

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 5 February 2018

## Report to Cabinet 7 February 2018

### 2018/19 Budget and Council Tax

Report of the Head of Finance, Revenues and Benefits - **FIN/434**

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#### 1. Purpose

- 1.1 The Council has a statutory responsibility to set a Council Tax and 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 2017 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 2018-2019 taking into account 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 2018/19 Budget:**

- (a) **to approve the proposed 2018/19 General Fund Budget including savings and growth as set out in section 6 and Appendix 1 and Appendix 2 of the report,**
- (b) **to approve the proposed 2018/19 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) **to approve the 2017/18 to 2020/21 Capital Programme and funding as set out in paragraph 11.4 of the report,**
- (d) **to agree that the Council's share of Council Tax for 2018/19 be increased by 2.55% from £194.04 to £198.99 for a band D property as set out in paragraphs 5.5.1 and 13.3,**
- (e) **to approve the Pay Policy Statement for 2018/2019 as outlined in paragraph 16.3 and Appendix 6 of the report.**

### **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 2018/19 General Fund and Housing Revenue Account Budgets and the 2020/21 Capital Programme will be approved by Council in February 2018. This will be informed by the recommendations of the Budget Advisory Group, and take into account the savings and income generation achieved through the refreshed transformation programme led by the Corporate Management Team with increased focus on looking at income generation.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are 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 a 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 2008/09. In common with all authorities there have been significant reductions in Government grant, reductions that will continue in the coming years with no Revenue Support Grant being received from the financial year 2020/21. Income from investments has fallen due to low interest rates, although there was a small increase in the autumn of 2017 and at the same time inflation has increased.
- 4.4 The Council's approach has been to seek 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 and generating new sources of income. The 2018/19 - 2022/23 Budget Strategy was approved by the Cabinet on 6<sup>th</sup> September 2017 and Council on 18<sup>th</sup> October 2018, Minute 10 refers. The Strategy was based on a number of key assumptions:
- Annual Government grant reductions based on the four year settlement offer.
  - Work to keep Council Tax increases low without compromising local services,
  - An average investment rate of 0.55% for 2018/19 increasing to 0.75% for 2019/20, 1.00% for 2020/21, 1.25% for 2021/22 and 1.75% for 2022/23,
  - A 1% pay award for the financial years 2018/19 and 2019/20, increasing to 1.5% in 2020/21 and 2.0% in future years,
  - An inflation provision of 3.0% for contract expenditure in 2018/19, 3.5% in 2019/20, 3.6% in 2020/21 and 3.2% in future years with no inflation allowance for general running expenses,
  - An assumed increase in business rates income of 2.5% in 2018/19 to 2019/20 decreasing to 2% for the following years,
  - An overall increase in fees and charges of 2%.
- 4.6 The Budget Strategy approved working towards balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus. This will be important as the Town Hall project progresses as there will be loss of interest

on investments and interest payable on loans before the floors of the New Town Hall are commercially let.

A budget gap of £84,000 was identified in the Budget Strategy, this assumed a £4.95 increase in a Band D Council tax for 2018/19.

4.7 There have been some significant changes since the Budget Strategy was approved including:

- Increased cost of pay, on 5<sup>th</sup> December 2017 Council employees were offered a two-year pay increase from 1 April 2018. The majority of employees - those on salaries starting at £19,430 per annum - would receive an uplift of 2% on 1 April 2018 (£184,000) and a further 2 per cent on 1 April 2019, with those on lower salaries receiving higher increases. This offer excludes chief officers.
- Increase in interest rates (announced on 2<sup>nd</sup> November 2017) and a review of phasing on the capital programme which impacts on interest rate projections together with a projected further rate increase in quarter 3 of 2018/19.
- Changes to New Homes Bonus, both positive and negative
- Reduced direct Government grants (Housing Benefit admin)
- Additional efficiencies, savings and income identified

4.8 The Table below summarises the changes between the approved Budget Strategy and the proposed 2018/19 Budget. Further details are provided in section 5 of the report.

	£000's	Paragraph
September Cabinet Gap per budget strategy	84	4.6
Impact of pay award changes	184	4.7
Business rates	171	5.2
Council tax less than projected due to fewer Band D properties than projected	25	5.5.1
New Homes Bonus – number of new properties less than previously projected	50	5.5.2
New Homes Bonus anticipated increase in 'top slice' not taken in Local Government settlement	-120	5.5.2
Additional investment interest	-340	5.5.3
Additional costs of elections	34	5.5.4
Reduced housing benefit admin grant	38	5.5.5
Revenue implications of capital programme	-40	5.5.6
Efficiencies identified as part of the budget setting process	-45	5.5.7
2018/19 Savings and efficiencies reported to the Budget Advisory group	-350	5.5.7 & 6.4
2018/19 Growth	302	6.5
Other - minor	7	
<b>Total (balanced budget)</b>	<b>0</b>	

## 5. Analysis

- 5.1 The Government announced its Spending Review in November 2015. A Statement to the House of Commons on 17 Dec 2015 said “a guaranteed budget to every council which desires one and which can demonstrate efficiency savings – for next year, and for every year of this Parliament.”

The four year Settlement figures provided by the DCLG are shown below, this however does not guarantee the future of specific grants including Housing Benefits and New Homes Bonus.

The four year settlement shows grant reductions as below.

	2016/17	2017/18	2018/19	2019/20
Revenue Support Grant	£1.76m	£1.04m	£0.57m	£0.06m
Percentage reduction	-32.35%	-41.64%	-44.54%	-89.72%

In 2019/20 the Council will receive £59,107 in Revenue Support Grant with the assumption of no further grant in the following years although there is the possibility of going into negative RSG.

The Government determines the amount of grant it will provide to the Council and the basis on which the estimated amount of business rates the Council will retain are determined.

The following Table sets this out in terms of the ‘Settlement Funding Assessment Elements’ for 2018/19, these figures are the draft Settlement details. The percentage change relates to the change compared with 2017/18.

	Revenue Support Grant	Business Rates	Total
	£	£	£
Start Up Assessment 2017/18	1,036,391	3,402,011	4,438,402
Provisional Start Up Assessment 2018/19	574,754	3,504,218	4,078,972
<b>Change in year</b>	<b>-461,637</b>	<b>102,207</b>	<b>-359,430</b>
<b>Percentage Change</b>	<b>- 44.54%</b>		

## 5.2 Retained Business Rates

Although the Council will collect in excess of £119 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.

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%).

Projected non-domestic rates income	£119,956,782
Government share	-£59,978,391
West Sussex County Council share	-£11,995,678
Crawley Borough Council share (before tariff & levy)	<u>£47,982,713</u>

The projected retained rates amount for 2018/19 is set out in the table below. A levy will apply if the forecast is correct.

	£
Council's share of non-domestic rates income	47,982,713
Tariff	-40,650,525
Levy	-2,197,390
Safety net	0
Sub total	<u>5,134,798</u>
Additional rates due to renewable energy at K2 Crawley	4,800
S31 Grants	719,664
Sub Total	<u>5,859,262</u>
Surplus in current financial year	166,148
Transfer to the Business Rates Equalisation reserve	-865,403
<b>Total</b>	<u><b>5,160,007</b></u>

5.3 There is budgeted income of £719,664 in respect of Section 31 Grants, this is to reimburse the Council for business rate reliefs, including small business rate 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 incurred by it.

5.4 It should be noted that there is significant potential volatility in business rates income, for economic, practical and technical reasons. It is possible that the final amount retained by the Council in 2018/19 will vary by several hundred thousand pounds from the current estimate. A business rates equalisation reserve has been established to assist in the management of these swings. There is a budgeted transfer to this reserve of £865,403 in 2018/19 shown above. In the last financial year business rates collection overachieved the budgeted position; because of the Government's rules this negatively impacted on the outturn position and resulted in a transfer from the business rates equalisation reserve in the current financial year.

5.5 The following paragraphs identify changes since the Budget Strategy report.

#### 5.5.1 Council Tax

The Budget Advisory Group agreed to recommend to Cabinet an increase in Council Tax of **£4.95** per annum for a Band D property, this is an increase of 2.55%.

The Department of Communities and Local Government (DCLG) gave capping guidance of the increase of 3% or £5 on a Band D, whichever is the highest.

Appendix 4 gives the proposed Council Tax per band including this 2.55% 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.

The Table 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 A – C.

Appendix 4 gives the total number of properties in each Council Tax band.

Council Tax Band	Change in the number of properties from last year	Proposed Council Tax (Crawley element)	Proposed Increase per year	Proposed Increase per week
		£	£	£
A	66	132.66	3.30	0.06
B	159	154.77	3.85	0.07
C	202	176.88	4.40	0.08
D	48	198.99	4.95	0.09
E	14	243.21	6.05	0.12
F	18	287.43	7.15	0.14
G	-4	331.65	8.25	0.16
H	0	397.98	9.90	0.19
	<b>503</b>			

As a result of net increases in the number of properties in Crawley, the 2018/19 Council Tax base has changed. The number of properties has increased by 503, however the majority of these properties are in Council Tax Band A-C; this has resulted in £25,000 less Council Tax income than projected in the September Budget Strategy report to Cabinet.

#### 5.5.2 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 DCLG for the number of new properties it reports to the Valuation Office. For each dwelling the total payment is

£1,590.55 (of which West Sussex County (WSCC) receives £318.11 and Crawley Borough Council £1,272.44) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSCC receives £70. As with paragraph 5.5.1 above, the number of Band D properties was less than anticipated in the budget strategy. From 2017-18 the Government introduced a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid reflecting a percentage of housing that would have been built anyway (deadweight).

The budget strategy assumed that this top slice would be increased; when the financial settlement was announced it remained at 0.4% so the New Homes Bonus for 2018/19 is (£120,000) higher than estimated and is £1,467,303.

#### 5.5.3 **Increased Investment Interest**

Interest projections have increased as a result of the Bank of England decision on 2<sup>nd</sup> November 2017 to increase the base rate to 0.50%, section 9 below has further information on investment interest.

#### 5.5.4 **Increased costs of Local Election**

The May 2018 Borough elections will not be combined with any national or other elections. When elections are combined, the cost elements such as staffing, poll cards, postal votes and hire of premises are shared. For the last 10 years all Borough elections have been combined, which has halved the cost of these elements but May 2018 the Borough will need to fund the full amount.

#### 5.5.5 **Reduced Housing Benefit Admin Grant**

Notification of grants for Housing benefits were announced in January 2018, these were later than anticipated. This is £38,000 less than previously estimated.

#### 5.5.6 **Additional income from capital spend to save**

As a result of capital investment recommended by the Budget Advisory Group – see section 11 below will result in additional rental income of £39,690 per annum for the Open House moving on accommodation.

#### 5.5.7 **Review of budgets as part of the budget setting process**

With the introduction of the new financial management software Collaborative Planning, managers now have more management information and control over their budgets. As a result they have been able to identify savings and increased income as part of the budget setting process. In addition savings have been identified during the year, these are shown in Appendix 1.

## 6. **2018/19 General Fund Budget**

- 6.1 Details of the proposed 2018/19 Budget are set out in Appendix 2 and is summarised in the Table below:

<b>2018/19 General Fund Budget</b>	<b>£'000s</b>
Net Cost of Services (see table below 6.2)	14,980
Investment Income	-848
Transfer to/from Reserves	0
<b>Net Expenditure</b>	<b>14,132</b>
<b>Funded by</b>	

Revenue Support Grant		575
New Homes Bonus		1,467
Council Tax		6,862
Collection Fund surplus – Council Tax		68
 Total Retained Business Rates (5.2)	5,859	
Surplus in current year (5.2)	166	
Transfer to Business Rates Equalisation Reserve	<u>-865</u>	5,160
 <b>Total</b>		<b>14,132</b>

6.2 Estimated service expenditure is summarised in the table below:

<b>2018/19 Budget – Service Expenditure</b>	
<b>Portfolio</b>	<b>£'000s</b>
Cabinet	1,263
Public Protection and Community Engagement	1,658
Resources	1,285
Environmental Services & Sustainability	5,882
Housing Services	2,589
Wellbeing	8,314
Planning & Economic Development	(2,815)
Depreciation	(3,596)
Contribution to Renewals Funds	400
<b>Net Cost of Services</b>	<b>14,980</b>

6.3 The report of the Budget Advisory Group (BAG) Chair is attached at Appendix 1.

6.4 The table below summarises the efficiencies, savings and additional income included in the 2018/19 Budget with £0.695m identified:

<b>Efficiencies, additional income and savings</b>	<b>2018/19 £'000s</b>
Identified in Budget Strategy	300
Reported to the Budget Advisory Group (Appendix 1)	350
Identified as part of budget setting (5.5.7)	45
<b>Total identified</b>	<b>695</b>



- 6.5 The BAG are recommending to Cabinet the approval of the growth items shown in the table below

Item	General Fund £	HRA £
Greater Brighton Economic Board – annual contribution	17,500	
Housing Repairs Call Centre Team Leaders – contractor customer service staff brought in house		71,100
Hostels officer – to deal with faster turnaround times		37,700
Lifeline Administrator to allow staff to be more customer facing		25,200
NASB caseworker to help deal with more complex case levels	14,800	22,900
Senior Parking officer (80% funded from West Sussex County Council and additional cost will be offset by PCN income)	7,500	0
Events – to continue with Town Centre events programme which has previously been funded from the Town Centre Regeneration reserve (now fully committed)	70,000	0
Shrub beds ( a three year initiative) to renovate up to 2,250 Borough wide shrubs	100,000	0
ICT senior management funding to deal with the increasing complex demands on the IT service	85,000	0
Procurement team – apprentice (part funded as procurement is a shared service with Horsham and Mid Sussex District Councils – Crawley is the lead authority)	7,000	0
<b>Total</b>	<b>301,800</b>	<b>156,900</b>

**Recommendation 2.2 (a): to approve the proposed 2018/19 General Fund Budget including the savings and growth proposals as set out above and Appendix 1 and 2.**

## 7. 2019/20 Budget Projections

- 7.1 The Budget Strategy for 2019/20 to 2023/24 is scheduled to be considered at the June 2018 Cabinet. The table below summarises the 2019/20 Budget projections based on the following headline assumptions:

- A 2.4% increase in Council Tax.
- Average investment rate of 0.90%
- An inflation provision of 2.6% for contract expenditure with no allowance for general running expenses.
- A pay award of 2.0%.
- An overall increase in fees and charges of 2%.

**These assumptions will be amended when the outcome of the Historic England review which will be decided by the Department of Culture, Media and Sport on listing the Town Hall is known together with the value of the tenders for the K2 Crawley contract; updated projections will be brought to a future Cabinet with these projections.**

	2019/20 £'000s
Base Budget	15,466
Investment interest	-711
Net Budget	14,755
Funded by:	
Council Tax	-7,048
Retained Business Rates	-5,628
Formula Grant	-59
New Homes Bonus	-1,411
<b>Indicative Budget Gap</b>	<b>609</b>

The main changes between years are itemised below

	2018/19 £000's	2019/20 £000's	<b>Change £000's</b>
New Homes Bonus	1,468	1,411	<b>57</b>
Revenue Support Grant	575	59	<b>516</b>
Inflation provision	-	-	<b>321</b>
Reduced investment income	883	711	<b>172</b>
Increased retained business rates	5,112	5,629	<b>-517</b>
Other - various	-	-	<b>60</b>
			<b>609</b>

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduce waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income.

## **8. Fees & Charges**

- 8.1 The Budget Strategy assumes a general increase in fees and charges of 2%. 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 2%. This has not been possible in some cases due to having to set commercially

attractive prices. A schedule of all fees and charges is available on the website and a copy has been left in the Members' Room.

## **9. Investment Income**

- 9.1 Interest on investments provides a significant source of funding for the Council. For the 2018/19 Budget, it represents 5.7% of the Net Cost of Services. 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 2018/19 is projected at 0.81%. Most of the longer term investments at higher interest rates have now matured, so the projection now more closely matches the lower interest rates available in the market.
- 9.3 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2018/19 Budget is based on the following assumptions:
- Average yield of 0.80% for new internal investments.
  - 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 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 2018/19 and any projected variances will be highlighted in budget monitoring reports.
- 9.5 Further information on the investments can be found in the Treasury Management Strategy 2018/19 which can be found elsewhere on the agenda.
- 9.6 Included in Appendix 5 is an identification that the volatility of interest rates is a key risk associated with the 2018/19 Budget and the medium term Budget strategy.

## **10. Spending Plans – Council House Service – Revenue**

- 10.1 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2017/18 budget and 2018/19 budget are as follows.
- 10.2 The Portfolio holder for housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. However, in the Housing and Planning Act, the Government has required social housing providers to reduce their rents by at least 1% and the Cabinet member has therefore opted for a 1% reduction which equates to nearly £420,000 reduction in income which is partly offset by additional income from new dwellings giving a net reduction in income of £55,000.
- 10.3 Interest projections reflect the capital programme for the HRA together with the increased interest rate as shown in section 9.

- 10.4 The responsive repairs budget includes an allowance for inflation on the contract.
- 10.5 Cyclical and Planned costs have reduced in 2018/19, the painting programmed in year will be less than the current financial year, in addition there are savings of £276,000 due to the systems thinking review of the service.
- 10.6 The budget includes the growth items recommended by the Budget Advisory group of £156,900 as identified in paragraph 6.5 above and Appendix 1.
- 10.7 The capital programme as outlined in section 11 below and in Appendix 3 (i) is funded from HRA resources, HRA capital reserves and 1-4-1 Right to Buy receipts.

**Recommendation 2.2 (b) to approve the proposed 2018/19 Housing Revenue Account Budget as set out above and Appendix 3 of the report.**

## **11. Capital Programme**

- 11.1 The September 2017 Budget Strategy report approved 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. Appendix 1 sets out the recommendations of the Budget Advisory Group.

**The recommended Capital programme is shown in the following Table.**

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>Total £'000</b>
Hawth replacement lighting and sound desk	31	28		59
Climbing Wall enhancement / replacement	180		140	320
Orchard Street Multi Storey Car park	135	190		325
Memorial Gardens play improvements	170			170
IT Future projects	350			350
Open House moving on accommodation	945	15		960
Shrub Bed removal (Van, digger and chipper)	62			62
<b>Total</b>	<b>1,873</b>	<b>233</b>	<b>140</b>	<b>2,246</b>

- 11.2 The proposed programme of £2.246m is incorporated into the financial projections contained in other sections in this report and the revenue implications built into the budget for 2018/19 and into the budget strategy for future years. **In addition £2m will be drawn down for costs associated with the demolition of the Town Hall and associated professional costs. Once the outcome of the decision by Historic England is known the capital programme will be revised and reported to a future cabinet meeting together with a revised Treasury Management Strategy.**
- 11.3 The approved HRA Budget is included as amended in the report to the Budget Advisory Group. A schedule of the Crawley Homes capital programme is given in Appendix 3 (i). The HRA Investment priorities were approved at Cabinet on 10 October 2012, together with the Affordable Housing delivery programme budget approvals which was approved by Cabinet on 2<sup>nd</sup> December 2015 CH/167.

#### 11.4 2017/18 to 2020/21 Capital Programme

The table below sets out the proposed capital programme and funding for 2018/19 to 2021/22 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report.

	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda)</b>	<b>26,809</b>	<b>68,411</b>	<b>49,216</b>	<b>0</b>	<b>144,436</b>
Housing Programmed repairs Adjustment to the Budget Required (Appendix 3(i))		60	-800	9,030	8,290
Town Hall – prelims (para 11.2)		2,000			2,000
<u>New Schemes</u>					
Hawth replacement lighting and sound desk		31	28		59
Climbing Wall enhancement / replacement		180		140	320
Orchard Street Multi Storey Car park		135	190		325
Memorial Gardens play improvements		170			170
IT Future projects		350			350
Open House moving on accommodation		945	15		960
Shrub Bed removal		62			62
<b>TOTAL</b>	<b>26,809</b>	<b>72,344</b>	<b>48,649</b>	<b>9,170</b>	<b>156,972</b>

<b>Funded by -</b>					
Capital Receipts	4,883	14,894	5,874	40	25,691
Capital Reserve	25	0	0	0	25
1-4-1 Receipts	3,183	12,895	9,110	0	25,188
HRA revenue contribution	17,074	42,134	33,471	9,030	101,709
Section 106 contributions	283	327	94	0	704
Lottery/external funding	590	1,421	0	0	2,011
Revenue – replacement fund	191	259	100	100	650
Better care fund (formally DFG's)*	580	414	0	0	994
<b>TOTAL</b>	<b>26,809</b>	<b>72,344</b>	<b>48,649</b>	<b>9,170</b>	<b>156,972</b>

\* Disabled Facilities Grant budget will be adjusted once notification of the Better Care Fund allocations are known.

**Recommendation 2.2 (c): to approve the 2017/18 to 2020/21 capital programme and funding as set out above.**

## **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.

12.2 The Budget Strategy 2018/19-2022/23 was approved by the Council on 18<sup>th</sup> October 2017. Key objectives of the Strategy are:

- Work towards a balanced Budget over a three 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 Members and the Budget Advisory Group.
- 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.

12.3 These objectives have been met. To date the Council has responded well to the financial challenges of recent years. It has produced balanced Budgets, with transfers to reserves in both 2015/16 and 2016/17 in respect of general fund services, and maintained front-line services. The challenges will become more demanding in future years.

The Local Government finance settlement was announced on 19<sup>th</sup> December 2017, at that time the Government also included a formal consultation on a review of relative needs and resources known as a 'fair funding review'; the aim of implementing a new system in 2020/21 this **will** result in changes to the amount of business rates that we retain, however the outcome will not be known for some time.

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 may need to use reserves during the construction stage of the Town Hall development and before the upper floors of the building are commercially let.

12.4 In compiling the 2018/19 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 and additional income as identified in paragraph 5.5.7 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 the Homelessness Reduction Act 2017, benefits payments and the impact of universal credit, development control fees and Council Tax Reduction payments. There is also volatility in income streams that are affected by external factors such as investment and business rates income. For such budgets, the latest information has been used to calculate the Budget.

- 12.6 There is a risk that the economic outlook will continue to be depressed in the public sector 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 welfare reforms and the unknown impacts of the decision to leave the EU. 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 included in the Members information bulletin. 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 2018/19 Budget preparation. The Table below summarises the estimated level of reserves available for 2018/19:

	Estimated Available Balance at 31/3/18 £'000s	Paragraph
<b>General Fund Reserves</b>		
General Fund Reserve / Balance	4,000	12.7.2
Business Rates Equalisation reserve	3,368	12.7.2
Usable Capital Receipts	26,246	12.7.3
Capital Reserve	6,035	12.7.4
Acquisition reserve	5,000	12.7.4
1-4-1 Receipts	14,605	12.7.4
Restructuring Impact	650	12.7.5
Housing & Planning Delivery Grant/LDF	422	12.7.6
Vehicles & Plant	272	12.7.7
ICT Replacement	193	12.7.7
Specialist Equipment – Hawth & K2 Crawley	0	12.7.7
Town Centre Regeneration	157	12.7.8
Other	1,241	12.7.9
<b>Total General Fund</b>	<b>62,189</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,198	12.7.10
Housing Capital Investment reserve (committed)	25,616	12.7.11
<b>Total HRA</b>	<b>28,814</b>	
<b>Total</b>	<b>91,003</b>	

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.

- 12.7.2 In line with the Budget Strategy report the balance on this reserve will be £4m at 31 March 2018. The Head of Finance Revenues and Benefits is satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term. This may result in using reserves as the Council is continuing to review service provision through the refreshed transformation programme at the same time looking at maximising income generating opportunities. In addition a £3.4m reserve for business rates equalisation will be available to absorb the volatility of business rates income. There is a provision in this budget to top this back up during 2018/19. When this reserve exceeds £5m a transfer will be made to the capital programme reserve.
- 12.7.3 The projected balance of usable capital receipts at the end of March 2018 is £26.246m. Usable capital receipts can only be used for capital spending.
- 12.7.4 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 £6.035m. A separate reserve for Investment acquisitions has been established of £5m. In addition to this there is a reserve and an estimated £14.605m 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 30% contribution towards affordable housing capital expenditure and cannot be used for intermediate tenure such as shared equity or shared ownership.
- 12.7.5 The Restructuring Impact reserve was created as part of the 2008/09 Budget in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs associated with restructuring.
- 12.7.6 The balance of the Local Development Framework has commitments and will be fully spent over the next three years.
- 12.7.7 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.
- 12.7.8 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 is now fully committed.
- 12.7.9 There are a number of reserves which are earmarked for a specific purpose, e.g. Risk Management and Insurance. These reserves are not available to support the revenue Budget. Investment interest on these reserves is credited to the General Fund.
- 12.7.10 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year, this is an acceptable balance.
- 12.7.11 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used on future housing development programmes - this is fully committed.



### **13. Council Tax**

- 13.1 The 2018/19 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the advice of the Budget Advisory Group It is proposed to increase the Council tax by £4.95 per annum for a Band D property which is an increase of 2.55%, this is an increase of 9.4p per week.
- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2018/19 by 4.95%, this will equate to an estimated increase of £62.19 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 7.80% which is an increase of £12.00 per annum. This will be confirmed at the Council meeting on 21 February. A breakdown of the Crawley Borough Council charge per Council Tax band is given at Appendix 4.

**Recommendation 2.2(d): to agree that the Council's share of Council Tax for 2018/19 be increased by 2.55% to £198.99 for a band D property.**

### **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 £564,036 of which £68,253 is the Council's share.
- 14.2 Business Rates  
In a similar manner, the overall estimated deficit in relation to Business Rates is £415,371 of which £166,148 is the Council's share (this sum will form part of the sum to be transferred from the Business Rates Equalisation reserve).

### **15. National Non Domestic Rates (NNDR)**

- 15.1 The Department for Communities and Local Government has advised the provisional business rate multiplier for 2018/19 is as follows (see section 5.2 above):-
- i) Standard Multiplier – 49.3p per £ (47.9p in 2017/18)
  - ii) Small Business Multiplier – 48.0p per £ (46.6p in 2017/18)
- 15.2 Copies of this report have been circulated to representatives of the business community for their comments.

### **16. Implications**

- 16.1 The high level risks to the 2018/19 Budget and how they will be managed are shown in the Appendix 5. If the Town Hall project does go ahead the financial implications of this will impact more on the financial years 2019/20 and 2020/21. Risks on the Town Hall project are reported to the Audit committee. Risks are highlighted

throughout the report including interest rates, the impact of the economic climate, ensuring planned savings are achieved, 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 increase the Council's staffing establishment by 7.22 Full time equivalent (FTE's) 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 in accordance with Section 38(1) of the Localism Act 2011 and statutory guidance and this will be updated annually from April each year. The policy statement for 2018/19 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 2018/19, 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(e): to approve the Pay Policy statement for 2018/2019 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, under delegated powers, has approved the calculation of the Council Tax base for the year 2018/19 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, under delegated powers, has approved the calculation of the Non-Domestic Rating for the year 2018/19.

## **17. Other implications**

The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty 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 8 February 2017

- 2018/2018 Budget and Council Tax FIN/401
- Treasury Management Strategy 2017/18 FIN/404

### Cabinet Reports 28 June 2017

- Financial Outturn 2016/2017 FIN/411
- Treasury Management Outturn 2016/2017 FIN/412

### Cabinet Reports 6th September 2017

- Enc B – 2017/2018 Budget Monitoring – Quarter 1 FIN/418
- Enc 1 – Budget Strategy 2018/19 – 2022/23 FIN/417

### 2017/2018 Budget Monitoring – Quarter 2 FIN/427

Elsewhere on this Agenda -  
Treasury Management Strategy 2018/19 FIN/433  
2017/18 Budget Monitoring Quarter 3 FIN/431

### Efficiency Statement

Contact Officer: - Karen Hayes  
Direct Line: - 01293 438263

## Report of the Budget Advisory Group

The Group has had two meetings, the first to update on the financial position, the second considered growth and the capital programme proposals put forward by Portfolio Holders and officers. It has been able to raise questions on these proposals and receive further information where requested.

### Revenue Savings

A number of savings have already been identified mainly as a result of the refreshed Transformation programme and a review of budgets during the budget setting process. These have been or will be implemented. These savings are shown in the Table below.

	£	
<b>Items identified as part of the budget monitoring process</b>		
Asset management – restructure	30,900	Retirement has resulted in the opportunity to review the service 0.78 of a post deleted
Additional commercial property income – asset management team	30,000	Due to rent reviews there is additional income
Print service review	14,000	The saving is £21,000, of this £14,000 is general fund and £7,000 HRA
Print – running costs	19,300	
Transformation – staffing	38,000	Deletion of a vacant post
Environmental Health – budget review	31,700	
Facilities team – short review	17,000	
<b>Other</b>		
Crawley Town football club lease review	20,000	
K2 Crawley Gym extension	18,500	Additional income over previously projected
Local Development framework works funded from the LDF reserve	47,000	The reserve listed in paragraph 12.7 will be used and then the budget reinstated in 2020/21
Challenge of budgets during budget setting process	84,000	Various budgets
<b>Total</b>	<b>350,400</b>	

The Group was asked to note these savings

### Proposed Council Tax increase

The Group was asked to consider what level of Council Tax increase they may want to recommend that Cabinet consider for 2018/19. As discussed at the last Budget Advisory Group Districts and Boroughs have been given the option to increase to as much as £5 or 3% for a Band D property.

The group agreed to recommend to Cabinet an increase of 2.55% which is a **£4.95** increase per annum (9p per week)

### **General Fund Revenue Growth Items**

The group considered growth items for both the Housing Revenue Account and the General fund. The majority of the Group supported the bid for the Greater Brighton Economic Board. All other bids in the table below were agreed unanimously the Group recommended that Cabinet considered these growth bids.

Item	General Fund	HRA
Greater Brighton Economic Board – Council agreed to join the GBEB at their meeting on 18 <sup>th</sup> October 2017.	17,500	
Housing Repairs Call Centre Team Leaders – to provide one contact centre to allocate work to the correct contractor, this will result in more service resilience		71,100
Hostels officer – Crawley Homes to deal with the increase in hostel lettings due to quicker turn-around times for homeless households		37,700
Lifeline Administrator – a temporary role has been in place, this has enabled the lifeline posts to spend more time on customer facing work and has improved efficiency of the service from a customer perspective		25,200
NASB caseworker – to improve capacity within the team so that the team can deal with proactive work rather than just reactive	14,800	22,900
Senior Parking officer (80% funded from parking and additional cost will be offset by PCN income)	7,500	0
Events – Town centre events have been funded from the Town Centre regeneration reserve, this is now fully committed. The purpose of events is to increase footfall in the Town Centre, promote community engagement, generate income in our facilities and satisfy conditions of the Heritage Lottery Fund grant in Worth Park	70,000	0
Shrub beds ( a three year initiative) – a team to deal with up to 2,250 shrub beds with priority to beds causing the biggest problems and creating the greatest dissatisfaction.	100,000	0
ICT senior management – a more specialist, strategic ICT Head of Service is required to move the organisation forward	85,000	0
Procurement team - apprentice	7,000	0
<b>Total</b>	<b>301,800</b>	<b>156,900</b>

**Crawley Homes Capital programme**

The Group considered the 3 year capital budgets for Crawley Homes which is refreshed on an annual basis.

The Group noted these revisions.

**General Fund Capital Programme**

The Group considered seven capital bids, this included a variant bid for the climbing wall at K2 Crawley.

The BAG are recommending that Cabinet approves all seven of the bids including option C2 (a) the climbing wall enhancement at K2 Crawley.

<b>Proposed HRA Programmed Repairs / Major Works budget</b>			
	<b>Proposed 3 Year Plan</b>		
<b>Key Element</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Capitalisation of Repairs	0	0	0
Electrical Test / Rewires	1,200,000	1,200,000	1,200,000
Roofing	600,000	600,000	600,000
Windows / Doors	500,000	300,000	300,000
Structural Works	100,000	80,000	80,000
Renovations Refurbishment	50,000	200,000	200,000
Insulation (Cavity, loft, sound)	250,000	250,000	250,000
Kitchens	850,000	850,000	850,000
Bathrooms	550,000	550,000	550,000
Common Areas	20,000	20,000	20,000
Adaptations For The Disabled	300,000	300,000	300,000
Sheltered Schemes	120,000	100,000	100,000
Boilers / Heating	1,800,000	1,000,000	1,000,000
Disabled Adaptations	950,000	950,000	950,000
Legionella	20,000	50,000	50,000
Energy Efficiency Work (LED emergency lighting)	80,000	80,000	80,000
External, environmental work	100,000	100,000	100,000
Intercom Upgrade	50,000	50,000	50,000
Major Insulation, Energy Efficiency	1,800,000	1,800,000	1,800,000
Hostels	500,000	250,000	250,000
Major Renovation, Flats, Blocks etc.	100,000	100,000	100,000
Garages	200,000	200,000	200,000
<b>Total Planned work</b>	<b>10,140,000</b>	<b>9,030,000</b>	<b>9,030,000</b>
Currently in the capital programme	10,080,000	9,830,000	0
Change required to the capital programme	60,000	-800,000	9,030,000

## Appendix 2

### GENERAL FUND REVENUE BUDGET 2018/2019 Summary of Service Requirements

2017/18		2018/19	
Original Estimate £		Draft Estimate £	Variation £
1,434,962	Cabinet	1,262,530	(172,432)
1,594,651	Public Protection & Community Engagement	1,658,900	64,249
1,129,277	Resources	1,284,740	155,463
5,917,429	Environmental Services & Sustainability	5,882,299	(35,130)
3,131,165	Housing Services	2,588,560	(542,605)
7,098,263	Wellbeing	8,313,771	1,215,508
(2,560,645)	Planning & Economic Development	(2,814,610)	(253,965)
(3,425,160)	Depreciation	(3,595,600)	(170,440)
400,000	Contribution to Renewals Fund	400,000	0
14,719,942	<b>NET COST OF SERVICES</b>	14,980,590	260,648
(645,011)	Interest on Balances	(848,222)	(203,211)
14,074,931		14,132,368	57,437
0	Transfer to / from ( ) reserves	0	0
<b>14,074,931</b>	<b>NET EXPENDITURE</b>	<b>14,132,368</b>	<b>57,437</b>
	<b>External Support</b>		
(1,036,391)	Revenue Support Grant	(574,754)	(461,637)
(1,431,861)	New Homes Bonus	(1,467,303)	35,442
	<b>Internal Resources</b>		
(4,982,571)	Total Retained Business Rates	(5,160,007)	177,436
(6,576,695)	Council Tax	(6,862,051)	285,356
(47,413)	Collection Fund Surplus	(68,253)	20,840
<b>(14,074,931)</b>		<b>(14,132,368)</b>	<b>57,437</b>

	2017/18	2018/19
Number of Band D Equivalents	33,893.5	34,484.4
Number of properties	44,151	44,654



## Appendix 3

### HOUSING REVENUE ACCOUNT

	<b>Original Budget 2017/18</b>	<b>Budget 2018/19</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b><u>Income</u></b>			
Rental Income	(44,708)	(44,653)	55
Other Income	(2,113)	(2,080)	33
Interest	(79)	(209)	(130)
<b>Total Income (a)</b>	<b>(46,900)</b>	<b>(46,942)</b>	<b>(42)</b>
<b><u>Expenditure</u></b>			
Employees	3,510	3,647	137
Responsive Repairs	8,083	8,249	166
Cyclical and Planned	2,800	2,236	(564)
Other running Costs	1,898	1,848	(50)
Managed services	328	436	108
Support Services	2,650	2,673	23
<b>Interest payable on Self Financing Debt</b>	<b>8,309</b>	<b>8,309</b>	<b>0</b>
<b>Total Expenditure (b)</b>	<b>27,577</b>	<b>27,398</b>	<b>(179)</b>
<b>Balance available to fund existing and future HRA capital programme (a - b) *</b>	<b>19,323</b>	<b>19,544</b>	<b>221</b>
<b>Total</b>	<b>46,900</b>	<b>46,942</b>	<b>42</b>

\*Transferred to Housing capital investment reserve

## Appendix 3 (i)

### HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

	2018/19	2019/20	2020/21
	£000's	£000's	£000's
Total Investment needed excluding Future Developments as Appendix 1 (i)	10,140	9,030	9,030
HRA Improvements Slippage identified at Q3	2,104		
Other HRA investment schemes			
College Car Park affordable housing	10,260	9,000	
Purchase of properties	1,000	2,680	
151 London Road	250		
Kilnmead	3,714	1,669	
Southern Counties housing	4,766		
Telford Place Development	5,636	6,266	
Woolborough Road Northgate	1,217	555	
Goffs Park (Depot Site)	5,195	1,436	
83-87 Three Bridges Road	2,251	103	
Dobbins Place	1,283	225	
Barnfield Road	355		
Forgewood	4,618	10,917	
257/259 Ifield Road	940	300	
Prelims	100	400	
<b>Total Future Developments</b>	<b>41,585</b>	<b>33,551</b>	<b>9,030</b>
<b>Total Investment Required including Future Developments</b>	<b>53,829</b>	<b>42,581</b>	<b>9,030</b>

## Appendix 4

COUNCIL TAX 2018/19 PER BAND CRAWLEY ELEMENT					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2018/19	2017/18
				£	£
A	6/9	Under £40,000	1,157	132.66	129.36
B	7/9	£40,000 - £52,000	6,972	154.77	150.92
C	8/9	£52,000 - £68,000	21,507	176.88	172.48
D	9/9	£68,000 - £88,000	8,580	198.99	194.04
E	11/9	£88,000 - £120,000	3,754	243.21	237.16
F	13/9	£120,000 - £160,000	2,214	287.43	280.28
G	15/9	£160,000 - £320,000	461	331.65	323.40
H	18/9	above £320,000	9	397.98	388.08
<b>TOTAL</b>			<b>44,654</b>		

## Risks

Risk and Potential Impact	How Risk Will Be Managed including Probability of Occurrence
<p>1. Budget Gap future years As outlined in the report, a budget gap of £0.6m has been projected for 2019/20. This is an early projection and the actual gap could be larger. Unless this gap is addressed it could threaten the medium-term financial strategy.</p>	<p>CMT and Members will be determining an approach to dealing with this gap which will be 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.</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 monitored monthly. If rates rise when we are in a borrowing position this will impact on the return on the Town Hall investment.</p>
<p>3. New Homes Bonus</p>	<p>Further changes to the scheme may reduce the income receivable in future years. The government has left it open to amend the baseline, and there is an option to also reduce the payment in relation to the number of planning appeals that are overturned.</p>
<p>4. The Business Rates valuation list was updated on 1 April 2017. 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.</p>
<p>5. Increase in net costs to the Council as a result of changes to demand-led budgets. Provision in the 2018/19 Budget has been based on the latest available information. For example, an economic slowdown, changes in housing policy and welfare reform could mean that there are changes in demand</p>	<p>Provision in the 2018/19 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. This could affect either expenditure or income budgets; budgets such as Commercial Properties, Housing Benefits, Council Tax Reductions, Homelessness, Car Parking and Planning Fees will be monitored closely. The Council has sufficient reserves to cover unexpected overspendings.</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. Town Hall investment will result in borrowing for future investments.</p>	<p>A review of available capital resources will be undertaken as part of the July Budget Strategy report; the report will also consider the required level of investment income to support the revenue budget. It will be important to generate new capital receipts to fund future capital programmes. A future treasury management strategy will consider impacts of borrowing should the Town Hall project progress</p>
<p>7. Failure to collect income. The Council is responsible for collecting annual income totalling almost £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 Council has good collection rates for Council Tax, NNDR and Housing Rents; these are the most significant areas of income. The welfare reforms will have an impact on Crawley Homes' rental income. This has been reflected in the HRA budgets</p>
<p>8. Failure to maintain budgetary and financial control.</p>	<p>Variances 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, the Cabinet and through the Members Information Bulletin. It is inevitable that variances will occur but 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 impact of the Homelessness Reduction Act 2018 is not known.</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2018/19 with future budgets adjusted to mitigate the impact. There is an adequate General Fund reserve to be able to cover a shortfall in the short term.</p>
<p>10. Impact of Housing and Planning Act on the HRA 30 year plan</p>	<p>High value assets sale – the detail is not yet available as this has been postponed and a revised date has not been issued. There is uncertainty as to when this will happen, there are pilots taking place for Right to Buy for tenants with Registered Social Landlords, these are being funded by the Government. Future investment plans will be adjusted to take the impact into consideration the impact once we know the details.</p>
<p>11. The Impact of the decision to leave the EU; there are lots of unknowns around demands on services and income budgets, also Government</p>	<p>The impact of the implications of the decision will be closely monitored and changes will be made to forecasts which will be reported to CMT and to</p>

priorities beyond 2020 once the four year Settlement Financial is over .	Members through Cabinet and the Members Information Bulletin.
12. Fair Funding Review	The government are currently consulting on the approach to measuring the relative needs of local authorities with a view to amend how resources are allocated between them. This will result in a new baseline funding allocation in 2020/21.
13. Retained business rates review	The aim with this is to make local authorities self-sufficient, but there would be passing of risk from central government to local authorities. The Settlement announced that local share would increase from 50% to 75% and would include a transfer of public health and other grants. The impact of this is not yet known.
14. Roll out of Universal Credit	Universal credit will be rolled out to new claimants of benefits later in 2018. Evidence has shown that this has impacted on arrears in pilot areas. We will work with tenants to assist them in managing their rent account and signpost them to funds and advice available.

### Crawley Borough Council Pay Policy Statement for 2018/19

#### Introduction

The Council is committed to a fair, equitable and transparent pay policy which recognises and rewards good performance at all levels in the organisation. The terms and conditions of Council 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 Executive & Heads of Service)
All other staff	National Joint Council for Local Government Services

#### Key Elements of the Pay Package

The most significant element of the pay and benefit package is basic pay. A substantial pay review was undertaken in 2001/2, and the national scheme for job evaluation was adopted for all posts. This was undertaken in partnership with the trade unions, and was implemented successfully. Incremental pay scales were established for all posts, including Chief Officers, as part of this process. Progress within the scales occurs annually, subject to satisfactory performance. Annual cost of living increases are negotiated nationally.

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 RPI.

Enhanced rates for scales A-E were also agreed locally in 2011/12 following the Chancellor of the Exchequer's commitment to low paid staff in the 2010 Autumn Budget Statement.

A local pay agreement was implemented in October 2013 for all Community Services staff to ensure consistent payment of allowances for evening, weekend and bank holiday working.

A review of senior management took place at the end of 2014/15 which led to the deletion of Director posts. The salary scales for these roles were deleted. A new post of Deputy Chief Executive was created and a locally agreed grade was created for this role. The details are shown in the attached salary scales.

A review of the Job Evaluation Scheme was carried out in 2016 in consultation with the trade union. A further grade was created at the top of the staff salary scale. This was agreed in recognition of the increased level of responsibility at third tier management level following the review of senior management in 2014/15.

New employees will normally be appointed to the first point of the salary scale for their grade. There is discretion to increase this within the scale where the candidate is currently earning a higher salary or operating at a level commensurate with a higher salary.

The Section 151 Officer, the Monitoring Officer and their deputies are also paid locally agreed allowances which are increased in line with national pay awards.

All salary scales and the Local Pay Agreement are attached.

- Chief Officers salary scale
- Staff salary scale
- Local Pay Agreement
- Apprenticeships 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
- Loans for car purchase and public transport season tickets
- Free parking at the Town Hall for essential car users
- Salary sacrifice schemes for child care vouchers and bike to work available
- Voluntary Benefits scheme allowing access to a range of retail discounts for all 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, Cabinet Member for Resources and Head of Legal and Democratic Services. 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 proposed Public Sector Exit Payment Regulations when these are introduced.

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.

### **Lowest Paid Employees**

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column point 6 for which the annual salary inclusive of Crawley Allowance is £19,284\*. 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 A.

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 £8.75 per hour.



## **Re-employment**

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.

## **Relationship between remuneration of Chief Executive and other employees**

The median average salary of employees is £24907 per annum. The pay ratio between this and the Chief Executive's salary is 1:4.7

Any changes to the pay policy will be subject to agreement by Cabinet and Council. An updated pay policy statement will be issued each year.

## **Gender Pay Gap**

The government have introduced a requirement for all employers of 250 employees or more to report on the gender pay gap. The first report must be published before 30<sup>th</sup> April 2018. The Council already reports on this data and our pay gap for all staff in 2016/17 was 1.6%. The national figure for all workers is 18.01%.

**Lucasta Grayson**  
**Head of People & Technology**

**11th January 2018**

\*This salary will take effect from 1.4.18 subject to confirmation of the national pay offer which is pending at the point of writing this policy.

**CMT Pay scales  
W.E.F 01/04/17**

CATEGORY	TOTAL
<b>CHIEF EXECUTIVE</b>	£114,508 £111,972 £109,438 £106,898 £104,355
<b>DEPUTY CHIEF EXECUTIVE</b>	£99,613 £97,415 £95,219 £93,016 £90,812
<b>HEAD OF SERVICE A</b> FINANCE, REVS & BENS LEGAL & DEMOCRATIC SERVICES	£66,244 £64,787 £63,342 £61,884 £60,432
<b>HEAD OF SERVICE B</b> ECONOMIC & ENVIRONMENTAL SERVICES COMMUNITY SERVICES STRATEGIC HOUSING & PLANNING SERVICES CRAWLEY HOMES PARTNERSHIP SERVICES PEOPLE & TECHNOLOGY	£70,611 £69,061 £67,514 £65,963 £64,418

**STATUTORY RESPONSIBILITY ALLOWANCE**

SECTION 151 OFFICER	£3,249.62
MONITORING OFFICER	£3,249.62
DEPUTY MONITORING OFFICER	£1,624.81
DEPUTY SECTION 151 OFFICER	£1,624.81

**SCALES FROM 1ST April 2018 including £2,620 Crawley Allowance**

Scale	Spinal point	Annual salary
B	6	£19,284
	7	£19,385
	8	£19,516
	9	£19,645
C	10	£19,753
	11	£19,897
	12	£20,063
	13	£20,281
D	14	£20,571
	15	£20,862
	16	£21,209
	17	£21,562
E	18	£21,760
	19	£22,336
	20	£22,709
	21	£23,431
F	22	£23,694
	23	£24,313
	24	£25,021
	25	£25,731
G	26	£26,486
	27	£27,277
	28	£28,083
	29	£29,090
H	30	£29,978
	31	£30,841
	32	£31,675
	33	£32,529
I	34	£33,376
	35	£34,021
	36	£34,853
	37	£35,756
J	38	£36,726
	39	£37,849
	40	£38,773
	41	£39,727
K	42	£40,672
	43	£41,622
	44	£42,581
	45	£43,478
L	46	£44,466
	47	£45,426
	48	£46,377
	49	£47,317
M	50	£48,268
	51	£49,231
	52	£50,195
	53	£51,168
N	54	£52,140
	55	£53,129
	56	£54,140
	57	£55,170

**Apprenticeship scheme salary W.E.F. 1.04.2018**

Percentage of spinal point 6	Annual Salary
60%	£11,570.40
65%	£12,534.60
70%	£13,498.80
75%	£14,463.00
NMW	£14,238.11
National Living wage	£15,106.29