet along with the tabled questions from Councillor Burrett included in Appendix A below.

5. Cabinet Agenda Item 11 – Treasury Management Strategy 2021-2022

Comments and Recommendations

The Commission considered report FIN/517 of the Head of Corporate Finance.

During the discussion with the Leader of the Council, Head of Corporate Finance and Chief Accountant, Councillors made the following comments:
- Acknowledgement that where the council had investments leased by other parties it was the intention that rents were paid. Should that not be the case given economic circumstances the council would liaise with liquidators or investigate relinquishing the property. Investments were entered into with the most suitable terms and best intentions.
- Clarity sought and obtained on the likelihood of a negative interest rate and the value of investments as a result of a potential move to a negative rate. It was confirmed that only treasury bills were paying negative interest and the council did not hold any of these at present. Existing investments were mostly fixed term investment and these will pay the interest rate agreed at the time they were taken out. It was possible there will be negative rates with regards to future investments.
- Confirmation that the maximum to be lent to any one organisation could be increased to correspond to the counterparty limits.
- Verification that in the event that an authority in which the council had placed investments were to issue a Section 114 notice the organisation would still continue in existence and still carry out their statutory functions. All assets and liabilities will move across to that new authority.

RESOLVED

That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet along with the tabled questions from Councillor Burrett included in Appendix A below.

6. Cabinet Agenda Item 12 – 2020/2021 Budget Monitoring - Quarter 3

Comments and Recommendations

The Commission considered report FIN/516 of the Head of Corporate Finance.

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

- Confirmation provided in relation to Rushetts Road play area which was the only play area on the priority list that met the S106 criteria and the money needed to be spent by the end of June. By completing this area it allowed the team dealing with the play equipment time to work on other priorities within the next 18 months, including areas such as Wakehams Green.
- Potential option for a review of how reports were presented once the pandemic was over, although it was recognised that there were reasons why finances had to be documented in particular formats.
- The Finance team were thanked for their continued hard work throughout the pandemic.

RESOLVED
That the Commission notes the report and requests that the views expressed during the debate, are fed back to the Cabinet through the Commission's Comment sheet along with the tabled questions from Councillor Burrett included in Appendix A below.

7. Cabinet Agenda Item 13 – Community Grants Future Options

Comments and Recommendations

The Commission considered report HCS/24 of the Head of Community Services. During the discussion with the Leader of the Council, and the Head of Community Services, Councillors made the following comments:

- Recognition of the many groups and organisations within the town. It was questioned if all were aware of other funding opportunities. The liaison work with organisations and signposting arrangements would be maintained.
- It was felt it would be beneficial for the new commissioning model to come before OSC.
- Acknowledgement that in terms of the review process the Grants Appeal Panel was still in existence and it was felt this was the correct approach.
- Recognition that re-designing the service towards a proposed commissioning approach still enabled the service to deliver in an effective and efficient manner whilst maintaining the connections to the community.

RESOLVED

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

Councillor T Belben
Chair, Overview and Scrutiny Commission
1 February 2021

Appendix A

OSC questions on the Finance reports from Councillor Burrett.

Item 8 – 2021/2022 Budget and Council Tax – report FIN/514

1. In the table at paragraph 5.3 (page 83), please could you explain the reference to “Additional rates due to renewable energy at K2 Crawley”? What is the background to this?

    - It is a policy decision of government that the business rates for renewable energy should be retained in full by the planning authority that approved it and therefore falls outside of the retained business rates scheme and is not subject to the levy or tariff. This sum has been in the budget since 2016/17

2. In paragraph 5.5.1 (page 85) the final sentence refers to an unexpected increase in New Homes Bonus, which it says is “due to more properties in higher tax bands being built than estimated”. Why would it make a difference if these properties are in higher tax bands, given that the value of NHB is the same for all properties, regardless of which tax band they are in?

    - The additional affordable homes element of £350 is fixed across all properties, but the main payment follows the council tax bandings. So a Band D property will receive £1,818, but a band E will receive £2,222. A Band A only receives £1,212.

3. Table 11 in paragraph 12.7 (page 97) shows an allocation of £565,000 for Affordable Housing Receipts, which it says is explained in paragraph 12.7.4 (page 99), but it is not actually mentioned there. Please could you clarify where this comes from?

    - This is Section 106 payments that are paid to us by developers who are unable to provide affordable housing on their site. We then use these sums to provide affordable housing on other developments.

4. Please could you explain Table 12 in paragraph 14.1 (page 101)? The text refers to a surplus position on the Collection Fund, but it then goes on to refer to the deficits being split over three financial years. Are the figures in the table representative of a surplus or a deficit?

    - Error in report - This is a deficit, due to the impact of the pandemic the amount of people claiming Council Tax reduction has increased, this means that there are few people paying Council tax. By statute we transfer the Budgeted income to the general fund from the collection fund. This means that the Collection fund is in deficit because it has collected less Council tax than budgeted. This is usually transferred to the precepting bodies the following year, but because the impact is significant, especially to the County, the Government have regulated that this deficit is repayable over 3 years.

5. In Appendix 2 (page 106), the footnote at the bottom shows that the number of Band D Equivalents has reduced, even though the number of properties has increased. How can this be the case?

    - The Council Tax Base is net of all the discounts that we offer, the main one being the Council Tax Reduction Scheme. Because the numbers claiming Council tax reduction has increased, there are fewer people paying full Council tax.

6. In Appendix 3 (page 107), what does the line “Managed services” refer to? I have never seen this in HRA accounts previously.

- This refers to sub contracted and consultancy budgets. This wording is used to avoid confusion with the main contracted services such as responsive repairs and gas servicing.

7. In Appendix 5 (page 109), the first risk refers to savings and efficiencies of £2.313m in the long term "as shown in Table 6 above". The figure shown at Table 6 (page 90) is £2.132m. Which of these is correct?

   - This is an error in Appendix 5 – it should be £2,132

8. Also in Appendix 5 (page 109), the third risk, relating to New Homes Bonus, states that "the Government have announced that they will continue to pay legacy payments if the scheme stops as part of the Fair Funding review". I thought that New Homes Bonus payments were only for one year now, in which case there would be no legacy payments anyway?

   - The final year of legacy payments will be in 2022/23.

9. In Appendix 7 (page 120), the fourth bullet point on page 120 states "Secondary spend may be delegated to the Service Manager in consultation with the relevant Head of Service". What is meant by "Secondary spend" in this context?

   - An example of this is Tilgate nature centre, the charges are set and agreed for items such as entrance fees but there are other spends such as items in the gift shop, animal experience days, and animal adoption.

Item 9 – Treasury Management Strategy 2021/2022 – report FIN/517

1. The table at paragraph 5.1.2 (page 123) shows capital payments for the new Town Hall ending in 2021/22. How realistic is this, given that we are usually still making final payments on large capital schemes several years after they have been completed, and the building is not scheduled for occupation until the summer of 2022?

   - This is in line with the payment schedule received from Westrock our development management partner. Retention - however we may need to slip some forward as we have an allocation for fit out and may defer due the Covid and not being sure about desk layout going forward.

2. In the table at paragraph 5.2.3 (page 124), why does the CFR for the HRA reduce to £242.711m in 2021/2022 and subsequent years, given that the debt of £260.325m remains the same throughout those years?

   - The debt will remain at £260,325 and it has historically been the same as the CFR. However, the transfer of the garages to the General Fund will result in a transfer between the two CFRs. The first PWLB loan to mature will be in March 2023, so there will be a mismatch between the debt and the CFR until then. The CFR is the underlying need to borrow and not the actual borrowing itself. When borrowing is higher than the CFR it is known as overborrowing, and when it is lower it is underborrowing.

3. Please could you explain the "Liability benchmark" at paragraph 5.3.2 (page 125)? Is this basically showing the maximum amount of borrowing which it is considered would be prudent, were that amount to be required?

- This is a new table that has come from our new treasury advisors, Arlingclose. It simply shows what would be the lowest amount of borrowing required if we repaid any debt with our investments, whilst keeping a minimum investment balance. However, this is a theoretical situation as it doesn't take into account any restrictions on repaying debt, or future capital spending requirements.

4. Paragraph 5.4.5 (page 126) says that no MRP will be charged in respect of assets held within the Housing Revenue Account. Why is this?

- The regulations exempt the HRA from making MRP payments. It can still make voluntary payments to reduce debt.

5. In the table at paragraph 6.2.1 (top of page 127), the figures in the last line are shown in brackets, which suggests that they are under-borrowing. Should they not actually be over-borrowing, looking at their relationship to the lines above them?

- No, it is showing underborrowing. The borrowing requirement is £276m, but we are showing that we plan to keep debt at £260m.

6. In paragraph 6.3.6 (page 129), there is some wording missing in the second line at the top, immediately above the table.

- The final sentence should read "The upper and lower limits on the maturity structure of borrowing will be:"

7. In the third paragraph of paragraph 6.5.3 (page 131) there is a sentence which says "PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans". What are the implications of this for our programme of investment property acquisitions? This seems to suggest that we would have to avoid these in order to retain access to PWLB loans, even though we have never needed to use a PWLB loan to complete one of these purchases.

- There are no implications for our existing programme. We would not be able to borrow from the PWLB if we were to finance future investment properties by borrowing. All our existing investment properties have been funded from capital receipts or reserves.

8. The information at paragraph 7.1.2 (page 134) is quite worrying to read. What are the likely implications of a negative interest rate, in terms of the value of our investments already placed which may be reduced at their maturity date as a result of a move to a negative rate?

- At the moment, it is only treasury bills that are paying negative interest. We do not hold any of these at present. Existing investments are mostly fixed term investment and these will pay the interest rate agreed at the time they were taken out. We do hold investments in Money Market Funds which are paid variable interest rates. At the moment these are holding at zero or very low positive rates. Our advisors think it is unlikely that they will move to negative rates as it could lead to investors moving their funds. As for future investments, I would say that it is possible we would see negative rates.

9. The first paragraph of paragraph 7.1.17 (page 137) states that the maximum to be lent to any one organisation will be £5 million. However, this doesn't fit with the counterparty limits in the table at paragraph 7.1.5 (page 134) which shows higher limits in several categories.

- We agree and will change this figure to £15m to fit with the table in 7.1.5.

10. The table at paragraph 7.3.4 (page 139) shows the same value for "Commercial Investments: Property" at the end of each of the three financial years referenced, which suggests that our property holdings will not increase in value over the next two years. How realistic is this?

- Not realistic, but we don't know whether the market will move up or down. For the purposes of the report, we have left the investment balances at their last valuation which was at 31 March 2020. There are no plans to buy any new properties or to sell any existing ones.

11. The table at paragraph 7.3.6 (page 139) forecasts an investment rate of return for all investments of 1.82% for 2021/22, broken down into 0.45% for Treasury management investments, and 6.12% for Commercial investments: Property. This is an increase from the 1.51% for all investments projected for 2020/21. Given that the projected figures for both Treasury management investments and Commercial investments: Property have reduced from 2020/21 to 2021/22, how can the resulting average have increased?

- Due to the treasury investment balances forecast to fall during 2021/22, the commercial investments form a larger proportion of the portfolio. This therefore leads to a higher weighted average return for the whole portfolio.

12. Several local authorities in severe financial difficulties have issued Section 114 notices, which is described as effectively declaring bankruptcy. In the event that an authority in which we had placed investments were to do this, what would be the effect on our investments? Would they be protected, or could we be at risk of losing them?

- No. Local authorities are formed under statute, and can only be dissolved under statute. When a local authority issues a section 114 notice, they still continue in existence and still carry out their statutory functions. There may be some reorganisation, such as that happening in Northamptonshire – but all assets and liabilities will move across to that new authority.

Item 10 – 2020/2021 Budget Monitoring – Quarter 3 – report FIN/516

1. In the table at paragraph 5.2 (at the top of page 149), there is a reference to £59,000 of additional funding for Enforcement. What does this refer to?

- External funding received to ensure that Covid rules are being adhered to, the environmental health are doing the checking and have backfilled posts. So compliance and enforcement

2. The table at paragraph 7.1 (page 150) shows a variation leading to an increased transfer from the Housing Investment Reserve of £123,000. This is also replicated in the table at Appendix 1 (iii) (page 157). Shouldn't this actually be a transfer **to** the Housing Investment Reserve, looking at the other figures in this table?

- Yes this should show as an additional transfer to the housing investment reserve.

3. Paragraph 8.8 (page 152) refers to a total sale value for Council houses during the third quarter of £1,964,200, broken down into £257,863 paid over to the Government, £495,285 available for general capital expense, and £1,111,052 set aside for 1-4-1 receipts. If you add up the latter three figures they actually total £1,864,200, so one of them must be £100,000 short of the correct amount.

- Typo - £1,864,200 was the value of the disposals.

4. In paragraph 9.1 (page 153) there is a paragraph after the table which says "This would enable other priority play areas to be brought forward in the play investment programme and reduce the impact on the available S106 funds". Please could you explain what this is saying, as I am not clear as to why moving the Rushetts Road scheme up the priority list will benefit other schemes which are currently waiting their turn (such as Wakehams Green!)?

   - There is some S106 that needs to be used by June 2021. Rushetts road is the only play area that is on the priority list that meets the criteria. By getting Rushetts completed and ensuring that the S106 is spent gives the team dealing with the play equipment time to work on other priorities within the next 18 months, this includes Wakehams Green

5. In Appendix 2 (page 160), there is an allocation totalling £6,000,000 for a "Town Centre Acquisition". What does this refer to?

   - As referred to previously this is for a town centre purchase of shared office space as part of the Crawley Growth programme, several options have been pursued by the Economic Development team.

6. Further into Appendix 2 (page 162) there is a line in the HRA Improvements section relating to Garages which shows allocations each year until 2023/24. Should these future years' allocations be moved into the General Fund section, now that the garages have been appropriated to the General Fund?

   - Yes we are moving to the General fund in Q4 – it was a timing issue due to all the pressures within the finance team. It will be swapped for the budget book.

7. Finally, on the last page of Appendix 2 (page 164) there is a line showing the Total Funding for the Capital Programme. However, the total figure shown for 2020/21 of £77,162,751 does not tally with the figure of £78.389m which is shown in the table at paragraph 5.1.2 of the Treasury Management Strategy report (page 123), although it does tally with the equivalent figure shown in Table 9 on page 94 of the Budget and Council Tax report. Why is this?

   - There are additional capital schemes introduced in the Budget Report - see table 8 on page 95.