

Crawley Borough Council

Report to Overview & Scrutiny Commission 27 November 2023

Report to Cabinet 29 November 2023

Budget Strategy 2024/25 – 2026/27

Report of the Head of Corporate Finance, **FIN/636**

1. Purpose

- 1.1 The Council has a statutory responsibility to set a Budget and Council Tax in advance of the commencement of the new financial year. The 2024/25 General Fund and Housing Revenue Account Budgets and the updated capital programme will be approved by Full Council in February 2024.
- 1.2 The report sets out the Budget Strategy for the period ending 2026/2027. The Council's Medium Term Financial forecast has been prepared against a background of escalating cost pressures due to a continuing increase in homelessness as well as pay and price inflation.
- 1.3 The overall objective in the past has been to work towards a balanced General Fund budget over a four year period ([FIN/583](#)). However, the continuing impact of the escalating cost of Temporary Accommodation in the current year as reported in the 2023/24 Budget Monitoring Report – Quarter 2 report (elsewhere on the agenda) requires urgent action over the next 12 to 18 months to balance the budget to more sustainable levels. Forecasting beyond 2026/27 becomes increasingly uncertain and the Budget Strategy therefore focuses on the 3 year period 2024/25 to 2026/27.
- 1.4 The Autumn Statement has been announced for 22 November 2023 but as in previous years, this is expected to be high level and any implications for Local Government will not be known until the provisional Local Government Finance Settlement 2024/25 is published in the week commencing 18 December 2023.

2. Recommendations

2.1 To the Overview & Scrutiny Commission

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

2.2 To the Cabinet

The Cabinet is asked to recommend to Full Council the approval of the Budget Strategy 2023/24 to 2026/27 and to:

- a) Approve the process for of balancing the budget over the next 12 to 18 months, including the use of reserves to balance the budget as outlined in section 8 of the report.

- b) Approve the minimum recommended General Fund Balance remains at £3m.
- c) Approve the growth items for the General Fund as outlined in sections 6.3.
- d) Approve the inclusion of new capital schemes in future budgets with the value of £652,000 as identified in section 9.2.
- e) Note the following highlights of the Budget Strategy:
 - i. that the Budget is aligned to the Council's Corporate Priorities.
 - ii. the outline 3 year forecast as shown in table 6 paragraph 6.5.
 - iii. that the current budget deficit of £1.012m for 2024/25 (section 6.5) is based on a Council tax increase of 2.99% which is £6.74. However, table 10 highlights that the gap could be higher when looking at sensitivity analysis.
 - iv. that there are uncertainties around Government funding prior to the settlement in December and the delay in Local Government Funding reforms such as business rates retention and the future of New Homes Bonus.

3. Reasons for the Recommendations

- 3.1 To agree the Council's Budget Strategy for 2024/25 to 2026/27 including the assumptions made.
- 3.3 To agree growth items and capital schemes outlined in the report.
- 3.4 The 2024/25 General Fund and Housing Revenue Account Budgets and the revised capital programme will be set by the Full Council in February 2024. The Treasury Management Strategy and Capital Strategy will be considered at the same meeting.
- 3.5 To note that until the Local Government Finance Settlement is published in December 2023 these projections are highly likely to change.

4. Background

Estimated Outturn 2023/24

- 4.1 The Council set its Revenue Budget and Capital programme for 2023/24 ([FIN/606](#)) in February 2023. The budget required the use £262k of General Fund Reserve to balance the budget. The budget for 2023/24 included an increase of £1.4m for homelessness.
- 4.2 Since the budget was set the Council's financial situation has deteriorated significantly. The 2023/24 Budget Monitoring Report – Quarter 1 ([FIN/633](#)) reported a projected service overspend of £2.885m and a net overspend of £1.891m after additional investment interest of (£994k). The reasons for the projected overspend include pay inflation and other cost pressures, which are largely offset by the increased return on investments. However, the biggest cost pressure is the increase in the cost of homelessness of £1.9m which is the main reason for the net overspend predicted at quarter 1. The second quarter budget monitoring report ([FIN/635](#)) included elsewhere on the agenda predicts a significant worsening in the service overspend of £887k to £3.772m which reduces to £2.516m after investment interest of (£1,256m). The worsening position is due to the £800k increase in the overspend for homelessness which has increased to £2.7m for the current year.

- 4.3 Interest rates have increased significantly in the current financial year and are not predicted to return to more modest levels until 2026/27 (6.6.3). The increase in interest rates combined with additional balances due to slippage in the capital programme has resulted in an estimated £1.3m of additional investment income for 2023/24. This has helped to offset some of the overspend. However, inflationary increases including the pay award become part of the base budget and investment income will decline as interest rates fall and available balances fall. The 2023/24 pay award of £1,925 (accepted November 2023) added £280k cost pressure in the current financial year.
- 4.4 The additional cost pressures are predicted to result in a net overspend of £2.516m in the current year. This would have left the General Fund Balance close to the recommended minimum balance of £3m by the end of the financial year and below minimum balance forecast for 2024/25.
- 4.5 A review of the Minimum Revenue Provision (MRP) has identified a saving of £778k in 2023/24 due to a previous voluntary overpayment. Where the Council has used borrowing (either internal or external) it is required to set aside money each year from its revenue account to make sure it can afford to repay the debt. The provision must be prudent and the Council can make a voluntary overpayment. The Council's MRP relates to the appropriation of garages from the HRA to the General Fund and technical adjustments also identify future year savings by switching the calculation to an annuity basis rather than straight line so that MRP begins lower but increases in line with income received (6.6.4).
- 4.6 A review of earmarked reserves has also commenced which identified the Cost of Living Reserve (£307k) and the Voluntary Sector Grants Reserve (£58k) as surplus to requirements and these reserves will be appropriated to the General Fund in 2023/24. The estimated closing balance for the General Fund at 31 March 2024 is £4.365m after these mitigations.
- 4.7 The Corporate Management Team have undertaken a series of budget challenge sessions with the Chief Executive and the Head of Corporate Finance, and this has resulted in £2.590m of savings in future years to help mitigate these pressures. These efficiency rounds have been effective in the past, but it is proving significantly more difficult to find savings within existing budgets without cutting services. Multiple rounds of challenge of budgets have meant that the Council has a number of vital services that lack resilience. Recruitment and retention is a strategic risk with some posts difficult to fill in a competitive market.
- 4.8 The current year financial position have a significant impact on the future year predictions. Setting a balanced budget for 2024/25 is considered challenging but achievable with the use of General Fund reserve without going below the £3m recommended minimum balance.
- 4.9 The Council's Medium Term Financial Strategy (MTFS) has been regularly updated for changing assumptions during the year and the remainder of the report is concerned with the budget forecast and the assumptions made.

5. Key Assumptions

- 5.1 The policy paper published as part of the 2023/24 Local Government Finance Settlement in December 2022 gave an indication of Government Funding levels for 2024/25 and the Council Tax thresholds (maximum levels of increase). The budget for 2024/25 is being prepared on this basis.
- 5.2 For the purposes of the development of the Council's Budget Strategy, it is assumed that the Government will simply roll-forward the 2023/24 settlement into 2024/25 adjusted for inflation. The Council uses a modelling tool provided by Pixel the

Council's advisors on Local Government funding. This sees a reduction in business rates funding in future years due to business rates reform.

5.3 Retained Business Rates

The business rates forecast has been updated for the latest assumptions. The strategy assumes that the business rate reset will not be implemented until 2026/27 at the earliest. Delay in the reset or damping mechanisms will result in a significantly better financial position than forecast from the final year of the forecast (2026/27).

5.4 Council Tax

The Council's share of a council tax band D is currently £225.34. Councillors approved an increase of 2.99% which is £6.55 when setting the budget for 2023/24. The forecast assumes that the current council tax referendum principles that limit district and borough councils to a maximum increase of 3% or no more than £5 per annum (whichever is the greater) continue. The assumption in the plan is therefore a 2.99 percent increase per annum on a Band D property over the length of the budget strategy.

Table 1 Projected increase in Council tax

	2023/24	2024/25	2025/26	2026/27
Band D Council tax	£225.34	£232.07	£239.01	£246.15
Increase	2.99%	2.99%	2.99%	2.99%

5.5 New Homes Bonus

5.5.1 The Government introduced the New Homes Bonus (NHB) in 2011 to give local authorities additional money for each new residential property created in the area. The grant was originally payable for six years, but this was subsequently reduced to four years and is now an annual award with no more legacy payments.

5.5.2 There is an additional payment of £350 for each year if the property falls into the definition of affordable housing. This additional element is paid a year in arrears. In two tier areas the District or Borough Council receives 80% of the bonus and the County Council 20%.

5.5.3 New Homes Bonus of £240k was received in the current year. This scheme was due to stop but no updates have been received on its planned replacement. The water neutrality issue will also impact on the New Homes Bonus due to the constraints on development. It is assumed that the grant continues at the same rate over the length of the forecast.

6. Budget Projections 2024/25 to 2026/27

6.1 The uncertainty around Local Government Funding and the significant increase in cost pressure has resulted in the forecast becoming increasingly volatile and unpredictable from 2027/28. The previous budget strategy ([FIN/583](#)) was to balance the budget over a four year period. However, escalation of the cost of temporary accommodation and other budget pressures has resulted in an increasing budget gap. The longer term approach to balancing the budget is no longer sufficient as reserves become depleted at an accelerated rate. The budget strategy therefore focuses on the period three year period 2024/25 to 2026/27.

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

Table 2 Budget projections including CMT Savings

	2024/25 £000's	2025/26 £000's	2026/27 £000's
Base Budget	18,947	18,333	18,673
Investment interest	(1,891)	(1,089)	(783)
MRP	65	523	544
Net Budget (A)	17,121	17,767	18,434
Funded by:			
Council Tax	8,450	8,766	9,118
New Homes Bonus	240	240	240
Retained Business Rates	6,176	6,251	4,778
Revenue Support Grant	238	246	250
Services Grant	151	156	159
Funding Guarantee	627	418	279
Total Funding (B)	15,883	16,077	14,824
Budget Gap (A-B)	1,239	1,690	3,610

- 6.2 The Council has a successful track record of reducing net expenditure by achieving significant savings or increasing income. The Council has achieved £4.74m of savings or additional income since 2019/20. During the current financial year CMT have undertaken a further challenge of budgets and have identified £236k of savings or additional income for 2024/25. This increases to £296k for 2025/26 with the introduction of a premium for a second home council tax (£60k). A breakdown of these savings is shown in the table below:

Table 3 Budget Challenge Savings

Description	Agreed £'000
Community Services Casual Staff & Operational Budgets	43
Community Services Play Vacancies	44
NASB Team Vacancy and Operational Costs	21
Corporate Finance Operational Costs	6
Maintenance Broadfield Stadium	20
Fleet Rationalisation	10
Governance, People and Performance savings	36
Environmental Health Pre-application advice	15
Bulky Waste Fees	10
Town Centre Income	15
Other Operational Costs	16
Total Savings 2024/25	236
Council Tax Premiums (2025/26)	60
Total Savings 2025/26 Onwards	296

Revenue Growth Bids

- 6.3 CMT have identified essential budget growth bids and these have been considered by the Corporate Projects Assurance Group (CPAG). Bids totalling £257k for 2024/25 (£193k in future years) have been allowed to proceed. However, it was recommended that the transfer from diesel to HVO fuel is not automatically added to the budget for 2024/25 due to budget pressures but is approved as the first reserve budget item to be implemented once the financial situation allows. The budget growth bids are summarised in the table below:

Table 4 Growth Bids

	2024/25	2025/26	2026/27
	£000's	£000's	£000's
Lone Working - Health & Safety	19	19	19
Transfer from Diesel to HVO Fuel *	49	100	100
Temporary Staffing Planning - Gatwick DCO & LPA	115		
Strategic Finance Business Partner	74	74	74
Total Growth	257	193	193

- 6.3.1 The lone working fob devices are intended to help ensure the personal safety of Council employees as they deliver service to the residents and businesses. The estimate is based on 231 users.
- 6.3.2 The current refuse fleet emit an estimated 460 tonnes of CO2 per annum. The new refuse fleet is due for delivery in January 2024. This provides the Council with the opportunity to use HVO fuel without any need for modification of the vehicle or servicing schedules. HVO fuel is a paraffinic fuel and meets EN15940 standards it can be used as an alternative to diesel fuel stock. HVO fuel is one of the cleanest fuels on the market. The renewable nature of HVO means that it produces significant improvements to CO2 with estimates ranging up to 90% reduction. This has the potential to decrease the Council's greenhouse gas emissions making a significant contribution towards the council's climate emergency plan. This bid is included as the first reserve item as explaining in 6.3 above.
- 6.3.3 Additional staff resources are required to take on the significant high-level work that the Council (Local Planning Authority LPA) will need to undertake over the coming year in order to submit robust and high-quality responses to the government regarding Gatwick's northern runway Development Consent Order (DCO) proposals. This additional capacity will also ensure that the Council is able to respond to the expected "conveyor belt" of numerous technical opinion "asks" that will be made of Crawley's LPA from the government's Planning Inspectorate during the DCO programme period, which the Council will need to formulate and respond to with a very quick turn-around period.
- 6.3.4 The extreme financial pressure that the Council is experiencing is highlighted in this report. The size of the budget gap requires the review of a significant number of highly complex and technical areas (e.g. MRP adjustment 6.6.4) in order to provide professional and timely advice to Council. It is essential to have accurate and timely budget monitoring forecasts so that the Council can take early and measured action if required. The work includes other complex areas like Business Rate Forecasting, Treasury Management and the Asset Reviews. The finance section does not have capacity to carry out this volume and complexity of work.

Further Savings

- 6.4 Additional savings have been identified. However, these require further work to be sufficiently robust for inclusion in the budget for 2024/25. The transfer from Diesel to HVO fuel is included as a saving as it is included as a reserve item (table 4 growth bids) until resources becomes available as explained in paragraph 6.3 above. The savings are identified in the table below.

Table 5 Further Savings

	2024/25 £000's	2025/26 £000's	2026/27 £000's
Grounds Maintenance HRA Recharge	180	180	180
Garage Fee Increase (7%)	140	140	140
Delays to HVO Fuel Introduction*	49	100	100
Community Services Vacancy	25	25	25
Legal Services Charges	5	5	5
Burial Fees	45	45	45
Community Centres	10	10	10
Pre Application Householder Fees	30	30	30
Total Potential Savings	484	535	535

- 6.5 The budget gap including the additional savings identified in 6.4 above is shown in the table below:

Table 6 Budget Gap including Further Savings

	2024/25 £000's	2025/26 £000's	2026/27 £000's
Gap Including Growth Bids	1,496	1,883	3,803
Potential Savings	(484)	(535)	(535)
Current Gap	1,012	1,348	3,268

The table below shows the assumptions that have been used when calculating the budget gap as outlined in Table 6 above. The assumptions are further explained in section 6.6.

Table 7 - Summary of assumptions

	2024/25	2025/26	2026/27
Pay Award	3.50%	2.50%	2.00%
Running costs	0%	0%	0%
RPI	8.90%	4.28%	2.26%
CPI	6.70%	3.54%	1.64%
Gas	2.70%	-20.00%	2.70%
Electricity	8.90%	-15.00%	2.26%
Customer receipts	7.00%	2.00%	2.00%
Tax Base change	1.00%	1.00%	1.00%

6.6.1 Homelessness

A £2m increase in the net cost of homelessness is assumed over the length of the strategy. This is below the £2.7m forecast in the quarter 2 monitoring report elsewhere on the agenda. This is because the Council is taking a proactive approach to homelessness including the acquisition of 6-9 Ifield Road and further potential acquisitions (subject to satisfactory business case). The below shows the growth in the cost of Temporary Accommodation since 2018/19:

Table 8 Growth in the cost of Temporary Accommodation

Temporary Accommodation	2018/19	2019/20	2020/24	2021/22	2022/23	2023/24
	Outturn	Outturn	Outturn	Outturn	Outturn	estimated
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	456	333	1,295	2,208	4,656	6,500
Income	(194)	(139)	(511)	(773)	(1,344)	(1,655)
Net Expenditure	262	194	784	1,435	3,312	4,845
Income Recovery *	-43%	-42%	-39%	-35%	-29%	-25%

* Income is limited in Statute to £138.46 per week, as the cost of placements increases the cost % reduces

The availability of temporary accommodation in the borough is severely limited. Potential spaces have been taken up by the four asylum contingency hotels and the Council is competing with placements from London Boroughs. The situation is exasperated by the weekly Local Housing Allowance (LHA) rates having been frozen since 2020/21. This means that whilst the marginal cost of additional units of temporary accommodation has increased significantly the proportion that can be recovered through Housing Benefit has reduced.

The Council continues to proactively lobby Government to recognise that the rising demand and cost of homelessness must be fully funded and that the current situation poses a critical risk to the Council's financial resilience as well as the Local Government sector.

6.6.2 Pay Award

Local Government pay is negotiated nationally, and the Council has no direct influence on the settlement. An assumption of 3.5% has been included for 2024/25. Pay has been inflated by a total of 4.95% because of the above budget pay award for the current year.

6.6.3 Investment Interest

An average investment rate of 4.89 % has been assumed for 2024/25, falling to 3.66% in 2025/26 and 3.05% in 2026/27. Interest rate projections will be kept under constant review during the year.

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

6.6.4 Minimum Revenue Provision (MRP)

The forecast reflects the change in the (MRP) provision resulting in a saving of £726k in 2024/25 due to a previous voluntary overpayment as explained in paragraph 4.5 above. The Council's MRP relates to the appropriation of garages from the HRA to the General Fund and technical adjustments also identify future year savings by switching

the calculation to an annuity basis rather than straight line so that MRP begins lower but increases in line with income received.

6.6.5 General Inflation

Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

6.6.6 Fees and Charges

Fees and charges were increased by a below the level of inflation of 5% (where feasible) in the current year. CPI continues to be high (6.7% September 2023). The budget gap has increased and this is not sustainable. Fees and charges have to be increased by a minimum of 7% (where feasible) as the increase in inflation has already been absorbed in costs. The CPI has reduced to 4.7% in October 2023 and this increase will need to be reflected in the budget for 2025/26. Some fees and charges may not go up as high, these will be mitigated by others with a higher increase. The average increase included in the forecast is therefore 3.5%.

Fees and charges will continue to be reviewed to ensure that they do cover the cost of service where appropriate.

6.6.7 Commercial Property Assumptions

The letting of the upper floors of the town hall is a significant income stream to the Council and can result in significant variations in income if not let or when tenants move out. The assumptions around letting the upper floors of the New Town Hall are as follows:

Table 9 Assumptions on New Town Hall lettings

Financial Year	Number of floors
2024/25	Three floors fully let
2025/26	Four floors fully let
2026/27*	Four and a half floors

**future years continue at four and a half floors. It is assumed that income from the final floor would be earmarked to cover lost income during void periods and future repairs to the shared space. The level of provision will be reviewed as part of the work to reduce the budget gap and will include the risk of other commercial properties having empty and rent free periods.*

The strategy also assumes that Ashdown House will be vacant for a period from 2024. This is to allow the building to be refurbished and a new tenant to be found. The commercial letting sector has become very volatile and difficult to predict with many organisations continuing hybrid workings and reconsidering their office space requirements. It should be noted that no allowance has been made in the capital forecast for any additional expenditure and the situation will be kept under review as part of the budget process for 2024/25.

6.6.8 The Environment Act passed into legislation in November 2021. The latest update following from the Simpler Recycling Consultation, received October 2023, confirmed that reforms do not have to be in place for households until April 2026. This includes the mandatory collection of food waste on a weekly basis. There will be flexibility over the number of bins that the Council has to provide (no more than 3 bins with an option

for an additional bin for garden waste). The Council will be able to continue to charge for garden waste collection.

The update from the Government confirmed that New Burden's Funding for the net cost of the proposed changes would be made available, however there is no information at this time on how any funding mechanisms will work and whether the funding is sufficient to cover the costs of the proposals. Further updates will be provided as more information becomes available. The forecast contains a provision of £250k for additional costs pressures from 2026/27 (based on estimates obtained by consultants in 2022/23).

6.6.9 Sensitivity Analysis

The forecast is based on best assumptions that are continually reviewed. The table below shows the budget gap when some key variables are remodelled. For example, the forecast budget gap for 2024/25 would increase to £1.181m (from £1.012m) with an additional 1% pay award.

Table 10 – Sensitivity Analysis

	2024/25	2025/26	2026/27
	5	6	7
	£000's	£000's	£000's
Budget Gap	1,012	1,348	3,268
Budget Gap with:			
An increase in pay by 1% in 24/25	1,181	1,523	3,447
Pay Increase by 1% less in 24/25	842	1,172	3,089
One additional floor let of the Create Building in 24/25	612	1,348	3,268
One fewer floor let of the Create Building in 24/25	1,412	1,348	3,268

Because of the level of uncertainty there is a requirement for the minimum balance of the general fund to remain at £3m (see 7.1 below).

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

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

As referred to above the Council's income streams are likely to continue to be impacted by any longer-term downturn in the economy. The cash flow and budgetary impact on the council is likely to be significant. There continues to be a growing gap between funding and service pressures, driven by demographic change, unfunded burdens such as net zero. This places additional pressures on council services.

7. Reserves

The work to review the Council's reserves in order to identify any reserves that may be used to support a potentially worsening financial situation in the current and future years has started. It should be noted that the use of reserves is only a short term solution and not sustainable as once reserves are depleted there is only limited opportunity to increase revenue reserves. The budget 2024/25 report will provide members with an update on reserves.

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

7.1 General Fund Reserve

The General Fund balance was £6.0m at the start of the financial year. The original budget for 2023/24 required a drawdown of £262k from the reserve resulting in a closing balance of £5.738m. However, the overspend of £1.373m (£2.516m before mitigations) results in an estimated drawdown from reserves of £1.635m as projected in the Quarter 2 monitoring report elsewhere on the agenda. The forecast for 2026/27 includes an assumption on the business rates reset which is not certain and would be subject to damping mechanisms if implemented. Further updates will be provided once information becomes available. The Forecast General Fund Balance is shown in the table below:

Table 11 Projected General Fund Balance 2023/24 to 2026/27

General Fund	Original Budget	Current Budget	Forecast table 6	Forecast table 6	Forecast table 6
	2023/24 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Opening Balance	6,000	6,000	4,365	3,353	2,005
Draw down from reserve	262	1,635	1,012	1,348	3,268
Closing Balance	5,738	4,365	3,353	2,005	(1,263)

The net budget for the current financial year before the use of reserves is £15.3m. The recommendation is to continue to have a minimum of £3.0m which is 20% of the net budget. **This is level of General Fund Reserve is considered to be adequate in the current financial climate.**

7.2 Earmarked Reserves

Earmarked reserves will continue to be reviewed in order to identify those that no longer required or longer align with the Council's priorities in order to free up resources to support higher priorities and budget pressures if required. The outcome of these reviews will be the subject of future update reports.

8. Budget Process and Savings Strategy

8.1 The proposed strategy to balance the budget over the next 12 months to 18 months is:

1. To continue the budget challenge process to identify permanent savings.
2. To continue the Asset Review (9.4) to identify assets that do not deliver income or where increased income is achievable. The review will include lease reviews with the objective of optimising income. Where the review identifies an asset that does not fulfil its intended purpose or value for money consideration must be given to an exit strategy for that asset including disposal
3. To continue the review of reserves (7.2) including renewals funds to determine appropriate levels and to free up resources to support higher level priority projects and to support the General Fund if required.

4. To review Capital programme (9.3) to ensure that it remains affordable and aligned to the Council's priorities. This review will include capital reserves and the financing of the capital programme to ensure the most effective use of limited resources.
5. Identify additional income opportunities through the commercialisation agenda. Where possible ensure that discretionary service is self-financing.
6. Continue with thematic reviews identified as part of the Transformation Plan and carry out service reviews to improve services and drive future efficiencies. These reviews are in early stages and will be reported to future Overview and Scrutiny and/or Cabinet meetings.

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

9. Capital Funding

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

The Capital Strategy will be reported to Overview and Scrutiny Commission, Cabinet and Full Council in January and February 2024 within the Treasury Management Strategy which will address these borrowing requirements.

9.2 Capital resources are extremely limited. Any additional capital investment is likely to require borrowing which will have consequences on future revenue budgets. Capital bids were reported to the Corporate Projects Assurance Group (CPAG) and presented to the all member finance seminar held on 8 November 2023. The capital bids are summarised in the table below:

Capital Bids	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000
Watercourse bank stabilisation and maintenance	200	85	85		370
Little Trees Extension feasibility study	125	125	0		250
Infrastructure for implementation of HVO Fuel for the Waste & Recycling Vehicle Fleet *	32				32
Hawth Auditorium Carpet	80				80
Discretionary Repair and Renovation Loans	15	15	15	15	60
Total Capital gross expenditure	452	225	100	15	792
Less Funding	(95)	(15)	(15)	(15)	(140)
Balance to be funded from borrowing	357	210	85	0	652

9.3 The capital programme will be reviewed to ensure that it remains affordable and aligned with the Council's priorities.

Asset Review

- 9.4 The budget strategy also needs to consider the Council's asset holdings. It is important that the Council understands how the asset base supports the delivery of corporate priorities and service delivery. A corporate asset review has commenced with the aim of assessing performance (which assets do not deliver income or where increased income is achievable). The review will also cover the cost of holding an asset and whether the Council can afford to hold the asset; lease renewals and rent reviews (potential to optimise income); and assets let at less than best consideration. Where the review identifies an asset that does not fulfil its intended purpose or value for money consideration must be given to an exit strategy for that asset.

10. Housing Revenue Account

- 10.1 This report is not concerned with the HRA as it has its own 30 year plan which is regularly reviewed. This takes both revenue and capital budget projections and shows resources available for future investment in housing. The HRA 30 year plan will be reported to Full Council during 2024/25.
- 10.2 The HRA is also facing cost pressures with an estimated overspend of £1.1m as reported in the 2023/24 Budget Monitoring – Quarter 2 report elsewhere on the agenda. However, the HRA is not under the same level of strain as the General Fund making significant annual surpluses (£19m current year).
- 10.3 The new Social Housing Act and Building Safety Act has substantially increased the regulatory requirements for social housing providers, including regulatory inspection every four years. Demand for Crawley Homes repairs services has increased significantly. This relates to national campaigns concerning the fitness of social housing stock (including damp and mould). The Housing regulator has stipulated that councils must know their stock and that it must meet regulatory standards. The last stock condition survey was completed in 2011. In order to meet these requirements growth is required in both the planned maintenance and responsive repairs teams. A report will be presented to Cabinet on 10 January 2024 providing details of the HRA growth bid for £399k.
- 10.4 There are continuing delays in building programmes due to the water neutrality issue and the need to provide offsets.

11. Risk Management

- 11.1 The key risks for the Council highlighted in this report is the future funding provided by the Government for both revenue and capital spending.
- 11.2 There remains a significant risk that the £2m increase in net expenditure on homelessness for 2024/25 is insufficient and that demand and costs continue to increase and that the Council's proactive approach does not decrease the overall cost (6.6.1). The forecast does not make allowance for homelessness arising out of the Chagossian British Overseas Territories Citizens and asylum dispersal issues as it is assumed that this will be met with New Burdens Funding. This poses significant risk to the financial resilience of the Council.
- 11.3 There will also be costs associated with the Climate Emergency Action Plan that will have to be factored into future budgets.
- 11.4 There remains a great deal of uncertainty regarding the timing and implications of reforms including the Fair Funding review and the outcome of the Spending Review.

12. Background Papers

[2023/2024 Budget and Council Tax FIN/606](#)

[Treasury Management Strategy 2023/2024 FIN/608](#)

[Financial Outturn 2022/23: Budget Monitoring – Quarter 4 FIN/623](#)

[Treasury Management Outturn 2022/2023 FIN/624](#)

[2023/24 Budget Monitoring Quarter 1 FIN/633](#)

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