

Crawley Borough Council

Report to Overview & Scrutiny Commission 22 November 2021

Report to Cabinet 24 November 2021

Budget Strategy 2022/23 – 2026/27

Report of the Head of Corporate Finance, FIN/537

1. Purpose

- 1.1 The 2022/2023 General Fund and Housing Revenue Account Budgets and the updated capital programme will be determined by the Full Council in February 2022. This report sets out the projected financial position for 2022/23 to 2026/27 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 this was increased to four years in [Budget Strategy](#) report to Cabinet in November 2020.
- 1.3 This report also includes the Housing Revenue Account's capital investment programme to be considered ahead of the Budget report to Cabinet and Full Council in February 2022.

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 2022/23 to 2026/27 and to:

- (a) **Note the 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.**
- (b) **Note, for the purpose of projections, the current budget deficit of £138,566 for 2022/23 before use of reserves, on the basis of a Council tax increase of 2.31% which is £4.95 on a Band D in property 2022/23.**

- (c) **Work towards balancing this over a four year period, including putting back into reserves when the Budget is in surplus. There may be a need to use reserves over the next three to four years to balance the budget together with ongoing savings, efficiencies and additional income through the transformation programme.**
- (d) **Note elsewhere on this Agenda there is a report on the Climate Change Emergency Action Plan. The costs identified in 2022/23 are included within existing budgets, however there will be a need to fully cost the plan over the coming years and decisions will be required on how to fund the plan.**
- (e) **Note that savings previously agreed and included in the Budget Strategy are required to ensure a sustainable budget.**
- (f) **Delegate to the Leader of the Council in consultation with the Chief Executive and the Head of Corporate Finance to approve a discretionary business rates scheme to distribute the share to Crawley Borough Council of the £1.5b business rates relief as outlined in section 5.3.**
- (g) **Note that items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations and schemes will also be considered that are spend to save or spend to earn but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.**
- (h) **Agree the inclusion of new capital schemes in future budgets with the value of £948,460 as identified in Table 8.**
- (i) **Reduce the Gigabit capital programme of £2.7m to £1.35m funded from the West Sussex business rates pool to avoid duplication with Towns Fund Gigabit scheme as identified in section 9.3.**
- (j) **Approve the revised Crawley Homes capital investment plan in Appendix D which includes the financial year 2024/25 and the garage repairs capital budget which was transferred to the General Fund.**
- (k) **Note that the Budget is aligned to the Council's Corporate Priorities.**

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 projected due to the impact of the pandemic on future Council tax and Business rates income projections and also impacting 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 2021 these projections are highly likely to change.

4. Background

- 4.1 In February 2021, the Council set its Revenue Budget and Capital programme for 2021/22. As a consequence of the pandemic, the Government implemented a one-

year Spending Review for 2021/22. The Council, as with all other Local Authorities, received a one-year funding settlement for the year. In addition two grants were received that were unexpected, these were the Lower Tier Services grant of £363,916 and a Local Council Tax Support Grant of £168,916. Despite this due to the impact of the pandemic on income levels there was still a requirement to budget to use reserves in 2021/22 of £155,606.

- 4.2 The Chancellor of the Exchequer announced that a Comprehensive Spending Review (CSR) would start in September 2021 and the Autumn Budget was announced on 27th October 2021.
- 4.3 In this autumn budget, £4.8bn of funding for all Councils was announced to address pressures that Councils are facing, this £4.8bn was to cover a three year period. This will be front loaded so almost all the increase in grant will be in 2022/23 and little in the two following years. It is not known how much of the funding will be ring-fenced for Social Care grant. The target date for the provisional individual settlement figures is 5 December 2021; this makes it difficult to project forwards at this stage. Initial assessments show that core spending power (which includes Council tax increases) will increase by around 1% in real terms but we are awaiting further individual details.
- 4.4 The Comprehensive Spending review was a three-year setting of Departmental Spending Limits, but it is not yet known whether this will translate to a three year settlement. The budget however did say that there will additional support for people at risk of rough sleeping and homelessness.

Local Government Finance Reforms

There has been no announcement about **local government funding reforms** (Fair Funding Review or business rates changes) and we assume that they have been pushed back to at least 2023-24. With business rates the decision to continue with 100% pilots for three years means that there is unlikely to be a baseline reset until 2025/26.

New Homes Bonus – as part of the Funding Settlement for 2020/21, the Secretary of State for MHCLG announced a one-year allocation of New Homes Bonus (plus the legacy payments from previous years). The Government's rationale for a single year payment in 2020/21 was their intention to consult on a new method of incentivising housing growth in spring 2020.

Again, with the onset of the Pandemic, there has not yet been any consultation on a new method of incentivising housing growth. It is not possible, therefore, to say what this is, however the projections in this report assume that New Homes Bonus will be the final legacy payment only in 2022/23.

The CSR and budget announcement was silent on New Homes Bonus, again making it very difficult to make accurate projections.

- 4.5 The 2022/23 General Fund and Housing Revenue Account Budgets and the revised capital programme will be set by the Full Council in February 2022. This will be informed by the recommendations of the Cabinet and Full Council in February 2022 and will take into account the efficiencies, increased income identified through the work of the commercialisation 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.

- 4.6 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.
- 4.7 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.
- 4.8 The impact of the housing rents error dating back to 2014 will be accounted for in the current financial year, however there will be a reduced income budget in future years for Crawley Homes as a result.
- 4.9 The Cabinet Member for Housing has delegated responsibility for rent setting. The guidance is CPI + 1%, this would be an increase of 4.1%. However there is increased costs associated with responsive repairs as highlighted in the Quarter 2 monitoring report elsewhere on this agenda; impact of this in the next financial year is likely to be in the region of £1.1m.

5. Key Assumptions

- 5.1 Although the autumn budget announcement of £4.8bn additional funding for local government over the next three years was welcome, it is not yet known how this will be distributed among Local Authorities. This is a real term increase and is certainly more generous than some previous reviews (excluding the last two one-year spending reviews). Even so, there is a triple hit on finances with rising inflation, higher wages costs and continuing pressures as a result of the impact of Covid-19.
- 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 2021/22 settlement into 2022/23 adjusted for inflation, that there will be support as we saw in the current year in the form of Lower Tier Services Grant. Assuming this the table below provides a summary of the forecast funding.

Table 1 Forecast of core funding to 2026/2027

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Revenue Support Grant	60	60	61	63	0	0	0
New Homes Bonus	1,831	1,108	263	0	0	0	0
Lower Tier Services Grant	0	363	436	0	0	0	0
Local Council Tax Support Grant	0	169	0	0	0	0	0
Sub-total	1,891	1,700	760	63	0	0	0
Estimated share of NNDR	5,163	4,306	5,236	5,276	5,111	4,622	4,715
Total 'core funding'	7,054	6,006	5,339	5,176	5,111	4,494	4,715

The assumptions above uses a modelling tool provided by Pixel our advisors on Local Government funding.

5.3 Retained Business Rates

Growth in business rates income is dependent on securing economic development and additional employment. In the past there has been annual growth but the impact of the pandemic on Crawley as an airport town has seen a reduction in retained business rates in the current year 2021/22. The projections assume that there will be a slow reversal of this loss over the timeline of this strategy.

Economists have commented that the impact of the COVID-19 pandemic will go on for several years. The [Centre for Cities](#) report states that Crawley will be the most vulnerable large town in the country as a result of the pandemic.

Any in year variations from the budget will be transferred to/from the business rates equalisation reserve. In 'normal' years, this reserve is held at a maximum of £5m.

However, in 2020/21 the government announced business rate reliefs after the setting of the budget which amounted to £36.5m. The government compensated the Council for their share of the relief (£21.9m) which was recognised in 2020/21, but the resulting deficit on the collection fund would need to be repaid in 2021/22 through to 2023/24. As a result, the business rates equalisation reserve is currently £21.8m. 2021/22 also had business rate reliefs announced after the setting of the budget and these are projected to total £20.6m for the year. The Council's share is £8.2m and the resulting deficit on the collection fund will be repaid in 2022/23. Table 2 below sets out the projections for the retained business rates and the resulting impact on the equalisation reserve.

The budget announced further reliefs for the retail, hospitality and leisure sector up to a maximum of £110,000. The council will be compensated for these reliefs given. Businesses will again have to apply for the reliefs to ensure they do not reach the maximum of £110,000, and this results in a lot of additional work for the small business rates team. The Chancellor also announced a freeze on the Business Rate Multiplier; businesses will not see an increase next year in their business rates bill. The statement from the Chancellor did say that 'Local authorities will be fully compensated for all measures announced in the review'.

Table 2 Business rates projections and use of equalisation reserve

	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
CBC share of business rates	45,074	50,327	51,686	53,081
Additional s.31 reliefs	8,243	0	0	0
Renewable energy	5	5	5	5
Tariff payable to Government	-42,592	-43,446	-44,619	-45,823
Levy payable to Government	-2,069	-1,400	-2,047	-2,152
Surplus/deficit from prior years	-16,193	-4,979	-1,265	0
Sub total	-7,532	507	3,760	5,111
Use of Equalisation reserve	11,838	4,729	1,515	0
Total budget for year	4,306	5,236	5,275	5,111
Balance on Equalisation reserve	9,983	5,254	3,739	3,739

Government did announce that there would be £1.5bn available for Councils to distribute as reliefs to businesses in order to support them to pay their business rates.

This is being worked as part of the [Covid MCC Appeals relief scheme](#). Royal assent is expected before Christmas. A discretionary scheme will be required to be written with input from the business rates and economic development team. This will be an across West Sussex scheme with Crawley officers inputting into the joint scheme. The final scheme will be delegated for approval to the Leader of the Council in consultation with the Chief Executive and the Head of Corporate Finance.

The new Communities secretary announced on 7th November 2021 that the plans to allow councils to retain 75% of their business rates has been abandoned as it would conflict with the Government's 'levelling up agenda' and now the Government would 'proceed with caution' on the issue. Instead the Government will now look at the mechanism for redistributing funding to the authorities most in need. It is not known how this will impact on Crawley Borough Council.

5.4 **Council Tax**

The Council's share of a council tax band D is currently £213.84. Councillors approved an increase of 2.37% 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. However the announcements in the budget did not make it clear if there was still an ability to increase by up to £5.00; there was simply mention of a 2% increase. Until clarification is given the assumptions in the plan are therefore £4.95 per annum on a Band D property.

Due to the pandemic there has been an increase in the number of council tax customers claiming Council Tax reduction (formally Council tax benefit). It is likely to increase over the coming months due to the end of furlough and changes to Universal Credit increases the amount of Council Tax reduction that claimants can claim. The impact of this is that we will collect less council tax in future years. This will also impact on our preceptors, West Sussex County Council and the Police and Crime Commissioner.

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 2021/22, the sum for each new dwelling receivable was £1,454.10 with £363.52 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 The New Homes Bonus for 2021/22 is £1.108m and is estimated to reduce to £262,551 in 2022/23 and then zero for future years as legacy payments stop. At this stage it is assumed that there will no new payments of New Homes bonus in the next financial year.

6. Budget Projections 2022/23 to 2026/27

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

Table 3 Budget projections

	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Base budget	13,462	13,210	12,842	12,575	13,135
Investment interest	492	523	765	766	766
Net budget	13,954	13,733	13,607	13,341	13,901
Funded by:					
Council Tax	7,818	8,150	8,490	8,847	9,215
New Homes Bonus	263	0	0	0	0
Retained Business Rates	5,236	5,276	5,111	4,622	4,715
Revenue Support Grant	62	63	0	0	0
Lower Tier Services Grant	0				
Grant	263				
Total projected income	13,815	13,489	13,601	13,469	13,930
Budget Gap (- surplus)	139	244	6	-128	-29

The projected gap is £138,566 in the next financial year, this reduces to a gap of £5,529 by 2024/25 and a surplus in the following year.

There is a projected reduction in business rates income as a result of the proposed business rates reform and the increase in the number of businesses' closing.

6.2 Table 4 - Summary of assumptions

	2022/23	2023/24	2024/25	2025/26	2026/27
Pay Award	2.00%	2.00%	2.00%	2.00%	2.00%
Running costs	0.00%	0.00%	0.00%	0.00%	0.00%
Contracts - RPI	4.90%	2.70%	2.70%	2.70%	2.70%
CPI	3.10%	2.00%	2.00%	2.00%	2.00%
Customer receipts	3.20%	2.00%	2.00%	2.00%	2.00%
Tax Base change	2.06%	2.00%	2.00%	2.00%	2.00%
Council tax increase (for estimating purposes) - £4.95	2.31%	2.26%	2.21%	2.16%	2.12%

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.

6.2.1 Pay Award / National Insurance

Local Government pay is negotiated nationally and the Council has no direct influence on the settlement. The budgeted increase was 0% in the current financial year with the exception of those on lower grades where a payment of £250 would be made. This was based on Government announcements. Subsequent to the budget

being set an offer of a 1.75% pay increase has been rejected by the unions. This would cost an additional £300,000 for the General Fund in the current year, this has been fed into the budget projections; once a final offer is agreed projections will be updated.

The Chancellor in the budget announced there will be a 'return to normal pay setting process' for public sector workers with the Government seeking 'recommendations from Pay Review Bodies where applicable'. The MTFS assumes a 2% pay award going forward and there is additional provision for the Crawley Allowance which increases in line with RPI which is much higher than previous projections.

The Government is increasing National Insurance Contributions by 1.25% from April 2022 onwards to fund the NHS and social care reform. The increase in NICs is referred to as the Health and Social Care Levy. In the proposals in September 2021, the Treasury confirmed that authorities will receive compensation for the additional contributions in respect of their direct employees. It is likely that the £4.8bn additional funding for Local Authorities includes this compensation. As a result no provision for this increase has been included within the budget projections.

6.2.2 Investment Interest

The Council has traditionally relied heavily on investment interest to support the revenue budget. However, interest rates have fallen to an all-time low and the level of interest received has reduced.

An average investment rate of 0.40% has been assumed for 2022/23, increasing to 0.50% in 2023/24 and 2024/25. 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. There will be a borrowing requirement for the New Town Hall, and average borrowing rates of 0.65% have been assumed.

6.2.3 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. This results in a saving of £416,500 by year three for the General Fund. The pension fund is fully funded as it has exceeded targets over the last three years, the saving in 2022/23 is £145,000.

6.2.4 General Inflation

In recent years many budgets have been frozen or reduced which has compensated for those budgets that have increased by more than the base assumption (for example energy and fuel). Assumptions are shown in the table 4 above. No allowance has been made for inflation on other general running expenses.

6.2.5 Fees and Charges

An average increase in income budgets of CPI or 2%, whichever is the highest. The September CPI rate is 3.1% and this has been included in the budget strategy. However 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 outcome of these will be reported in the budget report in February 2022.

A provision for lost income due to the pandemic of £413,000 has been included within the budget strategy. As budgets are formed over the coming months this will be refined.

Following the position statement from Natural England on water neutral planning applications it is yet unknown how this will impact upon income for planning applications. No provision for reduced income has been included within the budget projections at this stage.

6.2.6 New Town Hall Assumptions

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

Table 5

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 currently assume 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. Assumptions around the letting of floors will be updated once the building is complete and there is more confidence in the market.

There are sufficient reserves to cover void periods in the short time. Budget assumptions also include the provision for New Town Hall reception staff, these costs would be charged to tenants based on the space usage.

6.3 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 (however further grant support was announced for this in the budget).

As people claim Universal Credit they are entitled to Council Tax reduction, this results in less Council Tax collectable to support our services.

The cost of supply of materials has resulted in costs increasing significantly, this can be seen in the Quarter 2 budget monitoring report shown elsewhere on this agenda. There is also the increased cost of utilities and fuel to factor into future budgets.

As referred to above our 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, unfunded burdens such as net zero. This places additional pressures on council services.

The economic impacts of the pandemic are already deep and will be ongoing, with aviation, leisure, hospitality, non-food retail and our visitor economy all seriously

affected. The direct impact of hardship, poverty, job losses and relationship breakdown on our communities have and will generate a greater demand for shelter, food and community intervention.

Elsewhere on this Agenda there is a report on the Climate Change Emergency Action Plan. The costs identified in 2022/23 are included within existing budgets, however there will be a need to fully cost the plan over the coming years and decisions will be required on how to fund the plan.

7. Reserves

Appendix A explains why we hold reserves and gives more details of the types of reserves we hold.

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

Use of reserves will be required in 2022/23 to 2024/25, as previously explained, this is because expenditure will have occurred on the New Town Hall but before the upper floors are let. The General Fund reserve is currently £5.46m. The [Budget Strategy 2019/20 – 2023/24 FIN/417](#) agreed that the General Fund reserve should not go below £2.5m. However due to the pandemic the recommendation is to have a minimum of £3m available to mitigate any impact in the next financial year around costs of recovery. This leaves **£2.46m** available to use to offset future budget gaps. More details given in section 8.2.

7.2 Earmarked Reserves

The level of reserves should be regularly reviewed. The Corporate Management team did a thorough review in 2020 and a result no changes are recommended at this stage. Appendix B shows these reserves. A large balance in earmarked reserves for business rates equalisation is not a true reserve but is an accounting adjustment as identified in section 5.3 above.

8. Budget Process and Savings Strategy

8.1 The Savings Strategy developed during 2020 had three strands: These together achieved ongoing savings of £2.132m to ensure that future budgets were sustainable and to avoid any s114 notice. These were -

1. Identify potential for permanent savings by the Corporate Management team as part of the challenge of budgets process.
2. Work to bring forward larger savings items identified by officers, the ones that are public facing formed part of public consultation. This consultation commenced on 8th October 2020 with a closing date of 5th November 2020.

3. Undertake a number of 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.

The outcome of these reviews resulted in savings and efficiencies of £1,819,450 in the current year increasing to £2,132,450 per annum from 2022/23. Member approved savings are identified below and are included within this budget strategy.

Table 6

Saving	2021/22 £	Future years £
Corporate Management Team – challenge of budget review.	506,450	506,450
Member approved savings – see table 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

The approved full year savings of £819,000 are shown in Table 7 below

Table 7

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

Not approved – waste collection changing to fortnightly household waste - £250,000.

- 8.2 At this stage due to the previous difficult decisions taken by the Members of the Council no savings are being suggested to be sought for 2022/23, however as efficiencies through the Transformation Plan are identified they will be factored into future budget projections. Reserves have been increased intentionally whilst the New Town Hall is being built and before floors are let. As a result there will be a short term reliance upon the use of these reserves. Budgets will be closely monitored over the coming months taking into consideration potential lettings of the New Town Hall and any further impacts on our budgets outside of our control.
- 8.3 If there is a slower than anticipated take up of floor letting for the New Town Hall which would be as a result of the impacts of the pandemic and the new ways of office working, savings may have to be sought in future. 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 Cabinet and Full Council in February 2022 will address these borrowing requirements.

Attached as Appendix C is the Capital Strategy.

- 9.2 The All Member Seminar on 19th October 2021 discussed capital bids outlined below and agreed them in principle.

Table 8

Scheme	Value £	Funding Stream
Replacement Chiller unit at K2	155,000	Renewals fund
Park Tennis – phase 1	160,460	£21,000 Lawn Tennis Association, £139,460 useable capital receipts
Little Trees Cemetery – Muslim burial ground	333,000	Useable capital receipts
Kingsgate car park	300,000	Useable capital receipts
Total	948,460	

The Park tennis investment initial works identified above would be to renovate courts including nets and posts where required, new fencing, new access controlled gates. This would be at West Green, Southgate and Maidenbower as phase 1 and will result in new charges of £45 per annum per household or £7.50 on a pay per play basis.

Cabinet are requested to approve the inclusion of £948,460 of new capital schemes in the 2022/23 capital budget as outlined in Table 8.

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

Detailed project business cases are being worked on for submission to the Government before the grants are released. Therefore at this stage the schemes are not being added to the capital programme. Of this £21.1m £19m is in respect of capital schemes and £2.1m for revenue costs associated with these schemes. Future reports will give details and request that the schemes are added to budgets.

In the current financial year we have received 5% of this funding £1,055,000. Should schemes come forward in the current year to use this sum requests will be made as part of the budget monitoring process or as part of the budget report. If this sum is not spent by 31st March the Department of Levelling up, Housing and Communities has requested that it is used to fund an existing capital scheme and that the same sum is set aside for funding the Towns Fund programme.

As identified above one of the Towns Fund schemes is for the Manor Royal Gigabit Business Park. Within the existing capital programme there is a budget for Gigabit of £2.7m. This was to be funded from £1.35m from the West Sussex Business Rates pool and £1.35m other external funding. This scheme included Manor Royal. To avoid duplication with the Towns Fund it is recommended to reduce this Gigabit scheme to £1.35m to be funded from the business rates pool.

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 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 is being fed into this plan.
- 10.4 The debt cap has subsequently been removed. This would allow an increase in borrowing in order to build more housing. In addition the transfer of garages to the General fund resulted in more resources being available
- 10.5 Attached at Appendix D is the capital investment plan for Crawley Homes for approval in future capital budgets, this is funded from the HRA, and this includes £10.5m in 2024/25. Garages were transferred to the General Fund as part of budget setting for

the current financial year. Works are undertaken by Crawley Homes. Appendix D shows updated budgets for garages. Table 9 below shows changes between Appendix D and the Quarter 2 budget monitoring report elsewhere on this agenda.

Table 9 changes to Capital programme budget.

	2022/23	2023/24	2024/25
	£	£	£
HRA Improvements	2,768,604	-395,288	10,500,000
Garages (General Fund)	0	-138,897	338,897

HRA funded from Major repairs reserve and grant funding. Garages funded from garage income.

Cabinet are requested to approve the revised Housing Revenue Account and General Fund garages capital investment programme for inclusion in future Budgets.

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.
- 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 Covid-19. 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, 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.

12. Background Papers

[Autumn Budget and Spending Review 2021 documents](#)

Cabinet Reports 25 November 2020

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

[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](#)

[Treasury Management Strategy 2021/22 FIN/517](#)

Cabinet Reports 30 June 2021
[Treasury Management Outturn for 2020/21 FIN/527](#)

Cabinet Reports 8 September 2021
[2021/2022 Budget Monitoring – Quarter 1 FIN/531](#)

Cabinet Reports 8 February 2012
[2012/2013 Budget and Council Tax FIN/257](#)

Appendix A – 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 a number of purposes:

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

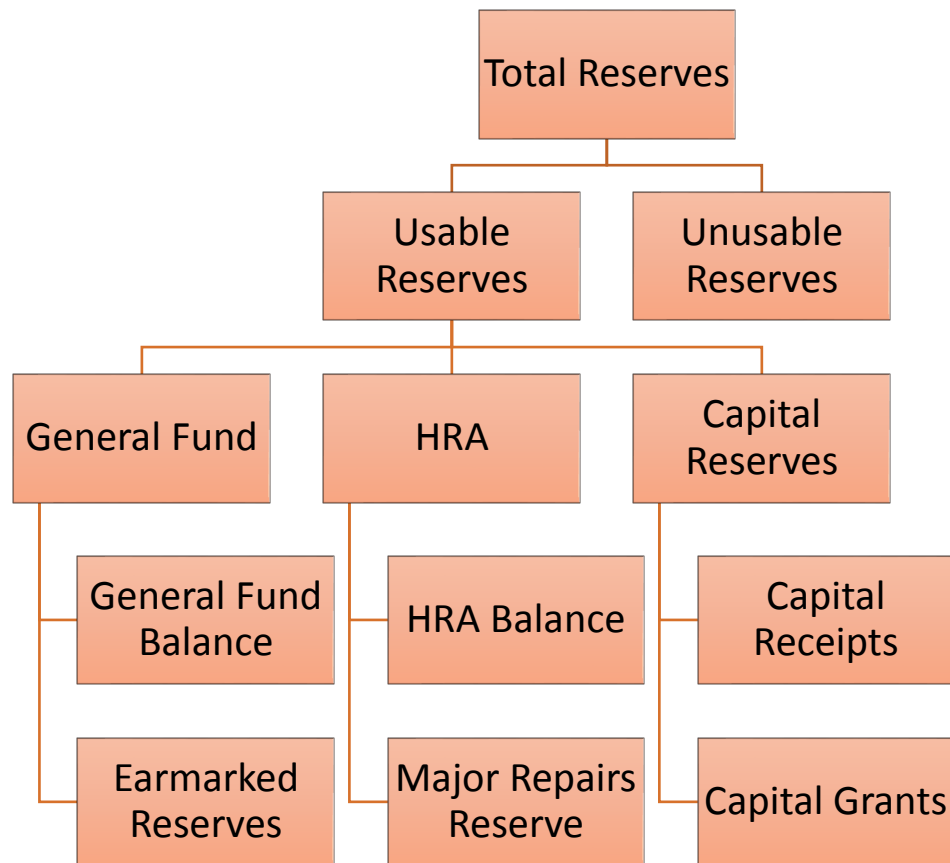
The nature and purposes of these reserves means that from year to year funds will flow in and out as projects progress, grants are received, insurance costs are incurred and on the other hand capital receipts are set aside for future capital investment, insurance funds are topped up to prudent level 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 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.



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.

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.'

Appendix B Earmarked Reserves

	Balance at 31/03/2021	
General Fund		
Capital Programme	2,241,908.94	Fully committed for our existing capital programme
Restructuring Impact Reserve	400,000.00	This has been set aside for redundancy/compensation payments £400,000 is adequate. May be required in part as part of the essential users review.
Vehicles, Plant and equipment	1,015,098.54	Committed - will be used for vehicle replacements including refuse vehicles
Insurance Fund	377,897.25	Reserve required - we are not allowed to not have this
ICT Replacement	170,435.32	Committed
Specialist Equipment at K2 and Hawth	166,157.38	Committed
Risk Management	174,520.00	We use this for emergencies, also for works the shrub bed team are doing when finding damaged walls and bridges. Will be used for works at Kingsgate car park
Heritage Strategy	16,108.14	Planning team use
Prevent Operational (Pathfinder)	24,298.01	Ring-fenced
Local Development Framework	442,899.69	Fully committed, funds non staffing work for Local Plan. Need to look at the impact of water neutrality.
Health & Wellbeing Grant	171,171.73	Committed
Connecting Communities	47,319.28	Committed, has been reviewed by Community Services
Homeless Grant	141,270.89	Committed to the cost of Homelessness/purchase of property
Town Centre and Regeneration Reserve	125,308.89	Fully committed, funds some staff within the Economic Development Team
Waste Collection	227,419.54	This is for any works to refuse vehicles as we have extended the contract any unused will be set aside to support re-procurement / Environment bill.
Worth Park HLF	33,038.52	Heritage Lottery Funding ring-fenced - we cannot use for anything other than Worth Park Tennis?
Voluntary Sector transition funding	23,561.98	Underspend from last year into a reserve to enable additional payment this year with the new grants methodology impacting on organisations
Welfare Reform	430,118.00	Need to keep £100k for benefit subsidy audit, balance is being used to backfill within revs and benefits due to the additional works as a result of the pandemic and IT solution for service.
Transparency	9,336.00	Was to be used for FOI database but could use in part to fund the Legal case management system
Shore Gap Fund	6,299.53	Earmarked for Homelessness
New Museum	60,155.54	Committed
EU Exit Funding	137,934.00	Gvt funding for EU Exit implications - may have to use in part due to supply additional costs
Transformation and project delivery	200,000.00	Pump priming spend to earn projects
Business Rates Pool Cycling	114,750.00	Committed including the Town Hall sustainable transport plan
Homeless Accommodation Acquisition	1,529,250.10	Will be used to purchase accommodation
Queens Square	380,628.80	For repairs and maintenance of the square (paving) / WSCC contribution
Supported Accommodation	120,000.00	For Open House and other supported accommodation to assist with budget cuts. Council be used for temporary accommodation.
Town Funds	133,679.00	Committed for staffing and projects
HMO licences (payment of licences in advance)	20,697.01	Gets drawn down in future years to support the service - to fund the 5 yearly review
Parks Improvement fund	87,000.00	s106 tree maintenance future year maintenance of trees
Council Tax Income Guarantee reserve	81,410.00	Gvt funding to be split over 3 years and included within the budget projections, money received for shortfall in Council Tax
Covid-19 Reserve	644,679.62	Agreed at all Member seminar
Total CBC reserves - excluding Business Rates Equalisation	9,754,351.70	
Business rates equalisation reserve	6,848,929.00	We have large variations in business rates due to the value that we bill, also the way we account for business rates means that we have large in year fluctuations, we need to use this though due to Covid over the next 3 years - see Table 2
Business rates equalisation reserve - not CBC - accounting adjustment	14,972,181.00	

Covid Grants reserve (Government monies)	1,813,280.00	
Total Earmarked Reserves held	33,388,741.70	

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 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.

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.

- 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 3.1 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.

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 sub group 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 renewals 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 £200,000 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

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 retro-fitting to existing developments to offset impacts.

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.

Included in the agenda the Cabinet is being asked to approve the Climate Emergency Action Plan to 2030 which sets out the Council's overall aim to reduce the Council's carbon emissions generated by its activities as per the Climate Emergency declaration.

This will be subject to a fully funded plan being developed for continued delivery from 2023/24.

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 2020/21 FIN/493](#). The Council will consider external borrowing in the Treasury Management Strategy which will be submitted to Cabinet in February 2021.

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 2021.

Name	Valuation
Ashdown House – High Street	£ 9,170,300
Atlantic House – Three Bridges	£ 4,909,100
Ask – High Street	£ 1,182,700
Kingsgate Car Park *	£ 5,635,600
Sub Total	£20,897,700
Voluntary Organisations (Station Road)	£ 1,416,800
Telford Place Car Park	£ 1,162,100
Other	£ 1,171,700
Total	£24,648,300

* Transferred out of investment properties in October 2021 as NCP relinquished their lease.

7. Future Capital programme

The 2022/23 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 2022. 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.

Appendix D – Crawley Homes capital investment plan.

Scheme Description		Latest Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Prior Contract Spend April - June		Q2			
Decent Homes	2,281,574	4,759,017	4,800,000	2,300,000	2,300,000
Renovations	515,377	1,172,646	650,000	650,000	650,000
Insulation	3,255,274	1,392,648	2,500,000	2,200,000	2,200,000
Renewable Technology/Carbon Efficiency	158,123	238,123	250,000	250,000	250,000
Compliance Works	2,188,938	911,985	1,750,000	1,450,000	1,450,000
Boilers & Heating	1,206,083	850,000	1,500,000	1,800,000	1,800,000
Electrical Test & Inspection	58,394	465,508	350,000	350,000	350,000
Adaptations For The Disabled	1,928,351	830,000	1,250,000	1,300,000	1,300,000
Hostels	390,458	30,677	200,000	200,000	200,000
TOTAL HRA IMPROVEMENTS	11,982,572	10,650,604	13,250,000	10,500,000	10,500,000

Shown in The Q2 report elsewhere on this Agenda

10,650,604 10,481,396 10,895,288 -

TOTAL HRA Improvements Budget amendment / roll on*		0	2,768,604	-395,288	10,500,000
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* Funded from Major Repairs Reserve and grants

General Fund

Garages (funded from garage income)	250,000	191,185	500,000	200,000	338,897
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Shown in The Q2 report elsewhere on this Agenda

191,185 500,000 338,897 -

General Fund budget adjustment / roll on

- - **-138,897** **338,897**

Comments for 2021/22
General Note 2020/21: Some planned works were unable to commence during 2021/22 due to Covid lockdown. Programme works have been further delayed due to skilled labour & sub-contractor shortages. Most Programmes are now up and running, but budget slippage will be inevitable.
Decent Homes: Decent Homes cost code holds data for Kitchens, bathrooms, Windows, Doors, Roofing. Roofing has continued on reactive basis. Kitchen & Bathroom works have increased due to the high void turnover, as Kitchen & bathroom replacements are programmed during void properties where/when required. There has also been a notable increase in roofing works during 21/22.
Renovations: Renovation works continue on external works projects including, handstanding, paths, forecourts, retaining walls etc. Most of the external works projects have generally continued unaffected by Covid, apart from occasional material shortages.
External Wall Insulation: EWI works have continued in Broadfield and Bewbush to insulate our poor performing timber framed properties. The current programme has been delayed, as there is a chance of securing grant funding through the governments SHDF (social housing decarbonisation fund) therefore by delaying the project to next financial year could realise the Council significant grant funding towards the EWI project work.
Renewable Technology/Carbon Efficiency: Planned schemes for emergency and LED lighting have been completed. Our Netzero decarbonisation pilot projects have got underway following the installation our first battery storage trial unit linked to solar PV.
Compliance Works (asbestos, rewires, emergency lights etc.) : Rewires have continued to be affected by Covid delays. More electrical repairs have been instructed to ensure safety is met ahead of future rewire programmes. Budget will be slipped so rewire programme will continue next year. Again both contractors are looking at additional sub-contractor resource.
Electrical Test & Inspection: Currently overspending the budget allocation. Any overspend is mitigated from underspends in other areas. This is mainly to do with catching up on previous years testing programme again delayed due to Covid,
Boilers & Heating: The replacement of Gas boilers has seen a lowered than anticipated spend during 2021/22. We have only been replacing absolute boiler failures as we need to consider future heating source as part of the Netzero/decarbonisation programmes. This could result in higher demand in future years, but again it is hoped that future 'heat pump' installation works could attract further grant funding
Adaptations For The Disabled: The spend on general adaptations (i.e.: ramps, stair lifts, wet rooms etc.) has remained reasonably constant during 2021/22. There have been no adapted building extensions starting on site during 2021/22, therefore an underspend has been identified and will be carried out for future years programmed works. Works to install additional scooter store/pods has continued in particular around some sheltered schemes.
Hostels (including extension/refurbishment of the Orchards): Refurbishment of the Orchards has been further delayed as Hostel was being used by Open House for homeless accommodation. Discussions have again commenced with our planning colleagues and contractors pricing will be confirmed next financial year.
Revenue Budget to note: External Decorations Both contractors have experienced Covid delays during the spring/summer due to labour shortages, furlough as we now approach inclement weather the full programme will not be realised.
Garages: Work to garages is ongoing - some slippage due to roofing work delays and sub-contractors on furlough, plus issues with some material shortages earlier in the year.

Comments for 2022/23
General Note 2021/22: The planned works for 2022/23 will be sufficiently resourced to account for work slipped from 21/22 subject to no further lockdown, or national restrictions over the winter and into next financial year, that would have an impact on the delivery of next years programmed works.
Decent Homes: The budget for 2022/23 has increased taking into account previous years spend data/forecasts. This is due to the increase in roofing works, and the additional spend in high cost voids including Kitchen, Bathroom and Window replacements
Renovations: This planned work element will continue during 22/23 to estimated budget
External Wall Insulation: The EWI programme will continue during 2022/23. Both Mears & Wates are looking to use additional sub-contractors next financial year to catch up with the current delayed programme. The Council has made a bid for SHDF (social housing decarbonisation funding) and if successful could realise £690k of additional funding.
Renewable Technology/Carbon Efficiency: This is one major area of work that will see a consistent growth to the planned works team and budget. We will continue to work in collaboration with our partner contractors to identify where we can invest in new technology. Further work will be ongoing to meet our carbon reduction targets. Other works planned is the continuation of the decarbonisation programme
Compliance Works: The budget for 2022/23 has increased taking into account the rewire requirements. There will undoubtedly be a small impact on the revenue/repairs budgets until full programmes can be completed.
Electrical Test & Inspection: This planned work element will continue during 22/23. Budgets have been realigned to meet future electrical testing demand.
Boilers & Heating: This planned work element will continue during 22/23, along side our considered approach to scale down gas boiler replacements as we agree new heat sources. The installation of heat pumps, will replace the need for gas boilers, again part of the decarbonisation programme.
Adaptations For The Disabled: The adaption programme and OT referrals will continue 22/23. There are two adapted building extension currently in planned/tender stages and will commence on site during 2022/23. Further scooter store pods will be developed as demand requires
Hostels (including extension/refurbishment of the Orchards): Orchards project construction/refurbishment to commence on site and complete during 2022/23
Revenue Budget to note: External Decorations: The External Decorations will continue during 2022/23. Both Mears & Wates are looking to use additional sub-contractors if required next financial year to catch up with delays to the painting programme.
Garages: This planned work element will continue during 21/22 to estimated budget including work slipped from 20/21