

Crawley Borough Council

Report to Overview and Scrutiny Commission 30 January 2023

Report to Cabinet 1 February 2023

2023/2024 Budget and Council Tax

Report of the Chief Executive and Chief Accountant (s151 officer), **FIN/606**

1. Purpose

- 1.1 The Council has a statutory responsibility to set Council Tax and its Budget in advance of the commencement of the new financial year (1 April to 31 March). The Council Tax has to be set by 11 March, each year. During 2022 the Council continued to review its spending plans and considered options to amend spending to meet new priorities. This report presents the Revenue, Capital, and Housing Revenue Account (The Budget) and sets the level of Council Tax for the Financial Year 2023/2024 considering these factors.

2. Recommendations

- 2.1 To the Overview and Scrutiny Commission:

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

- 2.2 To the Cabinet

The Cabinet is requested to recommend to the Full Council the approval of the following items regarding the 2023/24 Budget and to:

- (a) **Approve the proposed 2023/24 General Fund Budget which includes using £261,970 of general fund reserve and includes savings rolled forward from the current financial year as set out in section 6,**
- (b) **Approve the proposed 2023/24 Housing Revenue Account Budget as set out in Appendix 3 of the report which includes the savings and growth items as set out in section 10,**
- (c) **Agree to increase the capital budget for Crawley Homes retrofit schemes by £900,000 to assist with water neutrality, funded from the HRA but reimbursed by developers to carry out further retrofitting works on Council's housing stock and new-build schemes (para 11.3). In addition that authority be delegated to the Head of Crawley Homes, the Head of Corporate Finance, and the Head of Governance, People & Performance; in consultation with the Leader of the Council and the Cabinet Member for Housing, to enter into the necessary contracts, and complete all relevant legal documentation to achieve the above**

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

- (d) Increase the capital programme by £129,950 funded from Government grant for the Town Centre DHN Phase 2 extended feasibility. An increase of £184,950 for the DHN and a reduction of £55,000 for the Town Centre Capital programme (para 11.5).
- (e) Approve the 2022/23 and future years Capital Programme and funding as set out in paragraph 11.6 of the report,
- (f) Agree the transfers between reserves as outlined in section 12 of the report, this includes creating a Cost of Living reserve.
- (g) Agree that the Council's share of Council Tax for 2023/24 be increased by 2.99% (£6.55) from £218.79 to £225.34 for a band D property as set out in paragraph 13.1,
- (h) Approve the Pay Policy Statement for 2023/2024 as outlined in paragraph 16.3 and Appendix 6 of the report noting that the pay award has yet to be agreed,
- (i) Approve that the S151 Officer (in consultation with the Chief Executive and Leader of the Council) be delegated authority to make minor amendments to the Hardship Policy (under Generic Delegation 7).

3. Reasons for the Recommendations

- 3.1 To provide adequate funding for the proposed level of services and to fulfil the statutory requirement to set a Budget and Council Tax and report on the robustness of estimates.

4. Background

- 4.1 The 2023/24 General Fund and Housing Revenue Account Budgets and the overall Capital Programme will be recommended for approval by Full Council on 22nd February 2023.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are income from investment and commercial properties, council tax, rents, Government grants, retained business rates, investment income and fees and charges. The majority of the Council's services are funded from the General Fund. The main exception is the management and maintenance of the Council's housing stock, which is funded through the Housing Revenue Account (HRA).
- 4.3 There have been a number of major financial pressures on the General Fund since the start of the financial crisis in 2008, followed by the impact of the pandemic, the move away from the European Union then the war in Ukraine which has impacted the cost of utilities, interest rates and general inflation. In common with all authorities there have been significant reductions in Government funding, which are highly likely to continue in the coming years. The worldwide issues over the last three years have had a significant impact on the Council's finances, there will be long term implications on both Crawley as a Town and the Council's long-term budgets including the homelessness, leisure contract, fees and charges and income from

investment properties. In addition Crawley is seeing the financial impact of the Water Neutrality issue.

Local Government Finance Reforms

The [provisional Local Government Settlement](#) which was announced on 19th December 2022 was for one year only. The Settlement confirmed that the fair funding review and reset of accumulated business rates growth has been paused for the remainder of the Spending Review period, but that the government remains committed to it in the next Parliament. It has been assumed in the projections that these will take place from 2026/27.

New Homes Bonus – The last legacy payment was received in 2022/23. A single year allocation has been made for 2023/24. The government plan to review the future position of New Homes Bonus before the 2024/25 settlement, though it has been assumed in the projections that it will continue in some form going forward.

Again, with the onset of the Pandemic, there has not yet been any consultation on a new method of incentivising housing growth. Crawley has been affected on this growth because of Water Neutrality. **Because of the reduction in new properties, the growth in funding is less than the 3% guaranteed by Government, this is because they estimate the growth in the Council taxbase (the number of Band D properties) based on the last four years actuals.**

- 4.4 The Council's approach in the past has been to maintain or enhance levels of service whilst keeping council tax increases to a minimum. This has been achieved in a number of ways, including redesigning services, delivering efficiency savings, a budget challenge process and generating new sources of income. However in 2022/23 as a result of the pandemic and the cost-of-living crisis there was the need to undertake a further challenge of budgets sessions and further future years savings will be required. This was due to increases in inflation, the pay award was higher than anticipated together with other running costs. In addition there has been unprecedented demand upon the homelessness service with additional costs of £1.4m. Funding in respect of the homelessness prevention grant has not increased. Also due to the pandemic there was a change in law on the leisure contract, this has resulted in significantly less income from the agreed the contract value.
- 4.5 The [Budget Strategy 2023/24 – 2027/28 FIN/583](#) was considered by the Cabinet on 5th October 2022 and recommended for approval. The Strategy was approved by Full Council on 19th October 2022. The Strategy was based on a number of key assumptions:
- Extension on the existing settlement offer including a one year only New Homes Bonus payment for 2023/24 however a similar alternative payment for future years in its place.
 - Work to keep Council Tax increases low without compromising local services.
 - Lower tier services grant being paid by the Government, this reducing annually.
 - An average investment rate of 2.45% for 2023/24 falling to 1.89% in 2024/25 and 1.85% in 2025/26 for future years.
 - A 4.5% pay award for 2023/24, however the pay agreement in the current financial year of £1,925 per person equated to an average of 5.8% was much higher than originally budgeted for at 2%. Assumptions for future years for pay awards were 3.5% in 2024/25. 2.5% in 2025/26 and 2% in the following years.

- An inflation provision of 10.1% for contract expenditure in 2023/24, 9.53% in 2024/25, reducing to 2.0% in 2025/26 with no inflation allowance for general running expenses.
- An overall increase in fees and charges of 5.0%.

4.6 Due to the pandemic and the cost-of-living crisis the approved Budget Strategy was to work towards balancing the budget over a four-year period including putting funds back into reserves when the Budget is in surplus.

A budget deficit of £204,109 was identified in the Budget Strategy, this assumed a £4.95 increase (2.21%) in a Band D Council tax for 2023/24. The Budget Strategy made it clear that there were a lot of unknowns and there would be variances identified when the budget was set.

4.7 The Budget Strategy [Mid-Year Review](#) 2022 FIN/596 was approved by Cabinet on 23rd November 2022 and Full Council on 14th December 2022. Due to the constant changes within the economy revised projections were presented. The projected gap remained similar to the earlier report with a budgeted shortfall in 2023/24 of £201,792. However there were several changes identified in the report in Table 2. These included a provision for an increase in the External Audit fee of £89,000 as Councils had been warned to expect an increase in fees of 150%. Interest rates were also on the rise and revised projections were for 5.25% in 2023/24, falling to 5.00% in 2024/25 and then 3.25% in 2025/26.

4.8 There have been some significant changes since the [Mid-Year Review](#) was approved in December 2022 including:

- The provisional Local Government Finance Settlement on 19th December brought some welcome additional funding. The 2022/23 Services Grants has been reduced by the National Insurance compensation (see below) and the Lower Tier Services Grant has been removed. The Revenue Support Grant has been uprated by CPI and then a number of grants have been rolled into it, including the Local Council Tax Reduction Scheme admin grant. In addition there was a funding guarantee grant to ensure that there was a 3% increase in spending power before any decisions on Council tax. The net impact of these were an increase of £276,217 above previously estimated. Due to the water neutrality issue the actual increase is 2.7% as shown in section 5.1 below, this is because the expected increase in the numbers of properties is based on the last 4 years average and water neutrality has had a big impact on growth.
- A reversal of Employers National Insurance increase of £152,100 as announced by the government on 22 September. This had not been incorporated earlier as it was not known how much compensation was included within the Services Grant (see above).

4.9 Table 1 below summarises the changes between the approved [Mid-Year Review](#) and the proposed 2023/24 Budget. Further details are provided in section 5 of the report. This shows the need to transfer £261,970 from the General Fund reserve to balance the budget in 2023/24.

Table 1

	£000's	Paragraph
November Cabinet deficit per Budget Mid-Year Review	202	4.7
New Homes Bonus	-34	5.5.1
Revenue Support Grant	-160	5.5.2
Council Tax Reduction Admin Subsidy	143	5.5.2
Lower Tier Services Grant	170	5.5.2
Service Grant	110	5.5.2
Funding Guarantee	-539	5.5.2
National Insurance (Employer's contribution) reversal	-152	5.5.3
Town Hall lettings delay due to late handover	200	5.5.4
Increased Council Tax income	-57	5.5.5
Covid losses on income	314	5.5.6
Interest Changes in assumptions	210	5.5.7
Two Year fixed term posts removal	-40	5.5.8
Increased commercial property lease negotiations provision	-60	5.5.9
Changes in inflation	-23	
Other – various minor	-22	
Transfer from General Fund reserve	262	

The approved [Budget Strategy](#) seeks to balance the budget over a four year period, including putting funds back into reserves when the Budget is in surplus. There are sufficient reserves to cover this transfer. Plans have been to use reserves in 2023/24 where the New Town Hall was still being built but the upper floors yet to be let, the general fund reserve had been built up to cover a budget shortfall. However this reserve will be called on in the current financial year due to the additional costs of homelessness, pay and inflation. Savings for future years will be required to maintain a sustainable budget as outlined below.

- 4.10 Table 2 below shows the major movement between the current financial year and 2023/24. These have been reported in the [Budget Strategy](#) and [Mid-Year Review](#) reports and above. Key items are the cost of inflation which is £2.293m and homelessness of £1.400m. These are in part mitigated by additional investment income of £1.167m and garage rents increases of £455,000 as outlined in report [CEX/59](#) which was approved by Cabinet in October 2022.

Table 2 – Movement in budgets between 2022/23 and 2023/24

	£000's	£000's
Budget Gap in 2022/23		452
Inflation –		
Employees, includes the additional costs in the current financial year	1,703	
Contract costs (Sept CPI at 10.1%)	830	
Other additional costs including utilities	509	
Customer and client receipts – fees and charges at 5%	-749	
Total cost of inflation		2,293
Additional cost of Homelessness		1,400
Additional income from investment interest		-1,167
Additional External Audit cost (150% increase)		89
New Town Hall assumed letting		-399
Tilgate Park no longer subsidised and becoming cost neutral		-113
Removal of fixed term posts -		
Human Resources	-43	
Income Generation officer	-40	-83
Reduced provision for losses for Covid		-706
Challenge of budget savings (See Appendix 1)		-413
Extension of the Waste Management contract provision		60
Growth posts agreed in Budget Strategy report -		
Energy efficiency officer		53
Garages rent increase		-455
Additional income from Council Tax		-278
Additional income from business rates		-425
Additional Government Grants (net)		-39
Another minor		-7
Gap 2023/24		262

5. Analysis

- 5.1 The [Provisional Local Government Finance Settlement 2023 to 2024 consultation](#) was released on 19th December 2022 by the Department of Levelling Up, Housing and Communities (DLUHC) funding was for one year only.

Table 3 below summarises the provisional Local Government Settlement and the change from the previous year.

Table 3 – Breakdown of Provisional Government Settlement

	2022/23 £	2023/24 £	Change £	
RSG *	216,575	222,946	6,371	
Baseline Funding Level	3,642,926	3,779,252	136,326	
S31 grant (business rates)	372,323	643,760	271,437	
Services Grant	251,134	141,510	(109,624)	
New Homes Bonus	605,604	274,905	(330,699)	
Lower Tier Services Grant	195,567	-	(195,567)	
Funding Guarantee	-	539,107	539,107	
Total before Council Tax	5,284,129	5,601,480	317,351	
Council Tax (no Band D inc)	7,823,537	7,894,675	71,138	
Total Spending Power	13,107,666	13,496,155	388,489	3.0%

* In 2023/24 the Council will receive £222,946 in Revenue Support Grant, though this rolls in the Local Council Tax Support grant (£142,570) and Family Annexe grant (£11,197). The RSG from 2022/23 of £62,808 was increased by CPI of 10.1%, but the rolled in grants are frozen at 2022/23 levels.

The settlement included –

- **A one-year settlement** for 2023/24, with outline spending for 2024/25.
- A one-off Funding Guarantee that ensures every council in England will see at least a 3% increase in core spending power before any local decisions around council tax are taken. **However, due to water neutrality, the actual growth in taxbase is lower than assumed in the settlement and results in an increase in spending power of just 2.7% (see table 4 below).**
- The roll forward of many aspects of the current year's settlement.
- Council tax referendum principles of a 3% increase in a Band D council tax or £5 whichever is the higher.

Table 4 below shows the impact of water neutrality on the Council Tax and the impact on the settlement.

Table 4 Impact on Water Neutrality v Settlement estimate on Council Tax

	£	£	£	
Total before Council Tax	5,284,129	5,601,480	317,351	
Council Tax (no Band D inc)	7,823,537	7,866,091	42,554	
Total Adjusted Spending Power	13,107,666	13,467,571	359,905	2.7%

Having this one-year settlement makes it difficult to project forward with any certainty.

The table above shows the Council are not receiving the full 3% guaranteed in the settlement due to water neutrality, but there are further implications of water neutrality on the budget that are shown in table 5 below.

Table 5 – Losses due to Water Neutrality

	£
Change in Council tax base	112,027
New Homes Bonus	25,095
Reduced planning income	120,000
Total loss	£257,122

5.2 Retained Business Rates

Although the Council will collect in over £131 million in business rates the amount it retains is much smaller. One of the main reasons for this is that the Government retain 50% of the rates collected and West Sussex County Council retain 10%. The second main reason is that the Council also has to pay a significant tariff to the Government. There are further complications in that the Council's retained share can be added to by a safety net payment or suffer a further levy. This is where the Government state that need is less than business rates collected. These are applied if a Council's retained share is more than 7.5% below Government set figure (safety net) or above it (a levy of 50%).

5.3 The Tables below show that we are estimating to collect £131.3m but will keep significantly less.

Projected non-domestic rates income	£131,268,024
Government share (50%)	£-65,634,012
West Sussex County Council share (10%)	£-13,126,802
Crawley Borough Council share (before tariff & safety net)	<u>£52,507,210</u>

The projected retained rates amount for 2023/24 is set out below.

	£
Council's share of non-domestic rates income	52,507,210
Tariff	-48,005,842
Levy	-930,414
Additional rates due to renewable energy	959
S31 Grants	3,035,629
Total retained for the year	6,607,542
Deficit in 2022/23 financial year	-1,939,348
Transfer from the Business Rates Equalisation Reserve	993,243
Total	5,661,437

There is budgeted income of £3,035,629 in respect of Section 31 Grants. This is to reimburse the Council for business rate reliefs, including retail, hospitality and leisure relief given by the Government which have reduced the retained rates that the Council would otherwise have received. Section 31 of the Local Government Act 2003 allows a Minister of the Crown to pay a grant to a local authority of England towards expenditure that it has incurred.

- 5.4 The transfer to and from the business equalisation reserve is due to the way billing Authorities have to account for business rates income.

As a result of the pandemic, reliefs were offered in the Chancellor's budget on 11th March 2020; significant Business Rates discounts of £34m to the retail and hospitality sector and £356,000 to local nurseries were given. The General fund is reimbursed from Government for these discounts (which were announced after the annual bills were issued) via Section 31 Grant.

The accounting treatment which was set by legislation is based on the original budgeted income. Income collected from business rates is transferred to a separate account called the Collection Fund. The Collection Fund pays the General Fund the approved budget; any differences between the budget and what is actually collected is redistributed the following year.

In 2020/21, the General Fund received the budgeted business rates income before the £34m discounts were introduced. In addition the general fund received s31 Grant in respect of these discounts given.

The net effect is that there was a substantial surplus on the General Fund in respect of business rates at 31 March 2021 and a loss of the Collection Fund (£45.9m) which is shared with West Sussex County Council and central Government.

The surplus on the General Fund was transferred to the business rates equalisation reserve in order to be paid back to the Collection Fund in future years as shown below. Whilst this is technically classed as a useable reserve, it is already allocated and is merely to smooth the impacts from an accounting adjustment that has to be followed despite it being counter intuitive.

On 2 July 2020, the Government who are aware of this issue announced that repayments of collection fund deficits arising in 2020/21 would be spread over three

years rather than the usual period of a year. The following table shows the timing of the repayments of the deficit to the collection fund:

	2021/22	2022/23	2023/24	Total
	£	£	£	£
Crawley Borough Council	16,192,955	1,265,312	1,265,312	18,723,579
West Sussex County Council	5,162,066	316,328	316,328	5,794,722
Central Government	20,241,194	1,581,640	1,581,640	23,404,474
Total	41,596,215	3,163,280	3,163,280	47,922,775

A business rates equalisation reserve has been established to assist in the management of these swings; this reserve currently has £7.962m, but there is a budget transfer of £1.094m in 2022/23. The resulting projected balance of £6.868m is considered adequate and will cover the deficit due in 2023/24.

As part of the budget settlement there was another bid to DLUHC to have another West Sussex business rates pool. Crawley does not form part of this pool but all West Sussex councils share any gain, the split of the pool is done to ensure the highest retention for the county as a whole.

5.5 The following paragraphs identify changes since the approval of the Budget Strategy.

5.5.1 **New Homes Bonus**

The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. It rewards local councils for additional homes added to the council tax base, including newly built properties and conversions as well as long term empty properties brought back into use, after deducting demolitions.

The Council receives direct payment from the DLUHC for the number of new properties it reports to the Valuation Office. For each dwelling the total payment is £1,965.70 (of which West Sussex County (WSCC) receives £393.14 and Crawley Borough Council £1,572.56) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSCC receives £70.

Previously the New Homes Bonus was paid each year for six years, this was subsequently reduced to four years. Then in 2020/21, 2021/22 and 2022/23 New Homes Bonus was paid for one year only, with no legacy payments going forward. Again in 2023/24 a one year payment of New Homes Bonus will be received via grant. The amount payable in 2023/24 is £34,300 higher than anticipated in the Budget Strategy. The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government settlement.

5.5.2 **Government Grants -**

Lower Tier Services Grant

This grant, first introduced as a one-off grant in 2021/22, was carried forward into 2022/23. The grant has been repurposed in the provisional settlement (see Funding Guarantee below), and therefore £170,165 lower than projected in the budget strategy.

Services Grant

The Services Grant will continue for 2023/24, but will be reduced, in part, because there will no longer be an increase in National Insurance Contributions (see 5.5.3

below), and the government is therefore removing the compensation element from this grant. This grant is therefore £109,624 lower than projected in the budget strategy.

Funding Guarantee

The Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments have been repurposed to create a new one-off Funding Guarantee. This new guarantee ensures that all councils see at least a 3% increase in their Core Spending Power before any decisions on council tax levels. However, due to water neutrality, the actual growth in taxbase is lower than assumed in the settlement and results in an increase in spending power of just 2.7%.

5.5.3 National Insurance (Employers' contribution)

The Government increased National Insurance Contributions by 1.25% from April 2022 onwards to fund the NHS and social care reform. This was reversed in former Chancellor Kwerteng's budget in September 2022, this took effect from 6th November 2022 and is reflected in the Quarter 3 budget monitoring report elsewhere on this agenda.

5.5.4 Town Hall Letting

Assumptions had been made that there would be two floors let from April 2023. Due to the lateness in practical completion of the New Town Hall this assumption has been amended to two floors from October 2023.

5.5.5 Increased Council Tax income

The [Provisional Local Government Finance Settlement 2023 to 2024 consultation](#) was published on 19th December 2022. Within the documentation the council tax referendum principles set a referendum threshold of 3% or £5, whichever is higher, for shire districts. This increase to 3% would result in additional income of £57,524 by increasing Council Tax by £6.55 per annum compared to the budgeted £4.95 for a band D property.

5.5.6 Covid losses on income

Due to external factors and lasting changes in law a provision for losses on income will still be ongoing in future years. Income has improved for areas such as parking and community centres lettings but they are still below pre-pandemic levels.

5.5.7 Interest changes in assumptions

Interest rates were increasing rapidly when the Mid-Year Review was drafted. Markets have stabilised since the Autumn Statement in November and projections of where interest rates will peak in 2023 has come down from 5.25% to 4.25%. This has resulted in the budget reducing £210,000 in 2023/24.

6. 2023/24 General Fund Budget

6.1 Details of the proposed 2022/23 Budget are set out in Appendix 2 and is summarised in the Table 6 below:

Table 6

2023/24 General Fund Budget	£'000s
Net Cost of Services (see table below Table 7)	16,152
Investment Interest receivable	-1,771
Interest (payable)	942

Transfer from General Fund Reserve (see Table 2)	-262
Net Expenditure	15,061
Funded by	
New Homes Bonus	275
Revenue Support Grant*	223
Funding Guarantee	539
Services Grant	141
Council Tax	8,102
Collection Fund deficit – Council Tax	79
Total Retained Business Rates (5.2)	5,702
Total	15,061

*Includes Council Tax Reduction admin grant and family annex grant.

6.2 Estimated service expenditure is summarised in the Table 7 below:

Table 7

2023/24 Budget – Service Expenditure	
Portfolio	£'000s
Cabinet	-3,979
Public Protection and Community Engagement	1,371
Environmental Services & Sustainability	5,359
Housing Services	4,664
Wellbeing	9,897
Planning & Economic Development	1,951
Resources	-82
Depreciation	-3,729
Contribution to Renewals Funds	700
Net Cost of Services	16,152

6.3 Report [CEX/59](#) was approved by Full Council on 19 October 2022. This was to increase weekly rent to Council Owned garages to help meet the budget gap. The result of this is additional income to the general fund of £455,000 per annum. This provision was included within the Mid-Year review report FIN596. [Budget Strategy](#) identified £413,080 of savings by the Corporate Management team in the challenge of budgets exercise.

Table 8 – In year ongoing mitigations to meet the gap

Saving / additional income	Additional income/saving included in 2023/24 budgets £
Challenge of budgets exercise Appendix 1	413,080
Increased Garage income (CEX/59)	455,000
Total savings/increased income identified to meet future budget gaps	868,080

Recommendation 2.2 (a) to approve the proposed 2023/24 General Fund Budget as outlined in section 6 above.

7. 2024/2025 Budget Projections

7.1 The Budget Strategy for 2024/25 to 2028/29 is scheduled to be considered by the Cabinet in September 2023. Future predictions will be difficult to make until the impact of the pandemic/cost of living crisis is known together with the outcome of the Fair Funding review and review of business rates. Also it is a challenge to estimate the impact on future budgets of homelessness demands. It is very difficult to estimate future budgets at this stage, however the Table 9 below summarises the 2024/2025 Budget projections based on the following headline assumptions:

- A 2.99% increase in Council Tax £6.74 on a Band D property, the amount that Crawley keep is less than 11p in every £1 billed.
- Average investment rate of 3.94%
- An inflation provision of 6.9% for contract expenditure with no allowance for general running expenses.
- A pay award of 4.5%.
- An overall increase in fees and charges at this stage of 3.5%.

Table 9 – Projected Budget Gap 2024/25

	2024/25 £'000s
Base Budget	16,395
Investment interest	-522
Net Budget	15,873
Funded by:	
Council Tax	-8,450
New Homes Bonus	-240
Retained Business Rates	-5,366
Revenue Support Grant	-238
Services Grant	-151
Funding Guarantee	-359
Indicative Budget Gap	1,069

The projected Gap is £1.069m in 2024/25, this however fluctuates significantly in future years due to changes in inflation projections from the Office of Budgetary Responsibility (OBR); projections around investment interest and letting of the upper floors of the New Town Hall. The average gap over the four-year period to 2027/28 is £701,000. Savings will be required to be sought of £701,000 with use of reserves where the gap is larger and contribution to reserves when lower (this is when utility inflation reduces). The main changes between years are itemised in Table 10 below

Table 10 – Movements between 2023/24 and 2024/25

	Change £000's
Deficit in 2023/24 Table 2 paragraph 4.9	262
New Homes Bonus	35
Inflation provision	1,104
Increased Council tax income	-229
Decreased investment income	308
Decreased retained business rates income	297
Funding Guarantee / Service Grant reduction	170
Waste Management costs including vehicles	293
Reduction in homelessness numbers	-350
Rental income Town Hall / reduced costs	-648
Increased income from fees and charges	-100
Local election (shared costs)	-62
Other – various	-11
Projected Gap 2024/25	1,069

The Corporate Management Team continue to work on service improvement savings, efficiencies and increased productivity through service redesign and other types of reviews aimed at reducing waste and duplication. However the level of the gap is significant, and it is assumed that the demand for the homelessness service reduces significantly over the coming years. Therefore options for future savings will be required to be brought for consideration over the coming months to meet this budget gap. A savings target for future years is therefore £701,000 as shown in 7.1 above.

The budget challenge was successful in identifying savings and efficiencies and will be repeated in future years, however new income sources or reductions to service provision are likely to be required to bridge such a gap. In addition a refreshed transformation programme includes an increased focus on achieving new sources of income which can be reinvested in the delivery of local public services. The progress on letting the upper floors of the New Town Hall will be monitored during 2023/24 together with the leisure contract and other fees and charge income to update projections.

7.2 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 11 – Sensitivity Analysis

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Gap	262	1,069	338	883	512
Gap with -					
An increase in pay by 1% in 23/24	397	1,209	481	1,028	661
Pay in 22/24 1% less than budgeted	127	930	196	737	363
CPI 1% lower in 23/24	195	998	267	811	440

Because of all the uncertainties there is a requirement to leave the general fund balance at a higher than usual level, see section 12 below.

8. Fees & Charges

- 8.1 The Budget Strategy for 2023/24 to 2026/27 assumes a general increase in fees and charges of 5%. In the past it has been CPI or 2% whichever is the highest, however the September CPI of 10.1% would make some services unaffordable. In some cases a lower increase has been assumed; for example when a service is required by statute to be self-financing e.g. Local Land Charges. In other cases, a higher increase has been assumed. The overall objective was to increase income by 5.0%. This has not been possible in some cases due to having to set commercially attractive prices. A schedule of most of the council's fees and charges is available on the website. Where the council is in competition with other service providers or where there is discretion in providing some services, some of these charges may not be made public in future as it allows the council to compete more flexibly with other providers in securing business going forwards. As these fees are reviewed the charges will be updated accordingly. The pricing strategy which was approved in the budget report in 2021 is attached at Appendix 7. The commercialisation group is looking at fees and charges across the Council.

9. Treasury Management

- 9.1 Treasury management includes the investment interest on the Council's deposits, notional interest on deferred capital receipts, debt interest, minimum revenue provision (MRP), debt interest, and costs associated with treasury management. The following paragraphs provide details of the key factors and assumptions that affect the calculation of this Budget.
- 9.2 The average yield from investments in 2023/24 is projected at 2.92%. Existing investments at lower rates have brought the projection lower than interest rates that are expected to be received in the market.
- 9.3 The 2023/24 Budget is based on the following assumptions:
- Average yield of 4.36% for new investments.
 - Average rate of 4.775% for new borrowing.
 - Cash flows have been calculated from the revenue and capital budgets reported in this report.
 - Cash flows relating to the capital programme are spread evenly through the year.
 - Cash flows relating to revenue are based on the timings of previous year's income and expenditure.
- 9.4 Notional interest on deferred capital receipts are based on a discount rate of 3.5%. The deferred capital receipts that relate to shared equity properties are also re-indexed so that they reflect current market values. It is assumed that the market value of these properties will increase by 3.5%.
- 9.5 It is believed that these assumptions are realistic and not over-cautious. However, it is likely that there will be variances due to the number of external factors that can affect investment performance and the size of the sums available for investment. The investment interest budget will be monitored closely throughout 2023/24 and any projected variances will be highlighted in quarterly budget monitoring reports.

- 9.6 Further information on the investments, borrowing and MRP policy can be found in the Treasury Management Strategy 2023/24 (FIN/608) which can be found elsewhere on the agenda.
- 9.7 Included in Appendix 5 is an identification that the volatility of interest rates is a key risk associated with the 2023/24 Budget and the medium-term Budget Strategy.

10. Spending Plans – Crawley Homes Council House Service – Revenue

- 10.1 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2022/23 budget and 2023/24 budget are as follows.

Savings identified in the Challenge of budgets exercise for the HRA are shown in the table below

Table12 Crawley Homes Challenge of Budgets Savings

	£
Policy and Engagement - Operational Costs	11,820
Housing Management - Overtime & Operational Costs	20,600
Responsive Repairs - 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
Total identified	56,970

10.2 Growth Bids

The Budget Strategy [Mid-Year Review](#) 2022 FIN/596 was approved in December 2022. In section 8 of that report, approval was given for an additional resource to manage the workload for cleaning of communal areas and the 12 staircases of new blocks of flats in Forge Wood. The sum approved was £31,000.

10.3 Rental income

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 at 11.1%. A [consultation paper on Social Housing rents](#) was issued on 31st August 2022, with a closing date of 12th October 2022. The outcome of this consultation was to recommend an increase of 7% per annum on social and affordable housing.

The Cabinet member for Housing has therefore proposed an increase of 7.0% as documented in report [CH/200](#)..

As a result there will be a loss of £168m to the HRA over the thirty-year plan. This will impact on the ability of the HRA to undertake initiatives such as climate change mitigations.

This uplift coupled with anticipated new build income equates to an increased revenue budget of £3,343,512. This increase is required due to additional regulatory demands on the service, growth of blocks to be managed and the increased costs of repairs and materials.

10.4 **Other income**

Leasehold recovery is forecast to decrease by £720,000 due to fewer major works having been programmed for 2022/23.

10.5 **Interest**

The HRA has a share of the interest that is credited to the General Fund based on the average level of reserves. As such, the same assumptions apply that are described in section 9.

Expenditure

10.6 **Pay award**

A pay award of £1,925 has been agreed for 2022/23, this equates to an average of 5.8% which is higher than the originally budgeted 2%. Additionally, a provision of 4.5% has been included for 2023/24. Combined this is forecast to cost £319,000.

10.7 **Repairs & Maintenance**

Elsewhere on this agenda the Budget monitoring report Quarter 3 FIN/607 outlines additional costs of supply together with increased demand for repairs. The estimated cost of this in the current financial year is £1.15m, this includes weather related expenditure. The estimated cost in the financial year 2023/24 is £1.095m, this is an increase due to the rising costs of inflation, however material prices are expected to stabilise.

10.8 **Cyclical & planned**

Includes an allowance for the additional cost of inflation.

10.9 **Other Running Costs**

Includes an allowance for the additional cost of inflation on utilities.

Report 'Appointment of Supplier for the implementation and support of a new fully integrated Housing and Asset Management Database System' CH/189 (Part B) was presented to Cabinet in June 2020. This report included costs of hosting the system, systems admin, and third-party maintenance. These figures had been omitted from future projections for the HRA; this was due to the workload of the team in June 2020 due to the pandemic. These costs have now been included in future budgets.

10.10 Elsewhere on this Agenda is the Treasury Management Strategy (FIN/608), this shows that the £260m loan that was taken out in [2012 \(report FIN/257\)](#) will begin to become repayable in March 2023 with corresponding savings on interest payments from future financial years. In future years, further borrowing will be required.

10.11 The Crawley Homes (HRA) capital programme as outlined in paragraph 11 below is funded from HRA resources, HRA capital reserves and 1-4-1 Right to Buy receipts and borrowing in future.

Recommendation 2.2 (b) to approve the proposed 2023/24 Housing Revenue Account Budget as set out above and Appendix 3 of the report which includes the savings and growth items as set out above.

11. Capital Programme

11.1 The October 2022 [Budget Strategy](#) report reaffirmed that 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.

11.2 2022/23 to 2025/26 and future years Capital Programme

The Table below sets out the proposed capital programme and funding for 2022/23 to 2025/26 and future years based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report (FIN/607) and other changes.

Table 13 – Capital movements since Quarter 2

	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	Future years £'000s	Total £'000s
Capital programme reported to Cabinet 23rd November 2022 FIN/594	37,268	56,077	45,228	17,293	3,821	159,687
Further approvals						
Items approved at Cabinet 23 rd November 2022 Budget Mid-Year Strategy FIN/596						
Section 9.2 -						
K2 Crawley 3G Pitch Lighting		45				45
Lifeline Digital Switchover		60	60			120
Section 9.3 -						
Park Tennis (LTA funded)	111					111
Section 10.3 -						
HRA Improvements		3,600	3,550	13,800		20,950
Garages		50		300		350
Mobile Wellbeing vehicle (delegated approval)	82					82
Slippage / overspend identified in Q3 elsewhere on the agenda	-958	833	-81	339	-121	12
TOTAL Agrees with Q3 (FIN/607)	36,503	60,665	48,757	31,732	3,700	181,357

- 11.3 The All-Member Seminar on 5th January 2023 presented a capital investment budget of £1m for Crawley Homes retrofit. Cabinet approved a retrofitting budget of £170,000 on 6th July 2022 (CH/197), to specifically support the schemes at Breezehurst Drive and Longley House in achieving 'water neutrality', the actual cost of 'off-setting' these schemes has been more accurately assessed at c.£100,000.

Any underspends on these will be addressed in future quarterly monitoring reports.

Due to the success of the scheme it is proposed a further £900,000 is requested from the Housing Revenue Account (HRA) in order to carry out further retrofitting works on Council's housing stock.

The resulting water savings will be awarded to prioritised schemes to achieve water neutrality, whereby each respective scheme will fully meet the associated costs, inclusive of overheads, with payment for the off-set expected when Planning is awarded. The prioritisation of schemes will be determined by the Corporate Water Neutrality Working Group, and the authorisation and monitoring of the retrofitting and off-setting programme will be in accordance with the delegated authority to respective Heads of Service, and overseen by the Strategic Housing Board.

This programme will therefore result in this water saving measure being installed into Council-owned properties, paid for by the respective developments, and benefitting the tenants with savings on their water and energy consumption, while unlocking prioritised new-build schemes that are required to achieve water neutrality. The HRA will therefore be reimbursed for these costs.

It is recommended that the Delegated Authority in para 2.2 b) of report CH/197 be extended to beyond Breezehurst Drive and Longley House to enable the wider roll-out of the retrofitting strategy to support a wider range of prioritised new-build schemes towards achieving water neutrality. It is therefore proposed that authority be delegated to the Head of Crawley Homes, the Head of Corporate Finance, and the Head of Governance, People & Performance; in consultation with the Leader of the Council and the Cabinet Member for Housing, to enter into the necessary contracts, and complete all relevant legal documentation to achieve the above recommendation (Generic Delegation 2 and 3 will be used to enact this recommendation).

Recommendation 2.2 (c): to agree to increase the capital budget for Crawley Homes retrofit schemes by £900,000 to assist with water neutrality, funded from the HRA but reimbursed by developers to carry out further retrofitting works on Council's housing stock and new-build schemes. In addition that authority be delegated to the Head of Crawley Homes, the Head of Corporate Finance, and the Head of Governance, People & Performance; in consultation with the Leader of the Council and the Cabinet Member for Housing, to enter into the necessary contracts, and complete all relevant legal documentation to achieve the above recommendation (Generic Delegation 2 and 3 will be used to enact this recommendation).

11.4 Capital budget reallocations –

Within the existing capital programme there is a generic allocation of £200,000 for Manor Royal. This was approved back for the 2015/16 budget to show commitment to the BID. Since then there has been significant investment in Manor Royal from West Sussex County Council, Crawley Borough Council, and the Local Enterprise Partnership through the Crawley Growth programme and Government funding including Towns Funds. The proposal therefore is to reallocate this sum to play improvements with emphasis on Broadfield.

Within the existing capital programme there is a budget for Crawley Homes Purchase of Properties and a budget for Crawley Homes Acquisition of Land and Dwellings. It is proposed that these are merged and called Acquisition of Land and Dwellings.

- 11.5 A report to Cabinet on 24th November 2021 [Town Centre District Heat Network \(DHN\) Phase 2 HPS 29](#). Agreed a budget of £94,950 with £69,550 funded from the Heat Network Development Unit (HDNU) grant. The report also delegated authority to the Head of Major Projects and Commercial Services in consultation with the Cabinet Member for Environment and Sustainability to review findings of the feasibility study and decide whether to proceed with the second phase of the study (full business case) and earmark a further £55,000 match funding from the Town Centre capital budget for this purpose. (Generic Delegation 7 will be used to enact this recommendation). Further funding of £129,950 has been approved by HDNU to this second phase and the Portfolio holder has agreed to proceed. Therefore the budget for phase 2 will be increased by £184,950; funded from grant of £129,950 and a budget transfer of £55,000 from the Town Centre capital fund.

Recommendation 2.2 (d): to increase the capital programme by £129,950 funded from Government grant for the Town Centre DHN Phase 2 extended feasibility. An increase of £184,950 for the DHN and a reduction of £55,000 for the Town Centre Capital programme.

- 11.6 In November 2021, Cabinet agreed the Unsupervised Play Investment Programme for the years 2021/22 – 2022/23 in report [HCS/33](#). Since that time due to inflation the costs of the schemes are going to be higher than anticipated. These additional costs are £18,958. Section 106 funding has been identified to fund this additional cost so that the schemes can go ahead.

Table 14 below gives the amended capital programme after the adjustments for the recommendations above and recommendations elsewhere on this Agenda.

Table 14

	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	Future years £'000s	Total £'000s
TOTAL Agrees with Q3 FIN/607 and Table13 above	36,503	60,665	48,757	31,732	3,700	181,357
Crawley Homes Retrofit	0	400	500	0	0	900
Transfer to Heat Network Phase 2 from Town Centre Capital programme	0	-55	0	0	0	-55
Increased Heat Network budget	0	55	0	0	0	55
Heat Network Phase 2 (net additional cost funded from grant)	43	87	0	0	0	130
Unsupervised Play inflation		19	0	0	0	19
Total Capital Programme for approval	36,546	61,171	49,257	31,732	3,700	182,406

Funded by -						
Capital Receipts	7,616	6,174	5,415	781	1,164	21,150
Capital Reserve	0	727	314	0	586	1627
1-4-1 Receipts	3,076	7,010	8,852	5,345	780	25,063
HRA revenue contribution	11,430	27,872	26,346	21,867	1,170	88,685
Section 106 contributions	332	1,102	897	65	0	2,396
External funding	3,047	9,674	7,094	3,374	0	23,189
Revenue incl. replacement fund	1,772	2,278	339	300	0	4,689
Borrowing	8,698	5,000	0	0	0	13,698
Better care fund (formally DFG's)	575	1,334	0	0	0	1,909
TOTAL	36,546	61,171	49,257	31,732	3,700	182,406

Total capital budgets that meet the Council's climate change commitments included in Table 14 above are £17,785,000.

Recommendation 2.2 (e): to approve the 2022/23 and future years capital programme and funding as set out in section 11 of this report.

12. Robustness of Estimates and Adequacy of Reserves

12.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Chief Finance Officer) to report to their authority on the robustness of estimates and the adequacy of reserves provided for within the Budget. Authorities are required to take into account the Section 151 Officer's report when setting their Budget requirement and Council Tax. It is the view of the former Head of Corporate Finance together with the Chief Executive and Chief Accountant (s151 officer) that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level. Regular monitoring reports are brought to councillors covering revenue budgets and the capital programme. The former Head of Corporate Finance together with the Chief Executive and Chief Accountant (s151 officer) having considered the risks associated with Crawley Borough Council's capital investment plans is of the view that they are affordable, having taken into account the measures that are in place for mitigating against those risks; these measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.

12.2 The [Budget Strategy](#) was considered by the Cabinet on 5th October 2022 and recommended for approval. Key objectives of the Strategy are:

- Work towards a balanced Budget over a four-year period including putting back to reserves when the Budget is in surplus.
- Aim to keep Council Tax low without compromising local services.
- Instruct Corporate Management Team to take action to address the long-term budget gap and to identify policy options for consideration by Cabinet. In the past two years all Member seminars have taken place with options for savings and capital bids.
- That items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations, and schemes will be also considered that are spend to save and spend to earn but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

12.3 These objectives have been met. To date the Council has responded well to the financial challenges of recent years and maintained front-line services with only the year 2020, with the challenge of the pandemic, where savings were required to be sought. However in the current financial year with the impact on homelessness and the cost-of-living crisis there is a large projected overspend in year. This use of reserves is not sustainable in the long term, therefore ongoing savings of c£701,000 per annum will be required to be sought.

Despite the healthy level of reserves, it is less likely that the Council will be able to continue to achieve a balanced Budget and maintain current service levels and will need to use reserves before the upper floors of the New Town Hall development are commercially let and resources have been spent on the building project. There are additional challenges around the Leisure contract which due to a change in law has resulted in the management fee not being paid by the contactor.

12.4 In compiling the 2023/24 Budget, a review of all departmental budgets has been undertaken to ensure that existing budget provision is adequate, and that additional provision has been made for known service pressures, this review has resulted in

efficiencies, savings carried over to 2023/24 and additional income as identified in paragraph 6.3 above.

12.5 There are a number of services where budgets are susceptible to changes outside the direct control of the Council. These tend to be demand-led services such as homelessness and the implications of 'everyone in', the Homelessness Reduction Act 2017, benefits payments and the impact of universal credit and the cost of living crisis on both general fund and Crawley Homes debt collection, development control fees (exacerbated by the water neutrality issue) and Council Tax Reduction payments; in addition the impact on Crawley Borough Council budgets of other public sector decisions for example West Sussex County Council and the NHS. There is also volatility in income streams that are affected by external factors such as investment and business rates income. Inflation is at its highest for several years, the impact on interest rates will be impacted. In addition there is additional cost of supply of materials which is impacting on the HRA repairs contracts. Contracts are also seeing higher costs due to wage inflation and the additional costs of employers National Insurance. For such budgets, the latest information has been used to calculate the Budget.

12.6 There is a high risk that the economic outlook will continue to be depressed in the public sector as well as nationally which could have a significant effect on demand-led expenditure budgets and some income budgets; there will also be adverse impacts upon budgets due to the impacts

- of the cost-of-living crisis,
- increased costs of utilities,
- homelessness,
- welfare reforms and the unknown future impacts,
- recruitment and retention,
- contract costs,
- replacement vehicle costs,
- weekly food collection initiatives,
- climate Change commitment costs,
- EPC ratings of buildings that are let,
- town Hall upper floor lettings.

Budgets are monitored by officers on a monthly basis and the Corporate Management Team receives an update on key issues, while a Quarterly Revenue and Capital Budget monitoring report is considered by the Cabinet and the Overview and Scrutiny Commission. This should ensure that any projected variances are identified at an early stage.

12.7 A review of reserves has been undertaken as part of the 2023/24 Budget preparation by the Corporate Management Team. Table 15 below summarises the estimated level of reserves available for 2023/24:

Table 15

	Estimated Available Balance at 31/3/23 £'000s	Paragraph
General Fund Reserves		
General Fund Reserve / Balance	6,000	12.7.1
Business Rates Equalisation	5,000	12.7.2

For the Capital Programme		
Usable Capital Receipts	8,635	12.7.3
Capital Reserve	2,885	12.7.4
1-4-1 Receipts	12,762	12.7.4
Affordable Housing Receipts	565	12.7.4
Vehicles & Plant	1,879	12.7.5
ICT Replacement	310	12.7.5
Specialist Equipment – Hawth & K2 Crawley	166	12.7.5
Homelessness Acquisition	746	12.7.6
Total available for the Capital programme	27,948	
Earmarked General Fund Reserves		
Restructuring Impact	400	12.7.7
Local Development Framework	411	12.7.8
Town Centre Regeneration	251	12.7.9
EU Exit	50	12.7.10
Queens Square – future maintenance	381	12.7.11
Insurance Funds	112	12.7.12
Covid-19 Support Reserve	0	12.7.13
Waste collection	227	12.7.14
Welfare Reform	397	12.7.15
Parks Investment including Tilgate and Goffs	219	12.7.16
Parks Investment – tree maintenance	242	12.7.16
Transformation and project delivery	310	12.7.17
Garage maintenance	219	12.7.18
Cost of Living *	331	12.7.19
Other	1,513	12.7.20
Total General Fund	44,012	
HRA Reserves		
Housing Revenue Account	3,198	12.7.21
Housing Capital Investment reserve (committed)	35,034	12.7.22
Total HRA	38,232	
Total	82,244	

*The cost of living reserve is made up of transfers from -

	£
EU Exit funding	41,000
Connecting Communities	23,660
Insurance Funds	265,926
Total	330,586

12.7.1 The General Fund reserve and balance provides a source of funds to deal with: -

- Potential cash flow problems; and
- Unanticipated adverse financial impacts.

The balance on the reserve provides investment interest that is used to support the Revenue Budget.

The recommendation is to have a minimum of £3m in the General Fund Balance in the past which is 20% of the net budget. 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 £6m. 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 balance above £6m will be transferred to the Capital Programme Reserve.

- 12.7.2 In line with the Budget Strategy report the balance on the Business Rate Equalisation Reserve is projected to be £6.868m at 31 March 2023. The former Head of Corporate Finance, together with the Chief Executive and Chief Accountant recommend that the level of this reserves should not exceed £5m, and are satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term. Any balance above £5m on 31 March will be transferred to the General Fund Balance. A transfer of £1.868m is therefore forecast to be transferred.
- 12.7.2 The projected balance of usable capital receipts at the end of March 2023 is £8.635m. Usable capital receipts can only be used for capital spending. Approximately £2m of this remains available for future investment.
- 12.7.3 The capital reserve was created by transferring balances from the revenue reserve and the general fund balance. The estimated balance at the end of March is £2.885m, this reserve is committed in future years, however this was created from revenue sums and could be used for revenue purposes if approved for that by full Council. It could therefore fund items that are revenue in nature. In addition to this there is a reserve and an estimated £12.762m of 1-4-1 receipts from right to buy. There are restrictions on these 1-4-1 receipts, including that they can only make a 40% contribution towards the capital expenditure of affordable housing and shared ownership dwellings. There is also an earmarked affordable housing reserve with a balance of £565,000. The affordable housing working group monitor these reserves and the commitments and potential plans around provision of affordable housing including temporary accommodation.
- 12.7.4 There are three replacement funds; these are ICT Replacement, Specialist Equipment – Hawth & K2 Crawley, and Vehicles & Plant. The use of these funds is determined by the appropriate Cabinet member under delegated powers. Additional sums have been added to the Vehicle and Plant replacement fund to fund, in part, the purchase of refuse vehicles when the contract comes up for retendering. Also the cost of alternative fuel supply vehicles are more expensive.
- 12.7.5 The Homelessness Acquisition reserve is as a result of flexible homelessness support income. This reserve is for purchase of property for homelessness to reduce the revenue impact of bed and breakfast. Two reports have been agreed that have committed the majority of this reserve; however there is a lead in time to make the purchases, one scheme was delayed for reasons outside of the councils control.

- 12.7.7 The Restructuring Impact reserve was created in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs associated with restructuring. With a large budget gap this reserve should remain in place at this time to fund any costs.
- 12.7.8 The current balance of the Local Development Framework (Local Plan) is fully committed.
- 12.7.9 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration and economic development schemes - this reserve has several commitments against it.
- 12.7.10 Monies were received from Government for preparations for the EU exit. There is an estimated balance of £50,000 at 31st March 2023; some of this has been committed for environmental/port health staffing. Any unused reserve will be transferred to the cost of living reserve.
- 12.7.11 A commuted sum has been set aside in respect of future maintenance of Queens Square. Any expenditure would be approved by the Head of Corporate Finance in consultation with the relevant Cabinet Member.
- 12.7.12 There are a number of reserves which are earmarked for a specific purpose, e.g. Insurance. These reserves are not available to support the revenue Budget. Investment interest on these reserves is credited to the General Fund. A review of these reserves has taken place after discussions with the Council's insurer and the provisions for terrorism (£245,483.59) and Public Health Act (£20,442.66) can be released. These have been transferred to a new Cost of Living reserve (12.7.19) to fund any initiatives related to the cost of living crisis in the coming years.
- 12.7.13 The [Budget Strategy](#) to Cabinet in November 2020 FIN/508 report recommended setting up a Covid-19 Support Reserve. This reserve will be fully utilised by 31st March 2023 to offset overspends and lost income relating to the pandemic, this includes the impact of the lasting change in law at the Leisure centres.
- 12.7.14 A reserve was set up several years ago for waste collection, this was from Government grants. The monies are set aside for the existing contract, the refuse vehicles are old and any costs of repairs would be funded from this reserve. Should the reserve not be used, the balance available will be used towards the purchase of new vehicles.
- 12.7.15 The Welfare reform reserve increased at the end of the last financial year as we received new burdens monies to fund the work on business grants and isolation payments. The teams involved in this have a large backlog of work and as a result temporary fixed term staff are being funded from this reserve. Some of this reserve is ringfenced for the purchase of new benefits online service software. Others are committed towards other welfare reform related initiatives including support for discretionary housing payments.
- 12.7.16 The surplus made from Tilgate Park is ringfenced and set aside for further investments in parks, this includes Goffs Park. Section 106 monies have been received for tree maintenance as they have specific criteria for expenditure. Work is being undertaken to ensure these sums will be committed in the future.
- 12.8.17 Transformation and pump priming of new initiatives, approval for use of this reserve is by Cabinet.

- 12.7.18 Garage Maintenance – the general fund is now responsible for the garages. A sum is set aside annually for maintenance. Some years expenditure is higher than others, as a result this reserve is to smooth out the costs for the general fund.
- 12.7.19 A new Cost of Living reserve has been set up to support residents over the coming years. This has been created by transferring sums from the insurance reserve, connecting communities and EU exit funding. The balance on this reserve is £330,586.
- 12.7.20 Other reserves are several earmarked reserves of lower value, including wellbeing, Heritage Strategy and committed general fund housing reserves.
- 12.7.21 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year (31st March 2023); this is an acceptable balance.
- 12.7.22 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used for debt repayment and on future housing development programmes - this is fully committed.

Recommendation 2.2(f): to agree transfers between reserves as outlined above, this includes creating a new Cost of Living reserve.

13. Council Tax

- 13.1 The approved 2023/24 – 2027/28 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. In discussion in the January 2023 all Members seminar it is proposed to increase the Council tax in line with Government guidance by **£6.55** per annum for a Band D property which is an increase of 2.99%, this is an increase of 12.6p per week.

The Department for Levelling Up, Housing and Communities (DLUCH) issued capping guidance of the increase of 3% or £5 on a Band D, whichever is the highest.

Appendix 4 to the report gives the proposed Council Tax per band including this 2.99% increase.

In the past, Council Tax freezes had been compensated through a Government freeze grant, however this has resulted in future Council Tax income being eroded as the Council lost out on the incremental effect of the increase in the annual Council Tax.

Table 16 below shows the impact on the proposed increase in Council Tax per year and per week, it also shows the change in the number of properties in each band since last year, this shows the largest increase are in bands B – C.

Table 16

Council Tax Band	Number of properties	Change in the number of properties from last year	Proposed Council Tax (Crawley element)	Proposed Increase per year	Proposed Increase per week
			£	£	£
A	1,303	+11	150.23	4.37	0.08
B	7,602	+103	175.26	5.09	0.10
C	22,384	+167	200.30	5.82	0.11
D	9,066	+52	225.34	6.55	0.13
E	3,809	+3	275.42	8.01	0.15
F	2,314	+13	325.49	9.46	0.18
G	475	+2	375.57	10.92	0.21
H	9	+2	450.68	13.10	0.25
		353			

- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2023/24 by 4.99%, this will equate to an estimated increase of £77.79 per band D property. This includes an increase of 2% for Adult Social care responsibilities.
- 13.3 It is understood that the Sussex Police and Crime Commissioner will be increasing their share of the Council Tax by 6.67% which is an increase of £15.00 per annum. This will be confirmed at the Council meeting on 22nd February 2023. A breakdown of the Crawley Borough Council charge per Council Tax band is given at Appendix 4.
- 13.4 If the increases outlined above are agreed the overall increase in Council Tax would be 4.97% which is £99.34 on a band D property as shown below (£88.30 for a Band C).

Authority	Increase £
Crawley Borough Council	6.55
West Sussex County Council	77.79
Police and Crime Commissioner	15.00
Total	99.34

Recommendation 2.2(g): to agree that the Council's share of Council Tax for 2023/24 be increased by £6.55 - 2.99% to £225.34 for a band D property.

- 13.5 On 23rd December 2022 [correspondence](#) from the Department of Levelling Up, Housing and Communities announced £100m of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to those who are receipt of Council Tax support (formally Council Tax benefit). A grant of £183,561 was made available to 'reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25.' The guidance also allows Councils to use their remaining allocation as they see fit to support vulnerable households with council tax bills and therefore the existing Hardship Policy needs revising accordingly in order to fully utilise any remainder. It is therefore recommended that the s151 officer (in consultation with the Chief Executive and the Leader of the Council) be delegated

authority to make minor amendments to the policy. This and future minor revisions will be reported as a significant operational decision.

Recommendation 2.2(i): to approve that the S151 Officer (in consultation with the Chief Executive and Leader of the Council) be delegated authority to make minor amendments to the Hardship Policy (under Generic Delegation 7).

14. Collection Fund

14.1 Council Tax

Each year, a forecast is made of the amount of Council Tax to be collected in the following financial year. The surplus or deficit on the Collection fund is the difference between the actual amounts collected from the forecast at the beginning of the year. This year's surplus position is £1,026,412 of which £112,315 is the Council's share. Due to the significant impact on Councils due to the pandemic, the Government spread 2020/21 deficits due to non-collection over three financial years (2021/22 to 2023/24). For 2023/24, the adjustment for the Council is £33,634. The adjusted surplus for distribution in 2023/24 is therefore £78,681.

14.2 Business Rates

Section 5.4 above explains the Business Rates collection fund. Due to the business rates discounts given in the Chancellor's budget in March 2020 there was a significant deficit in the collection which was offset by the surplus in the General Fund due to the Section 31 grant being paid for these discounts together with the original amount collectable for business rates. There are corresponding repayments over the following three years (2021/22 to 2023/24).

15. National Non Domestic Rates (NNDR)

15.1 The Department for Levelling Up, Housing and Communities (DLUHC) has advised the provisional business rate multiplier for 2023/24 will be frozen (see paragraph 5.2 above):-

- i) Standard Multiplier – 51.2p per £ (51.2p in 2022/23)
- ii) Small Business Multiplier – 49.9p per £ (49.9p in 2022/23)

As set out in the [Autumn Statement](#) published on 17th November 2022, the Government has decided to freeze the business rates multiplier in 2023/24. Local Authorities will be fully compensated for this decision.

16. Implications

16.1 The high level risks to the 2023/24 Budget and how they will be managed are shown in the Appendix 5. Risk Management training has been given to managers and to Councillors by Zurich the Council's insurer. Risks on the Town Hall project are reported to the Audit Committee together with the strategic risks, some of which have financial implications. Risks are highlighted throughout the report including rising costs of homelessness, the impacts of the pandemic, water neutrality and future Local Government finance reforms. The current and unknown impacts of this on future years for both service costs including inflation, and income but especially business rates, interest rates, the impact of the economic climate, and the availability of capital resources in future years and the need to take out borrowing. In some cases these can be mitigated by a stringent approach to financial control and planning and a rigorous approach to reviewing current levels of expenditure and procurement methods.

- 16.2 It is anticipated that the Budget measures set out in this report will result in the Council's staffing establishment remaining the same, a reduction of two fixed term and growth of two posts. All reorganisations are carried out in accordance with the Council's agreed Management of Organisational Change procedure which includes full staff consultation so the exact number may change as detailed proposals are drawn up. The redeployment process is designed to maximise the opportunity for those at risk of redundancy to find alternative employment within the Council.
- 16.3 The Council is required to produce a Pay Policy Statement for each financial year in accordance with Section 38(1) of the Localism Act 2011 and must have regard to statutory guidance issued under section 40 and this will be updated annually from April each year and must be approved by The Council. The Pay Policy statement for 2023/24 is attached at Appendix 6.

This pay policy statement sets out the Council's policies relating to the pay of its workforce for the financial year 2023/24, in particular

- a) The remuneration of its Chief Officers
- b) The remuneration of its "lowest paid employees"
- c) The relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

Recommendation 2.2(h): to approve the Pay Policy Statement for 2023/2024 as outlined above and Appendix 6 of the report.

- 16.4 Financial implications are addressed throughout this report.
- 16.5 The Council Tax in England and Wales is provided for and governed by the provisions of the Local Government Finance Act 1992. Within this Act, the Council is designated as a "Billing Authority", responsible for the billing, collection and enforcement of Council Tax. The Chair of the Cabinet (The Leader of the Council), under delegated powers, has approved the calculation of the Council Tax base for the year 2023/24 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, made under Section 33(5) of the Local Government Finance Act 1992.
- 16.6 The Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority, by 31 January in the preceding year, to:
- (a) Calculate its non-domestic rates income for the relevant year;
 - (b) Calculate the amount of the central share of its non-domestic rating income for the relevant year;
 - (c) Calculate the amount of each relevant precepting authority's share of its non-domestic rating income for the relevant year; and
 - (d) Notify the Secretary of State and any relevant precepting authorities of the amounts calculated.

The Chair of the Cabinet (The Leader of the Council), has delegated powers to approve the calculation of the Non-Domestic Rating (NNDR1) for the year 2023/24.

17. Other implications

- 17.1 The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty arising under Section 149 which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share

a “protected characteristic and those who do not share that protected characteristic”. When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take account of the Equality Duty and any particular impact on the protected group. There are no specific equality implications arising from the Budget that the Council is proposing

18. Background Papers

Cabinet Reports 23 November 2022

[Budget Strategy Mid-year Review 2022 FIN/596](#)
[2022/2023 Budget Monitoring – Quarter 2 FIN//594](#)

Cabinet Reports 5 October 2022

[Proposed increase of weekly Rent to Council Owned Garages CEX/59](#)
[Budget Strategy 2023/24 – 2027/28 FIN/583](#)

Cabinet 6 July 2022

[Financial Outturn 2021/2022: Budget Monitoring – Quarter 4 FIN/572](#)
[Treasury Management Outturn for 2021/22 FIN/575](#)

Cabinet 2 February 2022

[2022/2023 Budget and Council Tax FIN/549](#)
[Treasury Management Strategy 2022/23 FIN/557](#)

Cabinet 24 November 2021

[Budget Strategy 2022/23 - 2026/27 FIN/537](#)
Unsupervised Play Investment Programme [HCS/33](#)
Town Centre District Heat Network (DHN) Phase 2 [HPS/29](#)
Climate Emergency Action Plan [PES/390](#)

Cabinet Reports 25 November 2020

[Appropriation of Garages from the HRA to the General Fund - FIN/511](#)
[Unsupervised Play Investment Programme HCS/33](#)

Cabinet 8 February 2012

2012/2013 Budget and Council Tax ([FIN/257](#)) includes the HRA borrowing

Elsewhere on this Agenda -

Treasury Management Strategy 2023/24 FIN/608

Q3 Budget Monitoring 2022/23 FIN/607

[Autumn Statement](#) published on 17th November 2022

[MHCLG Guidance on Local Government Investments \(Second Edition\)](#)

The [Provisional Local Government Finance Settlement 2023 to 2024 consultation](#)

19th December 2022 - Department of Levelling Up, Housing and Communities (DLUHC).

Contact Officer: - Paul Windust – Chief Accountant
Direct Line: - 01293 438693, paul.windust@crawley.gov.uk

Appendix 1

Budget Challenge Savings Summary

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

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

Appendix 2

GENERAL FUND REVENUE BUDGET 2023/2024 Summary of Service Requirements

2022/23		2023/24	
Revised Estimate £		Original Estimate £	Variation £
(4,521,795)	Cabinet	(3,978,540)	543,255
1,318,570	Public Protection & Community Engagement	1,370,540	51,970
4,815,540	Environmental Services & Sustainability	5,358,530	542,990
2,782,880	Housing Services	4,664,290	1,881,410
10,278,310	Wellbeing	9,896,780	(381,530)
1,829,195	Planning & Economic Development	1,950,810	121,615
457,450	Resources	(81,910)	(539,360)
(3,225,600)	Depreciation	(3,728,880)	(503,280)
700,000	Contribution to Renewals Fund	700,000	0
14,434,550	NET COST OF SERVICES	16,151,620	1,717,070
(605,924)	Interest Receivable	(1,770,579)	(1,164,655)
941,800	Interest Payable	941,800	0
14,770,426		15,322,841	552,415
(451,730)	Transfer to / (from) reserves	(261,970)	189,760
14,318,696	NET EXPENDITURE	15,060,871	742,175
	External Support		
(62,808)	Revenue Support Grant	(222,950)	(160,142)
(605,604)	New Homes Bonus	(274,900)	330,704
(272,299)	Lower Tier Services Grant	0	272,299
0	Funding Guarantee	(539,107)	(539,107)
(251,134)	Services Grant	(141,510)	109,624
	Internal Resources		
(5,236,294)	Retained Business Rates	(5,702,142)	(465,848)
(7,823,537)	Council Tax	(8,101,581)	(278,044)
(67,020)	Collection Fund (Surplus)/Deficit: - Council Tax	(78,681)	(11,661)
(14,318,696)		(15,060,871)	(742,175)

	2022/23	2023/24
Number of Band D Equivalents	35,758.2	35,952.7
Number of properties	46,609	46,962

Appendix 3

HOUSING REVENUE ACCOUNT

	Original Budget 2022/23 £'000s	Budget 2023/24 £'000s	Variation £'000s
<u>Income</u>			
Rental Income	(48,002)	(51,503)	(3,501)
Other Income	(2,635)	(1,927)	708
Interest	(305)	(315)	(10)
Total Income (a)	(50,942)	(53,745)	(2,803)
<u>Expenditure</u>			
Employees	4,165	4,538	373
Responsive Repairs	10,857	11,952	1,095
Cyclical and Planned	2,610	2,823	213
Other running Costs	1,773	1,996	223
Managed services	288	452	164
Support Services	3,096	3,096	0
Interest payable on Self Financing Debt	8,309	8,042	(267)
Total Expenditure (b)	31,098	32,899	1,801
Balance available to fund existing and future HRA capital programme (a - b) *	19,844	20,846	1,002
Total	0	0	0

*Transferred to Housing capital investment reserve

Appendix 4

COUNCIL TAX 2023/24 PER BAND CRAWLEY ELEMENT					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2023/24	2022/23
				£	£
A	6/9	Under £40,000	1,303	150.23	145.86
B	7/9	£40,000 - £52,000	7,602	175.26	170.17
C	8/9	£52,000 - £68,000	22,384	200.30	194.48
D	9/9	£68,000 - £88,000	9,066	225.34	218.79
E	11/9	£88,000 - £120,000	3,809	275.42	267.41
F	13/9	£120,000 - £160,000	2,314	325.49	316.03
G	15/9	£160,000 - £320,000	475	375.57	364.65
H	18/9	above £320,000	9	450.68	437.58
TOTAL			46,962		

Risks

Risk and Potential Impact	How Risk Will Be Managed including Probability of Occurrence
<p>1. Budget Gap future years The impact of the cost of living crisis and the pandemic on rental income, fees and charges, demands on budgets such as homelessness, benefits and Council tax reduction is not known at this stage. Reviews of Local Government finance will also impact upon future years.</p>	<p>CMT and Cabinet Members will be determining an approach to dealing with future gaps which will continued to be addressed through the Transformation Programme. There is an adequate General Fund reserve to be able to cover a shortfall in the short term, however savings will be required to be found during 2023/24 for future years due to the impact on increased homelessness and the cost of inflation. The impact of the this will be carefully monitored and reported to Councillors in the quarterly budget monitoring reports.</p>
<p>2. Interest rates (section 9 refers).</p>	<p>Investment rates are monitored daily to ensure that the Council obtains the best returns whilst achieving its objective of maintaining an appropriate balance between security, liquidity and yield and ethical. The investment income budget is reducing due to the capital commitments, it is monitored monthly</p>
<p>3. Government funding</p>	<p>The Government is to reintroduce the Fair Funding review and business rates reforms. Assumptions around these have been built into future projections however there is a high likelihood that these assumptions are not correct. There is a healthy business rates equalisation reserve to cushion impacts in the short term.</p>
<p>4. The Business Rates valuation list was updated on 1 April 2023. There is no history of appeals to calculate a provision, so there is a risk that this is over/under provided for causing a volatility in the business rates retained over the lifetime of the valuation list.</p>	<p>There is a high probability of occurrence which can be managed through the use of the business rates equalisation reserve. Non-retail businesses will see higher business rate valuations. This will result in higher bills which may result in higher arrears and write-offs of business rates.</p>
<p>5. Increase in net costs to the Council as a result of changes to demand-led budgets. Provision in the 2023/24 Budget has been based on the latest available information. For example, further economic slowdown, any further impact of leaving the EU, changes</p>	<p>Provision in the 2023/24 Budget has been based on the latest available information but there could still be a significant change in demand as a result of external factors outside the control of the Council especially the impact of the cost of living crisis. This could affect either expenditure including increased</p>

<p>in housing policy and welfare reform could mean that there are changes in demand. Also the impact on water neutrality on house building may impact future plans and budgets.</p>	<p>homelessness demands or income budgets; budgets such as the Leisure contract Investment/Commercial Properties, Housing Benefits, Council Tax Reductions, Homelessness, Car Parking and Planning Fees (which are affected by the water neutrality issue) will be monitored closely. These budgets are monitored and future projections will be adjusted. The commercialisation group will also look at maximising income.</p>
<p>6. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income. Future Capital investment will result in borrowing for future schemes.</p>	<p>Any future capital schemes would come from borrowing or use of capital receipts received in the financial year. The impact of the loss of interest has been built into the financial strategy. The cost of borrowing would be included in business cases to ensure that schemes were viable. Current costs of borrowing are high so cost benefit analysis will be required.</p>
<p>7. Failure to collect income. The Council is responsible for collecting annual income totalling over £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.</p>	<p>There will be regular monitoring of debts and performance levels. The projected shortfalls due to the cost of living crisis/pandemic have been factored into the collection fund estimates together with the Council tax base as part of this report. Crawley Homes have not seen a significant change in arrears levels due to date whereas Council tax collection levels are lower than in 2019 prior to the pandemic. However staff involved in debt collection across the council have been involved in writing a new debt management policy, this concentrates on supporting the person and helping them not get into further debt. Financial projections include contributions to provision for bad debts.</p>
<p>8. Failure to maintain budgetary and financial control.</p>	<p>Variations between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, OSC and Cabinet. All Member seminars have also been taking place to keep Members up to date on financial projections. It is inevitable that variances will occur especially in the current economic climate, it is important that any projected variances are reported promptly to the Cabinet.</p>

<p>9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget. The everyone in and the impact of the pandemic has seen significant spending on homelessness despite increased Government support. Quarter 3 monitoring elsewhere on the agenda identifies an ongoing overspend.</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2023/24 with future budgets adjusted to mitigate the impact. The increase in the capital programme to purchase properties for the homeless service will help mitigate ongoing revenue costs, however there will be increased future demand due to the severe impact that the pandemic and the cost of living crisis has had on Crawley. There are adequate General Fund reserves to be able to cover a shortfall in the short term. The housebuilding programme is assisting in mitigating this risk, however this may slow due to the water neutrality issue. The Council is lobbying government regarding homelessness and the impact on Crawley. Crawley may be impacted further by immigration as identified by the Foreign, Commonwealth and Development Office and for which the Council is lobbying government for support.</p>
<p>10. Climate Emergency Action Plan. Resources available to fund the plan.</p>	<p>Report PES/390 to Cabinet on 24 November 2021 has an ambitious action plan to meet net zero. Several actions will have significant costs to the council. Some will result in applying for support such as the Towns Fund, however all phases of the plan will need to be fully costed during feasibility and future savings may need to be sought to fund the costs associated with the plan.</p>

Crawley Borough Council Pay Policy Statement for 2023/2024

Introduction and Purpose

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 (1) of the Localism Act 2011 and the statutory guidance issued under Section 40 of the Act.

The purpose of the Statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:

- The methods by which salaries of all employees are determined.
- The detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation, and its lowest paid employees and the relationship between the remuneration of its chief officers and its employees.
- The responsibility for ensuring that the provisions set out in this Statement are applied consistently throughout the Council and that the Council gives approval for any amendments.

Key Aims

The Council is committed to the principles of equal pay for all employees and to ensuring consistency and fairness within its pay structures. The terms and conditions of the Council’s employees are in accordance with the relevant national negotiating bodies which are:

Chief Executive – Joint Negotiating Committee for Local Authority Chief Executives
Chief Officers– Joint Negotiating Committee for Chief Officers of Local Authorities, this covers Deputy Chief Executives and Heads of Service
All other staff – National Joint Council for Local Government Services.

In determining the pay and remuneration of all employees, the Council will comply with all relevant employment legislation. This includes legislation such as:

- Equality Act 2010, inclusive of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which specifies Gender Pay Gap Reporting for public bodies with 250 employees or more
- Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000.
- Agency Worker Regulations 2010(Amended 2020)
- Transfer of Undertakings (Protection of Earnings) Regulations 2006
- National Minimum Wage (Amendment) Regulations 2022

Publication

This Statement will be reviewed and prepared for each financial year then approved by Full Council, usually by the 30th March each year or at the earliest Council in the financial year for which it applies. The Statement may be adapted and/or updated by agreement at a Full Council; the Council reserves the right to review, revise, amend or replace the content of

this Statement from time to time to reflect service delivery needs and to comply with changes in legislation.

It will be published on the Council's website as soon as reasonably practicable following approval. For the 2023/2024 financial year approval will be at the Full Council meeting on 22nd February 2023. Also the policy is available annually on the website under the [Freedom of information publication scheme](#).

Key Elements of the Pay Package

A substantial pay review was undertaken in 2001/2 and the national job evaluation was adopted for all posts. This was undertaken in partnership with trade unions and was implemented successfully. Incremental pay scales were established for all posts and progression within the scales occurs annually, subject to satisfactory performance. Annual cost of living increases are negotiated nationally.

A review of the scheme was carried out in 2016 in consultation with the trade union. A further grade was created at the top of the salary scale. This was agreed in recognition of the increased level of responsibility at third tier level following a review of the Council's senior management team.

New employees will normally be appointed to the first point of the salary scale for their grade, although this can be varied where the successful candidate is currently on a point higher than the minimum of the grade of the job being recruited to.

In addition to basic pay there is a local flat rate payment entitled Crawley Allowance which is paid to all staff and is increased each year in line with the Retail Price Index.

In the latest national round of pay negotiations carried out by the National Joint Council for Local Government Services, which was negotiated in conjunction with Unison and GMB.

A review of the Council's senior management team took place in 2018. As part of that review the salary scales were revised, and these revisions removed the allowance paid to officers who carry out the statutory S151 and Monitoring Officer functions, the allowance being consumed within the revised salary. However after several unsuccessful attempts to fill the s151 officer role an additional payment of £10,000 was agreed. These roles have a deputy for these functions, and these deputies still receive an allowance.

All salary scales and the Local Pay Agreement are attached, and these include:

- Chief Officers' Salary Scale
- Staff Salary Scale
- Local Pay Agreement
- Apprenticeship Salary Scale.

Other Financial Benefits

- Discretionary reimbursement of a proportion of relocation expenses (including contribution to professional and removal fees, disturbance allowance and interim arrangements up to a maximum of £8,000)
- Recruitment Incentive Scheme for hard to recruit posts
- Payment of professional fees where they are an essential requirement of the job
- Essential and casual car user allowances at NJC rates but subject to local criteria (scheme currently under review)
- Loans for car purchase and public transport season tickets
- Free parking at the Town Hall for essential car users

- Salary sacrifice schemes for Shared cost AVC's , child care vouchers and bike to work available
- Voluntary Benefits Scheme allowing access to a range of retail discounts for staff
- Access to the Local Government Pension Scheme including local discretions
- Redundancy compensation at the rate of 2 weeks actual salary for each year of service up to a maximum of 104 weeks plus access to pension for staff over the age of 55. This will be reviewed in order to comply with the Government's proposed further reforms to exit payments when these are introduced.
- In exceptional circumstances other severance arrangements may be agreed. Any such payments will be subject to the agreement of the Chief Executive, Leader, and Head of Governance People and Performance and will be subject to the delegated powers and processes set out in the Council's Constitution. The payment will take into account the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee. In the event of the Chief Executive being the subject of the payment then the Section 151 Officer would replace the Chief Executive in the authorisation process.
- All exit payments will be subject to compliance with the Public Sector Exit Payment (Revocation) Regulation 2021.

Chief Officers are subject to the same pay arrangements as all other staff and do not receive bonuses or performance related pay. The Chief Executive is appointed as Returning Officer for Crawley. The pay for this role is determined nationally for national elections, and for local elections the scale is set jointly by the West Sussex local authorities. The Chief Executive may appoint a Deputy Returning Officer to assist with this process whose pay will be determined in the same way.

Definition and remuneration of lowest paid staff

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column point 1 for which the annual salary inclusive of Crawley Allowance is £23,196. There is a pay ratio of 1:6 between these posts and the current top point of the scale for the Chief Executive. The Council feels that this is acceptable and is well within the Government's recommended pay ratio which is 1:20. There are a small number of apprentices who spend a significant amount of their time in training and are employed on a training contract at a locally agreed rate of 60% of Scale B.

The Council recognises the importance of the living wage and is accredited by the Living Wage Foundation. All staff, apart from apprentices, are paid above the living wage rate of £10.90 per hour.

Relationship between remuneration of the Chief Executive and other employees

The Council's highest paid employee is the Chief Executive (salary £126,374). The mean average pay of employees is £29,783, so the pay ratio between this and the Chief Executive is 1:4.2.

Use of additional or one off payments

Honorarium payments - are paid to staff, for example when they carry out duties at a higher level e.g. cover for a higher graded colleague whilst they are away from the workplace.

Acting Allowance - where an employee undertakes all, or a proportion of the duties and responsibilities of a higher graded post on behalf of another in their absence for a period of four weeks or more.

Merit award - where an employee has achieved exceptional performance in their duties or conducted themselves in an exceptional manner during the course of their employment.

Payments on termination

The Council's approach to statutory and discretionary payments on termination of employment of its employees, prior to reaching normal retirement age, is covered within the Management of Organisational Change Policy, in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

The Council also has policies for the Local Government Pensions Discretions which may include additional payments on retirement. Additional or early payment of pension will only be granted if there is a demonstrable benefit to the Council to include the consideration of costs, and where approved by the Leader and Cabinet Member for the area in which the employee works.

Reemployment/re-engagement of former employees

Where an employee has left the authority on the grounds of redundancy and then seeks to be re-employed on a new contract, a period of 3 months must elapse before their application will be considered. They will have lost their entitlement to continuous service and abatement rules will apply if they are in receipt of a pension as a result of that redundancy.

Benefits Schemes

The Council believes that it has a responsibility to help support the health, wellbeing and welfare of its employees in order to ensure that they are able to perform at their best. As part of the approach, and in common with large organisations, we offer a range of initiatives including access to the Wellbeing Team, health and fitness activities and discount schemes which support the local economy.

Gender Pay Gap

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require employers with more than 250 employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. In line with legislation the Council now publishes the following information.

- Average gender pay gap as a mean average
- Average gender pay gap as a median average
- Average bonus gender pay gap as a mean average
- Average bonus gender pay gap as a median average
- Proportion of males and females receiving bonus payment
- Proportion of males and females when divided into quartiles ordered from lowest to highest pay

Natalie Brahma-Pearl
Chief Executive
February 2023

**CMT Pay scales
W.E.F 01/04/2023**

CATERGORY	TOTAL
CHIEF EXECUTIVE	£126,744.00 £123,991.00 £121,241.00 £118,486.00 £115,727.00
DEPUTY CHIEF EXECUTIVE	£110,582.00 £108,197.00 £105,813.00 £103,423.00 £101,032.00
HEAD OF SERVICE B	£79,113.00 £77,431.00 £75,752.00 £74,069.00 £72,394.00

STATUTORY RESPONSIBILITY ALLOWANCE

DEPUTY MONITORING OFFICER	£1,798.26
DEPUTY SECTION 151 OFFICER	£1,798.26

SPECIAL RESPONSIBILITY ALLOWANCE s151 OFFICER £10,000

NJC LG SERVICES SALARY SCALES FROM 1ST APR 2023

Scale	Spinal point	Annual salary
B	2	£23,749.00
C	3	£24,120.00
	4	£24,497.00
D	5	£24,883.00
	6	£25,430.00
E	7	£25,677.00
	8	£26,250.00
	9	£26,657.00
F	10	£26,928.00
	11	£27,425.00
	12	£27,804.00
	13	£28,256.00
	14	£28,717.00
G	15	£29,186.00
	16	£29,665.00
	17	£30,153.00
	18	£30,652.00
	19	£31,160.00
H	20	£31,679.00
	21	£32,208.00
	22	£32,747.00
	23	£33,459.00
I	24	£34,407.00
	25	£35,328.00
	26	£36,217.00
	27	£37,128.00
J	28	£38,031.00
	29	£38,719.00
	30	£39,606.00
K	31	£40,569.00
	32	£41,604.00
	33	£42,801.00
L	34	£43,786.00
	35	£44,804.00
	36	£45,811.00
M	37	£46,824.00
	38	£47,847.00
	39	£48,803.00
N	40	£49,857.00
	41	£50,881.00
	42	£51,895.00
O	43	£52,898.00
	44	£53,911.00
	45	£54,938.00
P	46	£55,967.00
	47	£57,004.00
	48	£58,040.00
Q	49	£59,095.00
	50	£60,173.00
	51	£61,272.00

Apprenticeship scheme salary W.E.F. 1.04.2023

Percentage of spinal point 1	Annual Salary
60%	£14,249.40
65%	£15,436.85
70%	£16,624.30
75%	£17,811.75
NMW	£19,640.11
National Living wage	£20,103.14

CBC Pricing Strategy (Implemented 1st April 2021)

Introduction

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

Statutory charges

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

For Example: Local Land Charges

Discretionary charges

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

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

Purpose of the Pricing Strategy

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

Key principles

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

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

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