

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 8 February 2016

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### Report to Cabinet 10 February 2016

## 2016/17 Budget and Council Tax

Report of the Head of Finance, Revenues and Benefits, **FIN/380**

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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 2015 the Council continued to review its spending plans and considered options to amend spending to meet new priorities. This report sets the Budget and level of Council Tax for the year 2016-2017 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 2016/17 budget:**

- (a) To approve the proposed 2016/17 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 2016/17 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) To approve the 2015/16 to 2018/19 Capital Programme and funding as set out in paragraph 11.5 of the report,**
- (d) To agree that the Council's share of Council Tax for 2016/17 be increased by 0.77% from £187.83 to £189.27 for a band D property as set out in paragraphs 5.5.1 and 13.3,**
- (e) To approve the Pay Policy statement for 2016/2017 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 2016/17 General Fund and Housing Revenue Account Budgets and the 2018/19 Capital Programme will be set by Council in February 2016. This will be informed by the recommendations of the Budget Advisory Group, and take into account the savings and income generation achieved through the 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 based on the latest estimates. Income from investments has fallen due to low interest rates. At the same time the costs of demand led services, such as homelessness and benefits payments, have 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.
- 4.5 The 2016/17–2020/21 Budget Strategy was approved by the Cabinet in September 2015. The Strategy was based on a number of key assumptions:
- Annual Government grant reductions (formula funding) of 40.00% in 2016/17 40% in 2017/18 and 2018/19 then 30% thereafter.
  - A Council Tax increase not above inflation,
  - An average investment rate of 1.22% for 2016/17 increasing to 1.85% for 2017/18, 2.35% for 2018/19, 3.10% for 2019/20 and 3.50% for 2020/21,
  - A 1% pay award for the financial years 2016/17 to 2019/20, increasing to 2% in 2020/21,
  - An inflation provision of 1.5% for contract expenditure in 2016/17, 2.2% in 2017/18 and 3.0% for 2018/19 increasing to 3.1% for the following years with no inflation allowance for general running expenses,
  - An overall increase in fees and charges of 2%.
- 4.6 Based on these assumptions; a Budget gap of £214,000 was identified in the Budget Strategy. This was in addition to the £19,000 savings already approved for 2016/17 by Council in February 2015.
- 4.7 There have been some significant changes since the Budget Strategy was approved including:

- Impact of Comprehensive Spending Review and Local Government Settlement,
- Changes in income projections
- Efficiencies achieved
- Revised Business Rates forecasts

In future years

- Reduced Benefits Admin grant
- Increased pension contributions
- Changes in investment interest projections

4.8 The table below summarises the changes between the approved Budget Strategy and the proposed 2016/17 Budget. Further details are provided in section 5 of the report

	£'000s	Paragraph
Sept Cabinet Budget Gap	(214)	
Revenue Support Grant more than budgeted	201	5.2
Council Tax Base/Surplus	62	5.5.1
Increased New Homes Bonus	60	5.5.2
Reduced Court Cost income	(50)	5.5.3
Additional income from car parking	100	5.5.4
Reduced costs of inflation	54	5.5.5
Changes to business rates projections	71	5.5.7
2016/17 Savings	225	See
2016/17 Growth	(60)	Section 6.4
Other minor variations (various)	(17)	
<b>Surplus</b>	<b>432</b>	

## 5. Analysis

5.1 The Government announced its Spending Review 25<sup>th</sup> November 2015 which was followed by the Local Government Finance Settlement for 2016/17 which was issued on 17<sup>th</sup> December 2015.

The key messages from these included –

- New Homes Bonus (NHB) would be protected for 2016/17 however payments were likely to be reduced from 6 to 4 years as per a consultation document on the future of NHB.
- Council Tax freeze grant would cease to be paid for 2016/17.
- Council Tax increases to be capped at 2% for Council's that do not have adult social care responsibilities.

- Revenue Support Grant (RSG) to be phased out and replaced with 100% business rates retention by 2020/21. The system of top-ups and tariffs which redistribute revenues between local authorities to be retained.
- DCLG will consult on changes to the Local Government finance system to take into account the main resources that are currently available to Councils, additional responsibilities will be devolved to local authorities, empowering them to drive local economic growth. This will include transferring responsibility for funding the administration of Housing Benefits for pensioners.
- That the system will look at rebalancing support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including Council Tax and business rates.

A Statement to House of Commons on 17 December 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.”

Details of this efficiency statement are still awaited, however the provisional four year figures provided by the DCLG as part of the settlement are included in the future year projections, this however does not guarantee the future of specific grants including housing benefits.

The Government determines the amount of grant it will provide 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 2016/17, these figures are the draft Settlement details. The percentage change relates to the change compared with 2015/16.

	Revenue Support Grant	Business Rates	Total
	£	£	£
Start Up Assessment 2015/16	2,625,069	3,306,392	5,931,461
Provisional Start Up Assessment 2016/17	1,775,734	3,333,946	5,109,679
<b>Change in year</b>	<b>-849,335</b>	<b>27,554</b>	<b>-821,781</b>
<b>Percentage Change</b>	<b>- 32.35%</b>	<b>0.83%</b>	<b>- 13.85%</b>

This represents a 3.1% reduction in ‘spending power’, the second largest reduction of all West Sussex Councils.

- 5.2 Assuming that the figures are confirmed in the final settlement, the Council will receive the RSG of £1,775,734 indicating a reduction in the RSG element for 2016/17 of 32.35%. The assumption in the Budget Strategy was for a 40.00% reduction.
- 5.3 The amount of RSG received by the Council will be determined annually by the Government. The Government’s fiscal plans mean that the amount will continue to decrease over the next few years with no grant in 2020/21. Initial indications as part of the draft four year settlement show grant reductions as below.

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Provisional RSG	£1.76m	£1.04m	£0.57m	£0.06m
Percentage reduction	-32.35%	-41.64%	-44.54%	-89.72%

In 2019/20 provisional figures are that we will receive £59,107 in Revenue Support Grant with the assumption of no further grant in the following years.

- 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 2016/17 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.
- 5.5 As detailed in paragraph 4.8 above, a surplus of £432,000 has been achieved. The Budget strategy identified a gap of £214,000. One factor in closing that gap has been the identification of savings in excess of £0.2 million. The following paragraphs identify other factors.

5.5.1 Council Tax

This budget includes an increase in Council tax of £1.44 per Band D property, this is an increase of 0.77%. The Budget Strategy assumed that any increase in Council Tax would not be above inflation, the RPI figure for September was 0.8%.

As a result of net increases in the number of properties in Crawley, the 2016/17 Council Tax base has changed. This has resulted in additional income of £39,000 compared to the Budget Strategy in September. In addition, the Council will receive a share of the Collection Fund surplus in 2016/17 of £71,337 (see paragraph 14.1 - £48,000 of which was previously estimated).

5.5.2 New Homes Bonus

The Council receives direct payment from the Department of Communities and Local Government (DCLG) for the number of new properties we report to the valuation office. For each dwelling the total payment is £1,484 (of which the County receives £297) with an additional £350 for affordable housing of which the County receives £70.

The New Homes Bonus that Crawley Borough Council will be received in 2016/17 is £1,880,562. This is made up of agreed annual sums based on housing growth in year, these sums will be received annually for 6 years.

The final year of the first payment of £477,006 in respect of 2011/12, the first year of the scheme will be paid in 2016/17.

In 2016/17 £1,880,562 will be received in New Homes Bonus, this is made up of the following previously notified sums (shown in the first column of the table below). The remaining columns formed part of the projections in the Budget Strategy.

New Homes Bonus Allocation				
	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
2011/12	477,006			
2012/13	454,600	454,600		
2013/14	210,944	210,944	210,944	
2014/15	174,226	174,226	174,226	174,226
2015/16	256,643	256,643	256,643	256,643
2016/17	307,143	307,143	307,143	307,143
2017/18		250,000	250,000	250,000
2018/19			250,000	250,000
2019/20				250,000
	<b>1,880,562</b>	<b>1,653,556</b>	<b>1,448,956</b>	<b>1,488,012</b>

Future years a prudent figure had been included as the scheme was to be reviewed

The Government consultation "[sharpening the incentive](#)" on NHB has been launched.

The options floated include: withholding the Bonus from areas where an authority does not have a Local Plan in place; abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal; and adjusting the Bonus to reflect estimates of deadweight; this is where building would have taken place even if there had not been an incentive.

The consultation also sets out proposals for reductions in the number of years for which the Bonus is paid from the current six years to four years. There is also consideration of moving to further reduce payments to 3 or 2 years.

There would be a phasing to move to the 4 years from 6, this however will be retrospective and therefore affect previous assumptions and agreed amounts already approved by the DCLG, this could remove the highlighted amounts in the table above.

With the 'deadweight' we may be adversely affected due to factors outside of our control, once Forge Wood is substantially built out, there will be far more limited housebuilding in Crawley – simply because we have no more space. This fact has been accepted by our Local Plan Inspector, it does not mean we do not support new housebuilding, rather that we have no more space for any more (because we have positively supported growth within Crawley in the past). We will receive a much reduced New Homes Bonus in the future, especially if the proposed "deadweight" amount is introduced.

The decision by the Government to continue with the existing NHB scheme in 2016/17 is welcome until such time as the consultation on 'sharpening the incentive' is complete. The consultation closes on 10<sup>th</sup> March 2016 and the Council will make a response.

The table below shows revised New Homes Bonus based on the **consultation 'preferred option'** (page 18 of the consultation document). The impact of the preferred option is to remove the highlighted items above and to reduce the value of payments in future years for the 'deadweight'. The highlighted amounts are based on assumed growth in the local plan as adjusted for a provision for 'deadweight', based on the DCLG modelling at a national level.

New Homes Bonus Allocation				
	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
2011/12	477,006			
2012/13	454,600			
2013/14	210,944	210,944		
2014/15	174,226	174,226		
2015/16	256,643	256,643	256,643	
2016/17	307,143	307,143	307,143	307,143
2017/18		295,000	295,000	295,000
2018/19			200,000	200,000
2019/20				175,000
	<b>1,880,562</b>	<b>1,243,956</b>	<b>1,058,786</b>	<b>977,143</b>
<b>Reduction from the Budget Strategy</b>		<b>409,600</b>	<b>390,170</b>	<b>510,869</b>

This gives a significant reduction in NHB from the projections in the Budget Strategy with £409,600 less than budgeted for 2017/18, rising to £510,869 in 2019/20.

#### 5.5.3 Reduced Court Costs

As a result of more efficient methods of Council Tax collection fewer cases are being referred to court; this is despite the numbers of new properties in the authority increasing. The improved collection rates have been built into the Council Tax income projections with a lower provision for bad debts; as a result the budgeted income from Court Costs will be required to be reduced.

#### 5.5.4 Increased income from car parking

There has been additional income achieved in the current financial year for car parking, this is as a result of the contract with the hospital and additional demand for spaces at the Pegler Way car park. As a result income projections have been increased for future years.

#### 5.5.5 Reduced costs of inflation

At the end of September RPI was 0.8% which is the general allowance for contracts inflation; when the Budget Strategy was set in September 2015 the figure assumed was 1.5%.

#### 5.5.6 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 the Councils' retained share is more than 7.5% below a Government set figure (safety net) or above it (a levy of 50%).

Projected non-domestic rates income	£119,504,983
Government share	£59,752,492
West Sussex County Council share	£11,950,498
Crawley Borough Council share (before tariff & levy)	<u>£47,801,993</u>

5.5.7 The projected retained rates amount for 2016/17 is set out in the table below. A levy will apply if the forecast is correct.

Council's share of non-domestic rates income	47,801,993
Tariff	(42,016,116)
Levy (see below)	(1,517,160)
Safety net	0
Sub total	<u>4,268,717</u>
Additional rates due to renewable energy at K2	9,940
S31 Grants (Local Government Act 2003)	582,388
<b>Total retained rates</b>	<u><b>4,861,046</b></u>

The levy is based on 50% of the additional income received above the funding target determined as part of the Settlement figure of £3,333,946 shown in section 5.1 above.

Under rating regulations we are able to retain an additional £9,940 in business rates as we determined the planning application which led to K2 becoming a '*designated renewable energy project*'.

There is also budgeted income of £582,388 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.

The calculation of the levy is shown below

Council's share of non-domestic rates income	47,801,993
Tariff	(42,016,116)
Section 31 Grants	582,388
Sub total	<u>6,368,265</u>
Less Scheme funding section 5.1 above	(3,333,946)
Balance collectable before levy (a)	<u>3,034,319</u>
<b>Levy 50% of above (a)</b>	<b>1,517,160</b>



## 6. 2016/17 General Fund Budget

6.1 Details of the proposed 2016/17 Budget are set out in Appendix 2 and is summarised in the table below:

<b>2016/17 General Fund Budget</b>	<b>£'000s</b>
Net Cost of Services (see table below 6.2)	15,590
Investment Income	(1,118)
Transfer to Reserves	432
<b>Net Expenditure</b>	<b>14,904</b>
<b>Funded by</b>	
Revenue Support Grant	1,776
New Homes Bonus	1,881
Council Tax	6,316
Collection Fund surplus – Council Tax	71
Redistributed Business Rates (5.5.7)	4,269
Business rates – renewal energy site (5.5.7)	10
Section 31 Grants (5.5.7)	582
<b>Total</b>	<b>14,904</b>

In addition there will be a transfer to reserves in respect of the collection fund surplus for Business rates of £2,031,564 as outlined in section 12.2 and 14.2 below.

6.2 Estimated service expenditure is summarised in the table below:

<b>2016/17 Budget – Service Expenditure</b>	<b>£'000s</b>
<b>Portfolio</b>	
Cabinet	1,437
Community Engagement	1,573
Customer and Corporate Services	1,286
Environmental Services	5,984
Housing Services	3,275
Leisure & Cultural	6,761
Planning & Economic Development	(2,142)
Depreciation	(2,984)
Contribution to Renewals Funds	400
<b>Net Cost of Services</b>	<b>15,590</b>

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

6.4 The table below summarises the savings included in the 2016/17 Budget:

<b>Summary of Savings 2016/17</b>	
	<b>2016/17 £'000s</b>
<b>Identified</b>	<b>225</b>

6.5 The BAG proposed a growth item of £60,000 per annum for the financial years 2016/17 – 2018/19 for the Crawley Employment and Skills Plan. A report to Cabinet on 2 December 2015 [PES/194](#) requested £60,000 per annum be considered for three years and is intended to fund a full time Employment & Skills Co-ordinator role plus an apprentice. A work place coordinator would be funded by bidding for other external contributions. A separate bid to the West Sussex Business Rates Pool has been made, if the bid is successful the growth item will not be required, however the decision may be later than the budget setting process.

**Recommendation 2.2 (a): to approve the proposed 2016/17 General Fund budget including the savings and growth proposals as set out above and Appendix 1 and 2.**

## **7. 2017/18 Budget Projections**

7.1 The Budget Strategy for 2017/18 to 2021/22 is scheduled to be considered at the July 2016 Cabinet. The table below summarises the 2017/18 Budget projections based on the following headline assumptions:

- An inflationary increase in Council Tax.
- Average investment rate of 1.85%.
- An inflation provision of 2.0% for contract expenditure with no allowance for general running expenses.
- A pay award of 1.0%.
- An overall increase in fees and charges of 2%.

7.2 Investment interest will again be a key factor for the 2017/18 Budget. An average investment rate of 1.50% has been assumed based on the latest advice from our investment advisors. However, there is considerable uncertainty about the timing of the future interest rate increases. It is very possible that there will be variations in future investment income. For 2017/18 a variation of 0.25% equates to around £256,700.

	2017/18 £'000s
Base Budget	16,561
Investment interest	(1,361)
Net Budget	15,200
Funded by:	
Council Tax	6,486
Retained Business Rates	4,958
Formula Grant	1,036
New Homes Bonus	1,244
<b>Indicative Budget Gap</b>	<b>1,476</b>
Budgeted surplus 2016/17	(432)
Change in the gap	+1,908

The movement from a surplus of £432,000 to a gap of £1.476m is £1.908m the main changes between years are itemised below

	2016/17 £000's	2017/18 £000's	Change £000's
New Homes Bonus	1,880	1,243	<b>637</b>
Revenue Support Grant	1,776	1,036	<b>740</b>
Programmed repairs charged to capital	352	0	<b>352</b>
Interest projections	1,118	1,361	<b>-243</b>
Additional Employers pension costs			<b>132</b>
Inflation provision			<b>160</b>
Provision for pension fund auto enrolment			<b>50</b>

The budgeted surplus in 2016/17 will be transferred to reserves, we may however need to use reserves in 2017/18 in order to smooth out the budget as we approach the budget gap in a measured way, looking for efficiencies and increased income.

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 reduced 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. Within the capital programme there is £8.8m allocated for the purchase of investment properties in order to increase the revenue income to the council.

## **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. 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 2016/17 Budget, it represents 7.2% 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 2016/17 is projected at 1.04%. This is due to having some longer term investments at higher interest rates. This higher yield has provided some protection from the significant reduction in investment rates that has been experienced.
- 9.3 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2016/17 Budget is based on the following assumptions:
- Average yield of 0.85% for new internal investments.
  - Cashflows have been calculated from the revenue and capital budgets reported in this report.
  - Cashflows relating to the capital programme are spread evenly through the year.
  - Cashflows 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 2016/17 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 2016/17 which can be found elsewhere on the agenda.
- 9.6 Appendix 5 identifies that the volatility of interest rates is a key risk associated with the 2016/17 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 2015/16 budget and 2016/17 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 Bill, 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.
- 10.3 Overall there will be a reduction in revenue repairs budget due to the reduced requirement for external painting now that the five year programme has been completed (see 11.4). This is offset by increases in aspects of the responsive service as follows:
- 2% uplift in general costs
  - Increase in gas servicing as a more holistic service is offered (reducing costs within the responsive service)
  - Increased requirements in dealing with asbestos within properties.
- 10.4 An application will be made to Government to enable the HRA to contribute towards the cost of Discretionary Housing Payments. This is to assist those tenants who are subject to Welfare Benefit changes and a budget of £50,000 has been set aside for this purpose.
- 10.5 The sheltered housing service currently receives £192,000 supporting people funding from WSCC to provide housing support and the individual alarm service plus an amount for a floating support service within general needs housing. WSCC have indicated that they will no longer provide accommodation based support (i.e. for sheltered housing) and will instead move funding to individual support. Our current contract will cease in September 2016 and it is likely that a County-wide support contract will be let. The service is currently being redesigned as part of the Council's transformation programme.
- 10.6 A more accurate forecast has been put in place for service charge income based on the programmed works capital programme.
- 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 2016/17 Housing Revenue Account Budget as set out above and Appendix 3 of the report.**

## **11. Capital Programme**

- 11.1 The September 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.**

	£'000s
Installation of Solar PV on Council Operational Buildings	500
Replacement Artificial Turf Pitch (K2 Crawley)	185
Replacement Resistance Equipment to The Bewbush Centre	30
Expansion of Fitness Area to K2 Crawley, including new and Replacement Resistance Equipment	996
Tilgate Park & Nature Centre – Option 3	850
Disabled Facilities Grants	48
<b>Total</b>	<b>2,609</b>

- 11.2 The proposed programme of £2.609m is incorporated into the financial projections contained in other sections in this report.
- 11.3 The table below sets out the proposed capital programme and funding for 2015/16 to 2018/19 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report. It is proposed to bring forward part funding of two schemes to 2016/17 and two schemes to 2017/18 as outlined below, these are Installation of Solar PV panels on Council operational buildings and Tilgate Park and Nature Centre.
- 11.4 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 December 2015 CH/167. The approved Budget is included as amended in the report to the Budget Advisory Group at its meeting on 14 January 2016. The impact on the HRA from the 1% rent reduction would be a £148m loss in income over a 30 year period based on current forecasts. As a result mitigating measures are being put into place to ensure that the housing delivery programme stays on track, this includes reviewing the existing capital programme. The major repairs programme is constantly reviewed in light of works on site, surveys, customer and stakeholder demand. The recent review has shown areas where expenditure could be reduced over the next three years made up of reduction of budget including external decorating programme. It is based on more up to date housing repairs needs. A schedule of the Crawley Homes capital programme is given in Appendix 3 (i).

## 11.5 2015/16 to 2018/19 Capital Programme

	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda)</b>	<b>35,016</b>	<b>59,928</b>	<b>44,255</b>	<b>8,215</b>	<b>147,414</b>
HRA Adjustment to the Budget Required (Appendix 3(i))		(1,350)	(1,350)	12,580	9,880
<u>New Schemes</u>					
Installation of Solar PV on Council Operational Buildings		400	100		500
Replacement Artificial Turf Pitch (K2 Crawley)				185	185
Replacement Resistance Equipment to The Bewbush Centre				30	30
Expansion of Fitness Area to K2				996	996
Tilgate Park & Nature Centre – Option 3		610	240		850
Disabled Facilities Grants (top up)				48	48
<b>TOTAL</b>	<b>35,016</b>	<b>59,588</b>	<b>43,245</b>	<b>22,054</b>	<b>159,903</b>

<b>Funded by -</b>					
Capital Receipts	6,208	12,292	2,816	3,102	24,418
Capital Reserve	0	8,792	0	0	8,792
Replacement Funds	468	163	60	0	691
1-4-1 Receipts	3,424	5,836	6,964	1,355	17,579
HRA revenue contribution	23,020	30,001	32,959	17,597	103,577
Section 106 contributions	117	93	50	0	260
Lottery/external funding	1,401	2,033	0	0	3,434
Better care fund (formally DFG's)	378	378	396	0	1152
<b>TOTAL</b>	<b>35,016</b>	<b>59,588</b>	<b>43,245</b>	<b>22,054</b>	<b>159,903</b>

**Recommendation 2.2 (c): to approve the 2015/16 to 2018/19 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 2016/17-2020/21 was approved by the Cabinet on 9 September 2015. 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.
  - Set up a separate Business Rates Equalisation reserve by transferring £5m from the General Fund Reserve. This new reserve will be used to absorb in-year fluctuations due to the complications of accounting for business rates. Any in-year variations in respect of business rates will be transferred to and from this reserve; when the reserve exceeds £5m any surplus will be transferred to the capital programme reserve. It is estimated that £2.032m will be transferred to the capital reserve (para 14.2 below)
  - The General Fund Reserve to be set at £4m with any balance in excess of this to be transferred to the capital programme reserve.
  - 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 from 2017/18. Despite the healthy level of reserves, it is less likely that it will be able to continue to achieve a balanced Budget and maintain current service levels.
- 12.4 In compiling the 2016/17 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.
- 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, benefits payments, development control fees and Council Tax Reduction payments. For such budgets, the latest information on usage 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. Budgets are monitored by officers on a monthly basis and the Corporate Management Team receives an update on any 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 2016/17 Budget preparation. The table below summarises the estimated level of reserves available for 2016/17:



	Estimated Available Balance at 31/3/16 £'000s	Paragraph
<b>General Fund Reserves</b>		
General Fund Reserve / Balance	4,000	12.7.2
Business Rates Equalisation reserve	5,000	12.7.2
Usable Capital Receipts	24,302	12.7.3
Capital Reserve	4,710	12.7.3
Acquisition reserve *	8,792	12.7.3
1-4-1 Receipts (committed)	9,980	12.7.3
Development of Facilities for Young People	160	12.7.3
Restructuring Impact	1,080	12.7.4
Housing & Planning Delivery Grant/LDF	279	12.7.5
Vehicles & Plant	497	12.7.6
ICT Replacement	190	12.7.6
Specialist Equipment – Hawth & K2	117	12.7.6
Town Centre Regeneration	445	12.7.7
Other	1,447	12.7.8
<b>Total General Fund</b>	<b>60,999</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,321	12.7.9
Housing Capital Investment reserve (committed)	20,068	12.7.10
<b>Total HRA</b>	<b>23,389</b>	
<b>Total</b>	<b>84,388</b>	

\*As part of the Council's transformation programme £8.792m has been made available for the purchase of investment properties, should a suitable property become available before 31 March 2016 this sum will be spent.

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 2016. 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 in as the Council is continuing to review service provision through the transformation programme at the same time looking at

maximising income generating opportunities. In addition a £5m reserve for business rates equalisation will be available to absorb the volatility of business rates income.

- 12.7.3 The projected balance of useable capital receipts at the end of March is £24,302m. 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 £4.710m. A separate reserve for Investment acquisitions has been established of £8.792m. In addition to this there is £0.160m in the Developing Facilities for Young People reserve and an estimated £9.980m 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. This sum is committed because it is intended that they are used on schemes such as Forge Wood.
- 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 reviewed as part of the closure of accounts 2015/16 as the Local Plan has now been approved.
- 12.7.7 There are three funds for replacement; these are ICT Replacement, Specialist Equipment – Hawth & K2 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 almost 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 Council Tax has been frozen since 2010/11. The 2016/17 Budget Strategy assumed that any increase in Council Tax would not be above inflation; the RPI figure for September was 0.8%. It is proposed to increase the Council tax by £1.44 per annum for a Band D property which is an increase of 0.77%, this is an increase of less than 3p per week.
- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2016/17 by almost 4%, this will equate to an estimated increase of £45.90 per band D property. The Settlement announcement in December allowed authorities with Adult Social care responsibilities to raise their Council Tax by an

additional 2% for that purpose. A 2% increase will increase income to the County Council by £7 million.

- 13.3 It is understood that the Police and Crime Commissioner will be increasing their share of the Council Tax by 3.44% which is an increase of £4.95 per annum. This will be confirmed at the Council meeting on 24 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 2016/17 be increased by 0.77% to £189.27 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 £567,313 of which £71,337 is the Council's share.

### **14.2 Business Rates**

In a similar manner, the overall estimated surplus in relation to Business Rates is £5,078,910 of which £2,031,564 is the Council's share (this sum will be transferred to the capital programme reserve).

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

- 15.1 The Department for Communities and Local Government has advised the provisional business rate multiplier for 2015/16 as follows:-

- i) Standard Multiplier – 49.7p per £ (49.3p in 2015/16)
- ii) Small Business Multiplier – 48.4p per £ (48.0p in 2015/16)

- 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 2016/17 Budget and how they will be managed are shown in the Appendix 5. 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. 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 reduce the Council's staffing establishment by 2.44 Full time equivalent (FTE's) posts most of which are vacant or relate to changes already implemented. 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 this will be updated annually from April each year. The policy statement for 2016/17 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 2016/17, 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 2016/2017 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 2015/16 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 2016/17.

## **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". There are no specific equality implications arising from this report.

**18. Background Papers**

Budget Strategy 2016/17 - 2020/21 (FIN/368) OSC / Cabinet September 2015

HRA Investment priorities CH/104 OSC 8 October 2012 & Cabinet 10 October 2012

Quarterly Budget Monitoring Quarter 3 (FIN/377) – Cabinet 10 February 2016

Treasury Management Strategy 2016/17 (FIN/381) – Cabinet 11 February 2016

Draft Crawley Employment & Skills Plan 2016-2021 - Cabinet 2 December 2015

PES/194

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 transformation programme. These have been implemented. These savings are shown in the Table below.

	£	
Recycling credits	120,000	The September Strategy assumed an additional cost of £60,000, County wide renegotiations resulted in a £60,000 saving.
Benefits team systems thinking review – phase 1	67,000	As a result of the review three staff requested voluntary redundancy, this was allowable due to the changes in the way the team works.
Revenues and benefits support – Admin	21,000	Due to automation customers are sending in information to the benefits team electronically, as a result the work in the admin team has significantly reduced, there were 2 voluntary redundancies from part time workers
Asset management team support review	17,000	Staff retirement, this saving is being achieved in the current year
<b>Total</b>	<b>225,000</b>	

The Group was asked to note these savings

#### General Fund Revenue Growth Item

The group considered a growth item for the Crawley Employment and Skills Plan. A report went to Cabinet on 2 December 2015 [PES/194](#), the report requested £60,000 per annum for three years. A separate bid to the West Sussex **Business Rates Pool** (this is made up of all West Sussex Districts together with the County Council) has been made, if the bid is successful the growth item will not be required, however the decision may be later than the budget setting process.

The Group supported the bid and recommended that Cabinet considered this growth bid – clarification was requested on the sum required in relation to the number of staff. *The £60,000 is intended to fund a full time Employment & Skills Co-ordinator role plus an apprentice. The work place coordinator would be funded by bidding for other external contributions.*

#### Crawley Homes Capital programme

The Group considered the 3 year capital budgets for Crawley Homes which had been revised as a result of the impact of the 1% rent reduction which was announced at the July Budget

The Group noted these revisions which are shown in Appendix 1 (i) below.

## General Fund Capital Programme

The Group considered capital bids totalling a maximum of £2,899,000.

Members considered a third option for Tilgate Park where **capital investment is agreed for the first two years** and the 5 year plan to be reviewed in two years' time to see if the plan's income targets are being met.

Officers will review progress of the five year business plan in two years' time and at that point return to BAG to agree a recommendation to Cabinet of the best way forward re future investment. This third option is shown in the table as E(ii).

The Group recommend to Cabinet that all of the bids are approved with option E(ii) for Tilgate Park.

This would result in capital investment of £2,609,000 being recommended to Cabinet for inclusion in the budget.

The group scrutinised the bids and requested further information from officers which was provided to them in the notes to the meeting.

Key Element	Current 3 Year Plan			Proposed 3 Year Plan		
	2015/16	2016/17	2017/18	2016/17	2017/18	2018/19
	£	£	£	£	£	£
Capitalisation of Repairs	500,000	500,000	500,000	500,000	500,000	500,000
Electrical Test / Rewires	1,100,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Roofing	750,000	800,000	800,000	500,000	500,000	500,000
Structural Works	80,000	80,000	80,000	80,000	80,000	80,000
Windows / Doors	350,000	400,000	400,000	300,000	300,000	300,000
External Decorations/Renovations (Renovation & refurb)	200,000	200,000	200,000	200,000	200,000	200,000
External, environmental work	120,000	150,000	150,000	100,000	100,000	100,000
Kitchens	850,000	850,000	850,000	850,000	850,000	850,000
Bathrooms	500,000	550,000	550,000	550,000	550,000	550,000
Insulation (Cavity, loft, sound)	750,000	750,000	750,000	750,000	750,000	750,000
Common Areas	100,000	100,000	120,000	100,000	120,000	120,000
Sheltered Schemes	250,000	250,000	250,000	250,000	250,000	250,000
Boilers / Heating	1,800,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Energy Efficiency Work	50,000	80,000	80,000	80,000	80,000	80,000
Disabled Adaptations	900,000	900,000	900,000	900,000	900,000	900,000
Garages	700,000	700,000	750,000	700,000	750,000	750,000
Renovation, Conversion Studio, Flats, Blocks etc	550,000	200,000	200,000	200,000	200,000	200,000
Major Insulation, Energy Efficiency	1,500,000	1,500,000	1,800,000	1,500,000	1,800,000	1,800,000
Intercom Upgrade	200,000	150,000	100,000	50,000	50,000	50,000
Adaptations For The Disabled	300,000	300,000	300,000	300,000	300,000	300,000
Legionella	50,000	50,000	50,000	50,000	50,000	50,000
Hostels	350,000	100,000	100,000	100,000	50,000	50,000
<b>Total Repairs &amp; Refurbishment</b>	<b>11,950,000</b>	<b>11,310,000</b>	<b>11,630,000</b>	<b>10,760,000</b>	<b>11,080,000</b>	<b>11,080,000</b>
Purchase Of Properties including buy Back of Dwellings	1,300,000	1,300,000	1,300,000	1,000,000	1,000,000	1,000,000
Acquisitions Of Land	1,000,000	1,000,000	1,000,000	500,000	500,000	500,000
<b>Total Investment Needed</b>	<b>14,250,000</b>	<b>13,610,000</b>	<b>13,930,000</b>	<b>12,260,000</b>	<b>12,580,000</b>	<b>12,580,000</b>
<b>Revenue - External Decorations</b>	<b>2,200,000</b>	<b>2,200,000</b>	<b>2,200,000</b>	<b>2,000,000</b>	<b>600,000</b>	<b>600,000</b>
<b>Revised Investment needed</b>	<b>16,450,000</b>	<b>15,810,000</b>	<b>16,130,000</b>	<b>14,260,000</b>	<b>13,180,000</b>	<b>13,180,000</b>
<b>Saving from original plan</b>				<b>1,550,000</b>	<b>2,950,000</b>	<b>N/A</b>
Cells highlighted blue - current year 15/16 budget						
Cells highlighted yellow have been amended						



## CAPITAL BIDS

Ref		2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
A	Installation of Solar PV on Council Operational Buildings	400	100		500
B	Replacement Artificial Turf Pitch (K2 Crawley)			185	185
C	Replacement Resistance Equipment to The Bewbush Centre			30	30
D	Expansion of Fitness Area to K2 Crawley, including new and Replacement Resistance Equipment			996	996
E	Tilgate Park & Nature Centre – Option 1 (plus a further £930,000 in future years)	610	240	290	1,140
E(i)	Tilgate Park & Nature Centre – Option 2 (additional income ring-fenced for future investment in the park)	610	240		
E(ii)	Tilgate Park & Nature Centre – Option 3 (First two years' capital committed, progress against business plan reviewed in two years' time to agree future investment)	610	240		
F	Disabled Facilities Grants			48	48
	Total value of bids – Tilgate Option 1 (plus a further £930,000 in future years)	1,010	340	1,549	2,899
	Total value of bids – Tilgate Option 2 & 3	1,010	340	1,259	2,609

Criteria as agreed in the Budget Strategy

The need for upkeep of the Council's assets,  
 be spend to save or spend to earn,  
 to meet the Council's environmental obligations.

**GENERAL FUND REVENUE BUDGET 2016/2017**  
**Summary of Service Requirements**

2015/16		2016/17	
Original Estimate £		Original Estimate £	Variation £
1,263,650	Cabinet	1,436,740	173,090
1,463,240	Community Engagement	1,573,400	110,160
1,272,590	Resources	1,286,490	13,900
5,774,310	Environmental Services & Sustainability	5,983,520	209,210
3,064,440	Housing Services	3,275,020	210,580
6,884,790	Wellbeing	6,761,160	(123,630)
(2,133,690)	Planning & Economic Development	(2,142,000)	(8,310)
(3,169,190)	Depreciation	(2,984,110)	185,080
400,000	Contribution to Renewals Fund	400,000	0
<b>14,820,140</b>	<b>NET COST OF SERVICES</b>	<b>15,590,220</b>	<b>770,080</b>
(930,047)	Interest on Balances	(1,117,520)	(187,473)
13,890,093		14,472,700	582,607
26,231	Transfer to / from ( ) reserves	431,723	405,492
<b>13,916,324</b>	<b>NET EXPENDITURE</b>	<b>14,904,423</b>	<b>988,099</b>
	<b>External Support</b>		
(2,625,069)	Revenue Support Grant	(1,775,734)	849,335
(71,201)	Council Tax Freeze Grant	0	71,201
(383,831)	Section 31 Grants - Business Rates	(582,388)	(198,557)
(1,573,419)	New Homes Bonus	(1,880,562)	(307,143)
	<b>Internal Resources</b>		
(2,725,281)	Retained Business Rates	(4,268,717)	(1,543,436)
(6,141,571)	Council Tax	(6,315,744)	(174,173)
(73,476)	Collection Fund Surplus	(71,337)	2,139
(322,476)	Business Rates - see 14.2 of the report	0	322,476
	Business Rates for renewable energy	(9,940)	(9,940)
<b>(13,916,324)</b>		<b>(14,904,423)</b>	<b>(988,099)</b>

2015/16

2016/17

Number of Band D Equivalents

32,697.50

33,368.50

Number of properties

43,278.00

43,505.00

## Appendix 3

### HOUSING REVENUE ACCOUNT

	<b>Original Budget 2015/16</b>	<b>Budget 2016/17</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b><u>Income</u></b>			
Rental Income	(45,458)	(44,877)	581
Other Income	(1,765)	(2,264)	(499)
Interest	(116)	(77)	38
<b>Total Income (a)</b>	<b>(47,339)</b>	<b>(47,219)</b>	<b>120</b>
<b><u>Expenditure</u></b>			
Employees	3,572	3,618	46
Responsive Repairs	7,535	7,561	27
Cyclical and Planned	3,840	3,736	(105)
Other running Costs	1,830	1,799	(31)
Managed services	247	206	(41)
Support Services	2,639	2,645	6
Interest payable on Self Financing Debt	8,309	8,309	0
	0	0	0
<b>Total Expenditure (b)</b>	<b>27,972</b>	<b>27,874</b>	<b>(98)</b>
Balance available to fund existing and future HRA capital programme (a - b) *	19,367	19,346	(22)
<b>Total</b>	<b>47,339</b>	<b>47,219</b>	<b>(120)</b>

\*Transferred to Housing capital investment reserve

## Appendix 3 (i)

### HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

	2016/17	2017/18	2018/19
	£	£	£
Total Investment needed excluding Future Developments as appendix 1 (i)	12,260,000	12,580,000	12,580,000
Other HRA investment schemes			
151 London Road (New Build)	239,000		
Gales Place	2,000,000		
Kilnmead	4,348,000	1,152,000	
Forge Wood	3,795,000	4,387,000	4,517,000
Southern Counties	2,021,000	8,673,000	
Telford Place		10,145,000	1,855,000
Woolborough Road	1,370,000		
Goffs Park (Depot Site)	5,836,000	1,564,000	
83-87 Three Bridges Road	2,124,000	576,000	
Dobbins Place	794,000	576,000	
Barnfield Road	850,000		
Prelims	200,000	270,000	
<b>Total Future Developments</b>	<b>23,577,000</b>	<b>27,343,000</b>	<b>6,372,000</b>
<b>Total Investment Required including Future Developments</b>	<b>35,837,000</b>	<b>39,923,000</b>	<b>18,952,000</b>
HRA Existing Programme (as per Q3 report)	37,187,000	41,273,000	6,372,000
Adjustment in Budget Required (see paragraph 11.5)	(1,350,000)	(1,350,000)	12,580,000

## Appendix 4

<b>COUNCIL TAX 2016/17 PER BAND CRAWLEY ELEMENT</b>					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2016/17	2015/16
				£	£
A	6/9	Under £40,000	868	126.18	125.22
B	7/9	£40,000 - £52,000	6,718	147.21	146.09
C	8/9	£52,000 - £68,000	21,096	168.24	166.96
D	9/9	£68,000 - £88,000	8,418	189.27	187.83
E	11/9	£88,000 - £120,000	3,748	231.33	229.57
F	13/9	£120,000 - £160,000	2,187	273.39	271.31
G	15/9	£160,000 - £320,000	461	315.45	313.05
H	18/9	above £320,000	9	378.54	375.66
<b>TOTAL</b>			<b>43,505</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 £1.5m has been projected for 2017/18. 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. Continued low interest rates (section 9 refers). Investment income less than the budget could result in a significant budget shortfall.</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.</p>
<p>3. New Homes Bonus consultation</p>	<p>The impact of moving from 6 years to 4 has been included in future projections, there is however the possibility of moving to 2 years. Also the impact of 'deadweight' is difficult to project until the outcome of the consultation. The projections for New Homes Bonus will be monitored and amended based on the outcome of the consultation. There is an adequate General Fund reserve to be able to cover a shortfall in the short term.</p>
<p>4. New Business Rates valuation list due from 1 April 2017. There will be 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. There will also be an opportunity to fall into the safety net in the first year of the list which will protect the Council from a large fall in retained rates.</p>
<p>5. Increase in net costs to the Council as a result of changes to demanded budgets. Provision in the 2016/17 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 2016/17 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</p>

	sufficient reserves to cover unexpected overspendings.
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.	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.
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.	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
8. Failure to maintain budgetary and financial control.	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.
9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget	The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2016/17 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.
10. Impact of Housing and Planning Bill on the HRA 30 year plan	Pay to stay – affecting households with a income of £30,000 where the market rent will apply. Currently there is no legal mechanism to force tenants to disclose income but the ability to share HMRC data is included within the Bill. The Regulations providing the detail for implementation are due to be in place for April 2017. We anticipate the increase in rent is likely to be tapered based on earnings over £30,000. Additional income collected by local authority housing departments will be given to the Treasury. High value assets sale – the detail is not yet available. Primary legislation is

	<p>in the Housing and Planning Bill with secondary legislation aimed at implementing this from 2017/18 and local authorities will be consulted on the detail that eventually goes in to enable this to happen.</p> <p>The impact on the rent reduction has been included in HRA budget projections, however we do not yet have details of how the other two schemes will impact upon the HRA finances.</p> <p>Future investment plans will be adjusted to take the impact into consideration.</p>
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### Crawley Borough Council Pay Policy Statement for 2016/17

#### 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.

An additional increase of 3% on Crawley Allowance was agreed as part of last year's Budget Report in recognition of the real terms reduction in pay for staff over the last five years. This is reflected in the attached salary scales.

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.

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, parking 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.
- 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 Customer and Corporate Services 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 £16,340. There is a pay ratio of 1/6.9 between these posts and the 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 £8.25 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 £24,062 per annum. The pay ratio between this and the Chief Executive's salary is 1/ 4.65

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.

**Lucasta Grayson**  
**Head of People & Technology**  
**4th January 2016**

**CMT Pay scales  
W.E.F 01/04/15**

CATERGORY	TOTAL
<b>CHIEF EXECUTIVE</b>	£112,232 £109,746 £107,262 £104,773 £102,280
<b>DEPUTY CHIEF EXECUTIVE</b>	£97,631 £95,476 £93,323 £91,164 £89,003
<b>HEAD OF SERVICE A</b> FINANCE, REVS & BENS LEGAL & DEMOCRATIC SERVICES	£64,919 £63,492 £62,075 £60,645 £59,222
<b>HEAD OF SERVICE B</b> ECONOMIC & ENVIRONMENTAL SERVICES COMMUNITY SERVICES STRATEGIC HOUSING & PLANNING SERVICES CRAWLEY HOMES PARTNERSHIP SERVICES PEOPLE & TECHNOLOGY	£69,201 £67,681 £66,165 £64,644 £63,129

**STATUTORY RESPONSIBILITY ALLOWANCE**

SECTION 151 OFFICER	£3,185.59
MONITORING OFFICER	£3,185.59
DEPUTY MONITORING OFFICER	£1,592.79
DEPUTY SECTION 151 OFFICER	£1,592.79

## NJC LG SERVICES SALARY SCALES FROM 1ST APR 2015

Scale	Spinal point	Annual salary
B	6	£16,340
	7	£16,437
	8	£16,587
	9	£16,787
C	10	£17,050
	11	£17,919
	12	£18,235
	13	£18,653
D	14	£18,943
	15	£19,284
	16	£19,681
	17	£20,084
E	18	£20,426
	19	£21,088
	20	£21,760
	21	£22,454
F	22	£22,706
	23	£23,302
	24	£23,983
	25	£24,665
G	26	£25,390
	27	£26,151
	28	£26,925
	29	£27,893
H	30	£28,746
	31	£29,576
	32	£30,377
	33	£31,199
I	34	£32,011
	35	£32,631
	36	£33,431
	37	£34,299
J	38	£35,231
	39	£36,310
	40	£37,199
	41	£38,115
K	42	£39,024
	43	£39,936
	44	£40,858
	45	£41,720
L	46	£42,670
	47	£43,593
	48	£44,506
	49	£45,410
M	50	£46,324
	51	£47,250
	52	£48,176
	53	£49,111

### Apprenticeship scheme salary W.E.F. 1.10.2015

Percentage of spinal point 6	Annual Salary
60%	£9804.00
65%	£10621.00
70%	£11438.00
75%	£12255.00
NMW	£12926.20