

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 3 October 2022

### Report to Cabinet 5 October 2022

## Budget Strategy 2023/24 – 2027/28

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

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### 1. Purpose

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

### 2. Recommendations

#### 2.1 To the Overview & Scrutiny Commission

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

#### 2.2 To the Cabinet

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

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

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

### **3. Reasons for the Recommendations**

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

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

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

#### **4. Background**

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

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

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

## **5. Key Assumptions**

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

**Table 1 Forecast of core funding to 2027/2028**

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

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

### 5.3 Retained Business Rates

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

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

### 5.4 Council Tax

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

**Table 2 Projected increase in Council tax**

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

## 5.5 New Homes Bonus

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

## 6. Budget Projections 2023/24 to 2027/28

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

**Table 3 Budget projections**

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

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

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

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

**Table 4 – Previous savings identified**

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

**Table 5 – Savings identified in 2020**

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

\*This saving was not achieved.

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

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

**Table 6 Budget Gap before challenge of budgets savings**

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

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

**Table 7 - Summary of assumptions**

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

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

#### 6.4.1 Homelessness

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

#### 6.4.2 Pay Award

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



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

#### 6.4.3 Investment Interest

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

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

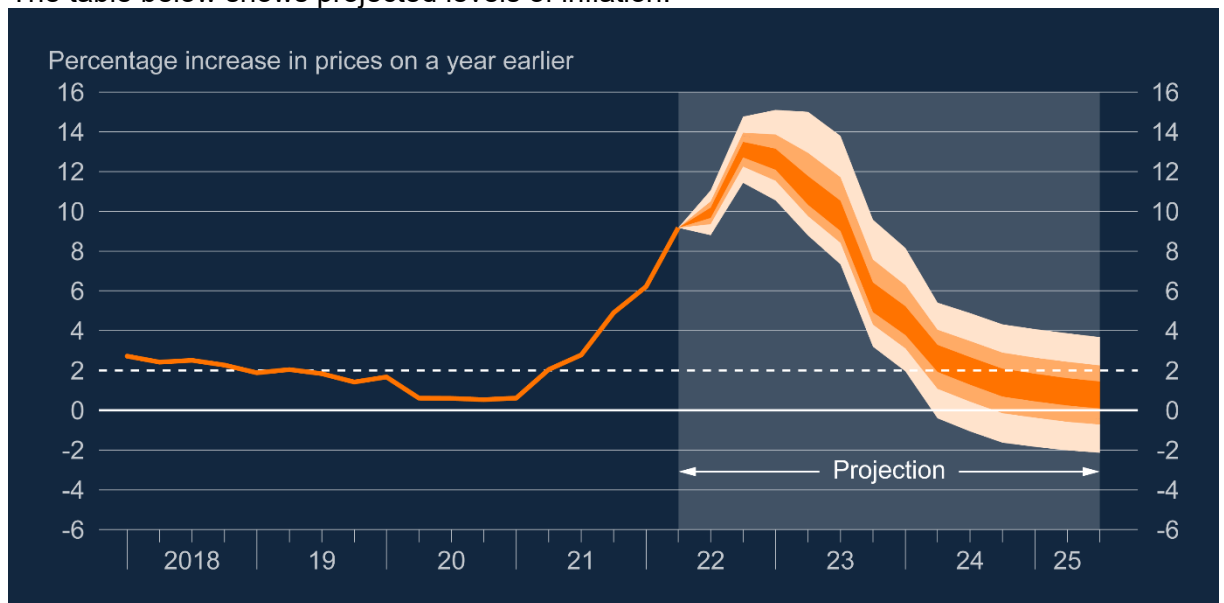
Expenditure on the capital programme results in reduced investment income as there are fewer resources available for investment. However, delays in the capital programme will result in higher balances available than anticipated for investment.

#### 6.4.4 Pensions

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

#### 6.4.5 General Inflation

The table below shows projected levels of inflation.



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

#### 6.4.6 Fees and Charges –

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

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

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

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

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

### **Fees and charges - Water Neutrality, planning fees**

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

#### **6.4.7 New Town Hall Assumptions**

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

**Table 8**

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

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

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

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

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

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

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

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

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

6.4.9 Sensitivity Analysis

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

**Table 9 – Sensitivity Analysis**

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

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

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

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

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

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

## **7. Reserves**

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

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

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

### **7.1 General Fund Reserve**

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

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

### **7.2 Earmarked Reserves**

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

## **8. Budget Process and Savings Strategy**

8.1 The proposed strategy to meet the gap is -

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

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

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

## 9. Capital Funding

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

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

Attached as Appendix C is the Capital Strategy.

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

### 9.3 Towns Fund

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

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

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

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

#### 9.4 Climate Change

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

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

**Table 10 Climate change initiatives**

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

## 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 was fed into this plan.
- 10.4 The debt cap has subsequently been removed. This would allow an increase in borrowing to build more housing. In addition the transfer of garages to the General fund resulted in more resources being available. However there are delays in building programmes due to the water neutrality issue and the need to provide offsets.
- 10.5 The capital investment plan for Crawley Homes for approval in future capital budgets, this is funded from the HRA, will be reported to Cabinet in November.

## **11. Risk Management**

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

## **12. Background Papers**

Cabinet Reports 25 November 2020

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

Cabinet Reports 24 November 2021

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

Cabinet Reports 2 February 2022

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

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

Cabinet Reports 6 July 2022

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

Cabinet Reports 8 February 2012

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



## Appendix A – Challenge of Budgets

### Budget Challenge Savings Summary

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

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

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

## **Appendix B – Reserves**

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

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

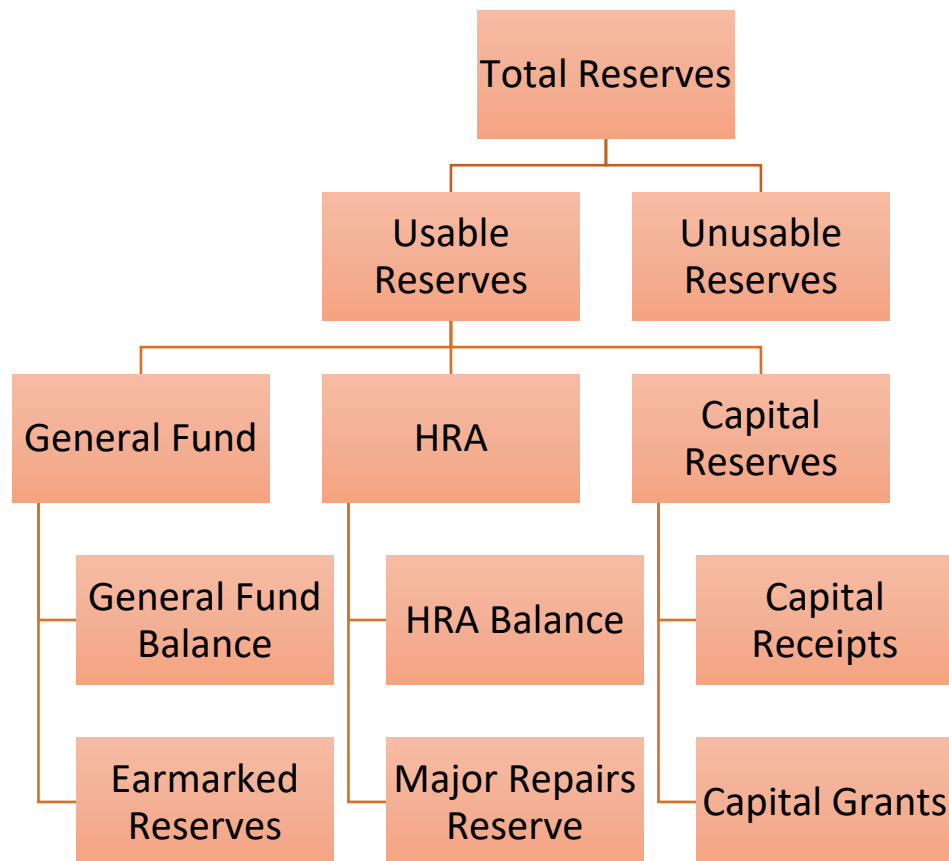
The nature and purposes of these reserves means that from year-to-year funds will flow in and out as projects progress, grants are received, insurance costs are incurred and on the other hand capital receipts are set aside for future capital investment, insurance funds are topped up to prudent level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

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

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

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

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



**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 C

### Capital Strategy

#### 1. Purpose

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

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

#### 2. Background

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

#### 3. Objectives of the Capital Strategy

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

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

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

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

The Capital Strategy:

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

### **Project Initiation**

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

### **Prioritisation on capital projects**

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

### **Formal approval process**

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

### **Monitoring and evaluating schemes**

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

### **Funding the Strategy**

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

## **4. External Factors Influencing the Capital Strategy**

### **4.1 Water neutrality**



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

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

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

#### 4.2 Climate Emergency Action Plan

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

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

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

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

The key areas identified for action are:

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

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

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

## 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 31<sup>st</sup> March 2022.

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

## 7. Future Capital programme

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

## 8. Implications

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

## Appendix D

### Financial Resilience Indicators

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

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

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

#### 2. Savings delivered as a percentage of planned savings

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

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

#### 3. Over/underspend relative to net expenditure

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

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

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

#### 4. Useable reserves as a percentage of net revenue budget

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

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

#### 5. Council tax as a percentage of NRE

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

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