

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 9 February 2015

### Report to Cabinet 11 February 2015

## 2015/16 Budget and Council Tax

Report of the Head of Finance, Revenues and Benefits - FIN/356

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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 2014 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 2015-2016 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 2015/16 budget:**

- (a) to approve the proposed 2015/16 General Fund Budget as set out in section 6 and Appendix 2 of the report,**
- (b) to approve the proposed 2015/16 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) to authorise the Deputy Chief Executive to acquire land up to £5m suitable for the provision of housing as outlined in paragraph 11.4,**
- (d) to approve the 2014/15 to 2017/18 Capital Programme and funding as set out in paragraph 11.6 of the report,**
- (e) to agree that the Council's share of Council Tax for 2015/16 be frozen at £187.83 for a band D property,**

- (f) to approve the Pay Policy statement for 2015/2016 as outlined in paragraph 16.3 and appendix 6 of the report,**
- (g) to approve an additional increase in the Crawley Allowance of 3% as outlined in paragraph 5.5.9 payable from 1<sup>st</sup> April 2014.**

### **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 2015/16 General Fund and Housing Revenue Account Budgets and the 2017/18 Capital Programme will be set by Council in February 2015. This will be informed by the recommendations of the Budget Advisory Group and Crawley Homes Advisory Group, and take into account the savings and income generation achieved through the transformation programme led by the Corporate Management Team. There will be 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. 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 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 2015/16–2019/20 Budget Strategy was approved by the Cabinet in July 2014. The strategy was based on a number of key assumptions:
- Annual Government grant reductions (formula funding) of 31.56% in 2015/16 (from the DCLG provisional projection) then rising annually from 33% in 2016/17 to 40% in 2019/20,
  - An annual Council Tax freeze for the Strategy purposes,
  - An average investment rate of 1.11% for 2015/16 increasing to 1.65% for 2016/17, 2.25% for 2017/18, 3.25% for 2018/19 and 4.00% for 2019/20,
  - A 1% pay award for 2015/16, 1.5% for and 2016/17 and 2017/18 and 2.0% per annum in following years,
  - An inflation provision of 2.5% for contract expenditure in 2015/16 and 3.0% 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 £463,000 was identified in the Budget Strategy. This was in addition to the £337,000 savings already approved for 2015/16 by Council in February 2014.
- 4.7 There have been some significant changes since the Budget Strategy was approved including:
- Increased income from the purchase of investment properties,
  - Accounting for the Forge Wood Development,
  - Additional savings,
  - Increased investment income
  - Increased Business Rates appeals
- 4.8 The table below summarises the changes between the approved Budget Strategy and the proposed 2015/16 Budget. Further details are provided in section 5 of the report

	£'000s	Paragraph
July Cabinet Budget Gap	(463)	
Gvt Grant more than budgeted	38	5.2
Council Tax Base/Surplus	61	5.5.1
2015/16 Savings	337	See
2015/16 Growth	(65)	Section 6.4
Increased New Homes Bonus	106	5.5.2
Accrued interest from Forge Wood	179	5.5.3
Investment property income	102	5.5.4
Senior Management Review	230	5.5.5
Recycling credits	15	5.5.6
Procurement shared service	38	5.5.7
Reduced costs of inflation	48	5.5.8
Increased provision for Crawley Allowance	(25)	5.5.9
Additional cost of pay award	(37)	5.5.10
Changes to business rates projections	(618)	5.5.11
Additional investment income	22	Section 9
Other minor variations (various)	58	
<b>Surplus</b>	<b>26</b>	

## 5. Analysis

- 5.1 The Government determines the amount of grant it will provide the Council and the basis on which the amount of rates the Council will retain are determined. The following table sets this out in terms of the 'Settlement Funding Assessment Elements' for 2015/16. The percentage change relates to the change compared with 2014/15.

	Revenue Support Grant	Business Rates	Total
	£	£	£
Start Up Assessment 2014/15	3,704,657	3,244,397	6,949,054
Provisional Start Up Assessment 2015/16	2,625,069	3,306,392	5,931,461
<b>Change in year</b>	<b>-1,079,588</b>	<b>61,995</b>	<b>-1,017,593</b>
<b>Percentage Change</b>	<b>- 29.14%</b>	<b>1.91%</b>	<b>- 14.64%</b>

This represents a 5.8% reduction in 'spending power', the 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 £2,625,069. The provisional settlement indicates a reduction in the RSG element for 2015/16 of 29.14%. The assumption in the Budget Strategy was for a 31.56% 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.
- 5.4 It should be noted that there is significant potential volatility in business rates income, for both practical and technical reasons. It is possible that the final amount retained by the Council in 2015/16 will vary by several hundred thousand pounds from the current estimate.
- 5.5 As detailed in paragraph 4.8 above, a small surplus has been achieved. The Budget strategy identified a gap of £463,000. One factor in closing that gap has been the identification of savings in excess of £0.5 million. The following paragraphs identify other factors.
- 5.5.1 **Council Tax Base/Surplus**  
As a result of net increases in the number of properties in Crawley, the 2015/16 Council Tax base has changed. This has resulted in additional income of £37,000 compared to the Budget Strategy. In addition, the Council will receive a share of the Collection Fund surplus in 2015/16 of £73,476 (see paragraph 14.1 - £50,000 of which was previously allowed for).
- 5.5.2 **New Homes Bonus**  
The Council is paid an amount by the Government in respect of every new home completed. The amount payable is based on new builds as at October 2014. As a result of an exercise undertaken by the fraud and inspections team, inspectors identified 84 properties who were paying Council Tax and occupied which appeared on the empty list. By identifying these as occupied we will receive an additional £106,000 per annum for the next 6 years.
- 5.5.3 **Accrued Interest from Forge Wood**

As identified in the current years Quarterly Monitoring report, the North East Sector Co-operation Agreement was completed in March 2014. In this agreement a capital receipt of at least £6.5m will be receivable at the end of the project. After detailed discussions with the Council's external auditor around the accounting treatment for this the Council have discounted the £6.5m receipt over 10 years at an interest rate of 3.89% resulting in a capital receipt of £4.4m being recognised in 2013/14 and annual interest payments of £172,000 in 2014/15 rising to £243,000 in 2023/24.

#### 5.5.4 Investment Property Income

In the Budget Strategy 2015/16 an additional £5 million was set aside for investment property acquisition as a result of the purchase of Atlantic House. ASK restaurant on the High Street was subsequently purchased which has resulted in additional commercial property income.

#### 5.5.5 Senior Management Review

A review of senior management took place in December 2014 which resulted in deleting three Directors and the Deputy Head of Finance posts and the creation of a new post of Deputy Chief Executive. This restructure resulted in savings to the general fund of £230,000 per annum.

#### 5.5.6 Recycling credits

Increased contribution of £15,000 from WSCC due to increased volumes of recycled waste materials

#### 5.5.7 Procurement Shared Service

The procurement service is shared with Horsham and Mid Sussex; a renegotiation exercise has resulted in Crawley paying £38,000 less towards this service.

#### 5.5.8 Reduced costs of inflation

At the end of September RPI was 2.3% which is the general allowance for contracts inflation; when the Budget Strategy was set in July 2014 this figure was 3%.

#### 5.5.9 Crawley Allowance

There has been a national pay settlement agreed for the period April 2014 – March 2016. This follows a period of pay restraint since 2008 which has reduced salaries in real terms for employees and is beginning to impact on recruitment and retention. Crawley Allowance is a local allowance which is paid in addition to nationally agreed salaries to address cost of living pressures in Crawley. This allowance is increased each April in line with RPI and is currently £2,328 per annum per full time employee, an increase of 2.3% RPI will take it to £2,382. It is proposed to pay an additional one off 3% increase to Crawley Allowance this April to bring this supplement up to £2,453. This will help to address the concerns about recruitment and retention. The cost will be £25,000 for the GF and £7,000 for the HRA.

#### 5.5.10 Pay Award

Previous Budget strategies assumed a 1% increase in 2014/15 and 2015/16, the agreed pay award was 2.2% from 1<sup>st</sup> January 2015, this results in an additional 0.2% cost in 2015/16.

#### 5.5.11 Retained Business Rates

Although the Council will collect in excess of £100 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%).

5.5.12 The projected retained rates amount for 2015/16 is set out in the table below. A levy will apply if the forecast is correct.

Council's share of non-domestic rates income	47,282,158
Tariff	-41,668,876
Levy	-1,301,973
Safety net	0
Total scheme funding	<u>4,311,309</u>
Less transfer to reserve in respect of the shortfall in 2014/15 as outlined in the Quarter 3 monitoring report.	<u>-1,586,028</u>
	<u>2,725,281</u>

Due to the complexities around accounting for retained business rates there is a budgeted shortfall in 2014/15 of £1,586,028. This is mainly due to a high level of anticipated business rates appeals at the beginning of the year. The 2015/16 figure above allows for this shortfall to be transferred back to reserves. Volatility in projecting appeals should reduce as we go further into the 2010 rating list. (See item 9 on appendix 5)

There is budgeted income of £383,831 in respect of Section 31 grants, this is to reimburse the Council for business rate reliefs given by the Government which have reduced the retained rates that the Council would otherwise have received.

In addition there is a collection fund adjustment as outlined in section 14.2 below.

## 6. 2015/16 General Fund Budget

6.1 Details of the proposed 2015/16 Budget are set out in Appendix 2 and is summarised in the table below:

<b>2015/16 General Fund Budget</b>	<b>£'000s</b>
Net Cost of Services (see table below 6.2)	14,820
Investment Income	(930)
Transfer to Reserves	26
<b>Net Expenditure</b>	<b>13,916</b>
<b>Funded by</b>	
Revenue Support Grant	2,625
Council Tax Freeze Grant	71
Section 31 grants	384
New Homes Bonus	1,573
Council Tax	6,142
Redistributed Business Rates	2,725
Collection Fund surplus – Council Tax	73
Collection Fund surplus – business rates	322
<b>Total</b>	<b>13,916</b>

6.2 Estimated service expenditure is summarised in the table below:

<b>2015/16 Budget – Service Expenditure</b>	<b>£'000s</b>
<b>Portfolio</b>	
Cabinet	1,264
Community Engagement	1,463
Customer and Corporate Services	1,273
Environmental Services	5,774
Housing Services	3,064
Leisure & Cultural	6,885
Planning & Economic Development	(2,134)
Depreciation	(3,169)
Contribution to Renewals Funds	400
<b>Net Cost of Services</b>	<b>14,820</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 2015/16 Budget and those identified for 2016/17:

<b>Summary of Savings 2015/16 &amp; 2016/17</b>		
	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Identified</b>	<b>337</b>	<b>19</b>



## 7. 2016/17 Budget Projections

- 7.1 The Budget Strategy for 2016/17 to 2020/21 is scheduled to be considered at the July 2015 Cabinet. The latest workings assume a projected reduction in Revenue Support Grant for 2016/17 of 30.00%, this is based on the reductions in previous years. The assumptions below allow for this decreased grant and assume that Business Rates increase by 2.0% for inflation increase and growth of 0.5%.
- 7.2 The table below summarises the 2016/17 Budget projections based on the following headline assumptions:
- A zero increase in Council Tax.
  - Average investment rate of 1.45%.
  - An inflation provision of 2.0% 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%.

	2016/17 £'000s
Base Budget	16,019
Investment interest	(1,228)
Net Budget	14,791
Funded by:	
Council Tax	6,284
Retained Business Rates	4,419
Formula Grant	1,838
New Homes Bonus	1,673
<b>Indicative Budget Gap</b>	<b>577</b>

- 7.3 Investment interest will again be a key factor for the 2016/17 Budget. An average investment rate of 1.45% has been assumed based on the latest advice from Capita. 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 2016/17 a variation of 0.25% equates to around £180,800.

## 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 2015/16 Budget, it represents 6.3% 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 base rate has been at 0.5% since March 2009. The latest assumptions, based on advice from the Council's treasury management advisors, are that the base rate will remain at 0.5% for most of 2015/16.
- 9.3 The table below shows the projected short-term interest rates as provided by Capita, the Council's treasury management advisers.

Quarter ending	Base Rate	Money Rates	
		3 month	12 month
Dec 2014	0.50	0.50	0.93
Mar 2015	0.50	0.50	0.90
Jun 2015	0.50	0.50	1.00
Sep 2015	0.50	0.60	1.10
Dec 2015	0.75	0.80	1.30
Mar 2016	0.75	0.90	1.40
Jun 2016	1.00	1.10	1.50
Sep 2016	1.00	1.10	1.60
Dec 2016	1.25	1.30	1.80
Mar 2017	1.25	1.40	1.90
Jun 2017	1.50	1.50	2.00
Sep 2017	1.75	1.80	2.30
Dec 2017	1.75	1.90	2.40
Mar 2018	2.00	2.10	2.60

- 9.4 UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer

disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

- 9.5 The average yield from investments in 2015/16 is projected at 0.99%. 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.
- 9.6 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2015/16 Budget is based on the following assumptions:
- Average yield of 0.63% 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.
- 9.7 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 2015/16 and any projected variances will be highlighted in budget monitoring reports.
- 9.8 Appendix 5 identifies that the volatility of interest rates is a key risk associated with the 2015/16 budget and the medium term Budget strategy. The base rate assumptions identified in paragraph 9.3 represent the latest advice provided by the Council's treasury management advisors, Capita.

## **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 2014/15 budget and 2015/16 budget are as follows.
- 10.2 The Portfolio holder for housing has delegated authority to increase rental income annually. DCLG guidance is for the rent to increase by CPI + 1%. The approved increase is less than this guidance at CPI + 0.5%. An increase of 1.7% which is an average increase of £1.76 per week.
- 10.3 The increased responsive repairs budget is made up a two elements. The cost of the building trade has increased due to a more buoyant market, as a result employee costs have increased. In addition the way the responsive repairs team now works has changed as the division between planned and responsive repairs is eroded. The maintenance team purpose is "Do the correct work at the right time" and this has meant a change from delays for

the customer and a focus on doing a full scope of work within the responsive repairs team. The impact of the change is still being evaluated but has meant significantly more work being undertaken through the responsive contracts.

- 10.4 Grounds maintenance recharges include elements of charges from the general fund, these have reduced by £300,000 together with a reduction of £30,000 as a result of the senior management restructure in December 2014.
- 10.5 The enhanced capital programme as outlined in section 11 below and in Appendix 3 (i) is funded from HRA resources and the use of HRA capital reserves

## 11. Capital Programme

- 11.1 The July Budget Strategy report identified a provision of £2.0 million available for funding of capital schemes for 2017/18. Appendix 1 sets out the recommendations of the Budget Advisory Group which total slightly over this sum at £2.172m.

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

	£'000s
Community Safety Improvement Project	50
Replacement Car Parking Machinery Exchange Road and Orchard Street	121
Broadfield Park Pond & Brook Improvement & Maintenance Work	85
Additional Upgrade Work to Northgate Flood Attenuation Plain	47
Crabbett Park Additional Upgrade Works	33
Crawters Brook Flood Attenuation	100
Leat Stream Flood Alleviation Works	50
Parker Close Erosion Control	80
K2 – Poolside Timing Equipment Replacement	65
K2 – Poolside Sauna & Steam Room Replacement	40
K2 – Entry Door Replacements Health & Fitness Area & Poolside Viewing	30
Hawth – Air Conditioning Units Replacement	45
Adventure Playgrounds	480
Worth Park Discovery Trail	40
K2 – Crib Wall	200
Manor Royal	200
	<b>1,666</b>
<b>Programmed repairs schemes</b>	
<b>Community Centres</b>	
Replace Cherry Lane Windows & External Doors	13
Replace Gossops Green Windows & External Doors	29
Toilet Refurbishment	15
Replace main heating plant	38

Three Bridges Roofs, fascia's & Soffits	51
Southgate West roof improvement	46
Kitchen Refurbishments	26
<b>County Oak</b>	
Replace main heating plant	19
<b>K2</b>	
Pool filter replacement	78
Re-plaster Squash Courts	23
Automatic Chemical Controllers	10
<b>Town Hall</b>	
Toilet refurbishment	15
Southgate Parade Maisonettes – side canopy, fascias & Gutters	93
Fixed Plant Replacement including Energy Saving Measures	50
	<b>506</b>
<b>Total</b>	<b>2,172</b>

- 11.2 The proposed programme of £2,172m 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 2014/15 to 2017/18 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report. It is proposed to bring forward eight schemes to 2015/16 and seven schemes to 2016/17 as outlined below.
- 11.4 It is proposed that £5m is included in the capital programme for purchase of land for the provision of housing including affordable housing, with the possibility to include a commercial element to provide investment income. It is recommended that the Deputy Chief Executive in consultation with the Leader, the Portfolio holder for Planning and Economic Development and the Head of Finance, Revenues and Benefits has delegated authority for the acquisition of suitable land.
- 11.5 The HRA Investment priorities were approved at Cabinet on 10 October 2012. The approved Budget is included as amended in the report to the Crawley Homes Advisory Group at its meeting on 28<sup>th</sup> October 2014. 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).

## 11.6 2014/15 to 2017/18 Capital Programme

	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 & future years £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda)</b>	<b>41,013</b>	<b>35,088</b>	<b>28,667</b>	<b>1,225</b>	<b>105,993</b>
Town Hall Utilisation & Refurbishment		240	220		460
HRA Additional Budget Required (Appendix 3(i))		3,104	3,642	18,233	24,979
Purchase of Land (paragraph 11.4 above)		5,000			5,000
<u>New Schemes</u>					
Community Safety Improvement Project				50	50
Replacement Car Parking Machinery Exchange Road and Orchard Street		121			121
Broadfield Park Pond & Brook Improvement & Maintenance Work				85	85
Additional Upgrade Work to Northgate Flood Attenuation Plain			47		47
Crabbett Park Additional Upgrade Works			33		33
Crawters Brook Flood Attenuation			100		100
Leat Stream Flood Alleviation Works		50			50
Parker Close Erosion Control		80			80
K2 – Poolside Timing Equipment Replacement				65	65
K2 – Poolside Sauna & Steam Room Replacement			40		40
K2 – Entry Door Replacements Health & Fitness Area & Poolside Viewing		30			30
Hawth – Air Conditioning Units Replacement				45	45
Adventure Playgrounds		200	80	200	480
Worth Park Discovery Trail		40			40
K2 – Crib Wall		200			200
Manor Royal			100	100	200
Programmed Maintenance to be capitalised		185	321		506
<b>TOTAL</b>	<b>41,013</b>	<b>44,338</b>	<b>33,250</b>	<b>20,003</b>	<b>138,604</b>

<b>Funded by -</b>					
Capital Receipts	10,276	16,373	8,806	1,392	36,847
Capital Reserve	6,232	3,768			10,000
Replacement Funds	498	225	113		836
1-4-1 Receipts	2,373	930	4,403		7,706
HRA revenue contribution	17,203	20,418	18,907	18,233	74,761
Section 106 contributions	14	126	93		233
Lottery/external funding	4,082	2,120	550		6,752
Disabled Facilities Grant	335	378	378	378	1,469
<b>TOTAL</b>	<b>41,013</b>	<b>44,338</b>	<b>33,250</b>	<b>20,003</b>	<b>138,604</b>

**11.7 Recommendation 2.2 (d): to approve the 2014/15 to 2017/18 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 2015/16-2019/20 was approved by the Cabinet on 2<sup>nd</sup> July 2014. 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.
- Provision of £2.0 million for new capital schemes in 2016/17.
- An additional £5.0 million for investment acquisitions

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 a small transfer to reserves in 2015/16 in respect of general fund services, and maintained front-line services. The challenges will become more demanding from 2016/17. 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 2015/16 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, development control fees and benefit 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. 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 the Performance Monitoring Scrutiny Panel. 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 2015/16 Budget preparation. The table below summarises the estimated level of reserves available for 2015/16:

	Estimated Available Balance at 31/3/15 £'000s	Paragraph
<b>General Fund Reserves</b>		
General Fund Reserve / Balance	7,247	12.7.2
Usable Capital Receipts	30,295	12.7.3
Capital Reserve	7,661	12.7.3
Acquisition reserve	3,768	12.7.3
1-4-1 Receipts	7,369	12.7.3
Development of Facilities for Young People	174	12.7.3
Restructuring Impact	1,049	12.7.4
Housing & Planning Delivery Grant	363	12.7.5
Vehicles & Plant	231	12.7.6
ICT Replacement	215	12.7.6
Specialist Equipment – Hawth & K2	50	12.7.6
Town Centre Regeneration	502	12.7.7
Other	1,673	12.7.8
<b>Total General Fund</b>	<b>60,597</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,321	12.7.9
Housing Capital Investment reserve	16,320	12.7.10
<b>Total HRA</b>	<b>19,641</b>	
<b>Total</b>	<b>80,238</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 The current balance of the reserve is £8.0 million and is projected to decrease to £7.2m by the end of 2014/15. However because of the changes to the accounting for business rates there will be a transfer back to this reserve in 2015/16 of £1.6m. 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 agenda at the same time looking at maximising income generating opportunities. These challenges include significant reductions in Government grant and the volatility of business rates income and uncertainty over the future over New Homes Bonus.
- 12.7.3 The projected balance of useable capital receipts at the end of March is £30.295m. Usable capital receipts can only be used for capital spending. 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 £7.661m. In addition to this there is £0.174m in the Developing Facilities for Young People reserve and an estimated £7.369m 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. It is intended that they are used on schemes such as Forge Wood.
- 12.7.4 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.
- 12.7.5 The balance of the Housing and Planning Delivery Grant (HPDG) reserve is projected to be £0.363m; this is fully committed.
- 12.7.6 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.
- 12.7.7 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration schemes.
- 12.7.8 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.
- 12.7.9 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.
- 12.7.10 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.

### **13. Council Tax**

- 13.1 The 2015/16 Budget Strategy assumed a Council Tax freeze. The Government subsequently offered a grant of £71,201. It is proposed that there should be no increase in Council Tax for 2015/16.
- 13.2 It is assumed that West Sussex County Council will freeze their share of the Council Tax for 2015/16. It is understood that the Police and Crime Commissioner will be increasing their share of the Council Tax by 1.98%. This will be confirmed at the Council meeting on 25 February. A breakdown of the Crawley Borough Council charge per Council Tax band is given at Appendix 4.

**Recommendation 2.2(e): to agree that the Council's share of Council Tax for 2015/16 be frozen at £187.83 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 £583,229 of which £73,476 is the Council's share.
- 14.2 Business Rates  
In a similar manner, the overall estimated surplus in relation to Business Rates is £806,190 of which £322,476 is the Council's share.

### **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 – 49.3p per £ (48.2p in 2014/15)
  - ii) Small Business Multiplier – 48.0p per £ (47.2p in 2014/15)
- 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 2015/16 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 32.0 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 2015/16 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 2015/16, 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.

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 2015/16.

## 17. Background Papers

[Budget Strategy 2015/16 - 2019/20 \(FIN/339\) OSC 30 June 2014](#)  
[HRA Investment priorities CH/104 OSC 8 October 2012 & Cabinet 10 October 2012](#)

Quarterly Budget Monitoring Quarter 3 (FIN/355) – Cabinet 11 February 2015  
Treasury Management Strategy 2015/16 (FIN/353) – Cabinet 11 February 2015

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## Appendix 1

### Report of the Budget Advisory Group

The Group has had two meetings, during which it 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, most of which have been implemented. The most notable is the savings as a result of the Facilities Management Systems Thinking review. These savings are shown in the Table below.

	2015/16	2016/17	
	£	£	
Facilities Systems Thinking redesign	125,000		Restructure in place, saving being achieved in current year.
Community Centres income	25,000		Increased income due to the redesigned way of booking
Internal Audit – Admin	20,000		A sum set aside for a Freedom of Information officer is not required as work undertaken within other teams
Democratic Services	30,000		Staff retirement, this saving is being achieved in the current year
K2 Heat and Power Network	19,000	19,000	Energy savings
Senior Management Review	75,000		Head of Property post retires in December 2014
Car Parking income	10,000		Increased income as a result of opening up Town Hall front car park
Contact Centre	30,000		Vacancy - management
Payroll	3,000		Electronic payslips
<b>Total</b>	<b>337,000</b>	<b>19,000</b>	

The Group were asked to note these savings

#### Growth Item

The group considered a growth item for Streetscene Maintenance – Grass verges and neighbourhood shrub beds for £65,000. Objective evidence was requested on the number of complaints made over the past five years. This information was provided to Members at their second meeting. The Group supported the bid and recommended that Cabinet considered this growth bid.

#### Capital Programme

The Group considered capital bids totalling £2,173,000. They are recommending that Cabinet approves all of the bids. The Group did recommend that a bid for replacement machinery at Orchard Street Car Park be brought forward to 2015/16. The attached appendix details the bids.

The group scrutinised the bids and requested further information from officers at their meeting on 5<sup>th</sup> November. These included

#### Water Management

Whilst noting the bids, the Advisory Group acknowledged the current shift of responsibility from the Environment Agency to local authorities in terms of water management and flood prevention, and that it was important that we continued to take that responsibility seriously and make every effort to maintain all water related structures appropriately.

#### K2 Schemes

In response to comments from Members, it was reiterated that the existing Sport and Leisure Management Contract for K2 clearly defined that the Contractor must undertake all building and plant repair and maintenance, whilst the Council was responsible for the renewal/replacement of all plant, machinery or equipment as specified within the contract. All capital bids would also coincide with the letting of the new Leisure Management Contract in 2017 / 2018 which would allow the Council to market a strong product.

#### Replacement of K2 Crib Wall

It was acknowledged that before any improvement / replacement works were undertaken, we needed to be sure of the wall's general structure and reasons for its subsidence. It was not clear whether the current problems related to the original work or to a drainage blockage at a later date adjacent to the wall. Members agreed that if on further investigation, the required work could be identified as a defect arising from the original construction; then we should seek to look into the possibility of recovering some costs from the builder.

<b>Ref</b>	<b>Capital Proposals</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>Total £'000</b>
<b>A</b>	Community Safety Improvement Project			50	50
<b>B</b>	Replacement Car Parking Machinery Exchange Road and Orchard Street	121			121
<b>C</b>	Broadfield Park Pond & Brook Improvement & Maintenance Work			85	85
<b>D</b>	Additional Upgrade Work to Northgate Flood Attenuation Plain		47		47
<b>E</b>	Crabbett Park Additional Upgrade Works		33		33
<b>F</b>	Crawters Brook Flood Attenuation		100		100
<b>G</b>	Leat Stream Flood Alleviation Works	50			50
<b>H</b>	Parker Close Erosion Control	80			80
<b>I</b>	K2 – Poolside Timing Equipment Replacement			65	65
<b>J</b>	K2 – Poolside Sauna & Steam Room Replacement		40		40
<b>K</b>	K2 – Entry Door Replacements Health & Fitness Area & Poolside Viewing	30			30
<b>L</b>	Hawth – Air Conditioning Units Replacement			45	45
<b>M</b>	Adventure Playgrounds	200	80	200	480
<b>N</b>	Worth Park Discovery Trail	40			40
<b>O</b>	K2 – Crib Wall	200			200
<b>P</b>	Manor Royal		100	100	200
<b>Q</b>	Programmed Maintenance to be capitalised	186	321		507
<b>Total Approved</b>		<b>907</b>	<b>721</b>	<b>545</b>	<b>2,173</b>

## Appendix 2

### GENERAL FUND REVENUE BUDGET 2015/2016 Summary of Service Requirements

2014/15		2015/16	
Original Estimate		Original Estimate	Variation
£		£	£
1,282,520	Cabinet	1,263,650	(18,870)
1,484,270	Community Engagement	1,463,240	(21,030)
1,344,890	Customer and Corporate Services	1,272,590	(72,300)
5,731,100	Environmental Services	5,774,310	43,210
3,020,290	Housing Services	3,064,440	44,150
7,071,390	Leisure & Cultural	6,884,790	(186,600)
(1,884,720)	Planning & Economic Development	(2,133,690)	(248,970)
(3,095,170)	Depreciation	(3,169,190)	(74,020)
400,000	Contribution to Renewals Fund	400,000	0
<b>15,354,570</b>	<b>NET COST OF SERVICES</b>	<b>14,820,140</b>	<b>(534,430)</b>
(898,595)	Interest on Balances	(930,047)	(31,452)
0	Grant & External Funding	0	0
<b>14,455,975</b>		<b>13,890,093</b>	<b>(565,882)</b>
0	Transfer to reserves in respect of 2014/15 business rates deficit		
0	Transfer to reserves	26,231	26,231
<b>14,455,975</b>	<b>NET EXPENDITURE</b>	<b>13,916,324</b>	<b>(539,651)</b>
	<b>FUNDED BY</b>		
	<b>External Support</b>		
(3,705,607)	Revenue Support Grant	(2,625,069)	1,080,538
(70,609)	Council Tax Freeze Grant	(71,201)	(592)
(16,402)	Other Grants	0	16,402
0	Section 31 Grants - Business Rates	(383,831)	(383,831)
(1,316,776)	New Homes Bonus	(1,573,419)	(256,643)
	<b>Internal resources</b>		
(3,232,771)	Retained Business Rates	(2,725,281)	507,490
(6,042,115)	Council Tax	(6,141,571)	(99,456)
	Collection Fund (Surplus)/Deficit		
(71,695)	- Council Tax	(73,476)	(1,781)
	- Business Rates	(322,476)	(322,476)
<b>(14,455,975)</b>		<b>(13,916,324)</b>	<b>539,651</b>

	2014/15	2015/16
<b>Number of Band D Equivalents</b>	32,168	32,697.5
<b>Number of Properties</b>	43,061	43,278.0

## HOUSING REVENUE ACCOUNT

	Original Budget 2014/15	Budget 2015/16	Variation
<b>Income</b>	£'000s	£'000s	£'000s
Rental Income (paragraph 10.2)	(44,606)	(45,458)	(852)
Other Income	(1,704)	(1,765)	(61)
Interest	(69)	(116)	(47)
<b>Total Income</b>	<b>(46,379)</b>	<b>(47,339)</b>	<b>(960)</b>
<b>Expenditure</b>			
Employees	3,522	3,572	50
Responsive Repairs (paragraph 10.3)	6,497	7,535	1,038
Cyclical and Planned	3,983	3,840	(143)
Other running Costs	2,088	1,830	(258)
Managed services	279	247	(32)
Rent rebates	147	0	(147)
Support Services	2,792	2,639	(153)
<b>Sub total</b>	<b>19,308</b>	<b>19,663</b>	<b>355</b>
Interest payable on Self Financing Debt	8,309	8,309	0
Transfer to fund existing and future capital programme	18,762	19,367	605
<b>Total Expenditure / transfer</b>	<b>46,379</b>	<b>47,339</b>	<b>960</b>
<b>Revenue (Surplus) /Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

Any future surplus/deficit will be transferred to/from a fund for future housing investments.



Appendix 3 (i)

Key Element	2015/16	2016/17	2017/18
	£	£	£
<b>Capitalisation of Repairs</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
Electrical Test / Rewires	1,100,000	1,200,000	1,200,000
Roofing	750,000	800,000	800,000
Structural Works	80,000	80,000	80,000
Windows / Doors	350,000	400,000	400,000
External Decorations/Renovations (Renovation & refurb')	200,000	200,000	200,000
External, environmental work	120,000	150,000	150,000
Kitchens	850,000	850,000	850,000
Bathrooms	500,000	550,000	550,000
Insulation (Cavity, loft, sound)	750,000	750,000	750,000
Common Areas	100,000	100,000	120,000
Sheltered Schemes	250,000	250,000	250,000
Boilers / Heating	1,800,000	1,500,000	1,500,000
Energy Efficiency Work	50,000	80,000	80,000
Disabled Adaptations	900,000	900,000	900,000
Garages	700,000	700,000	750,000
Renovation, Conversion Studio, Flats, Blocks etc	550,000	200,000	200,000
Major Insulation, Energy Efficiency	1,500,000	1,500,000	1,800,000
Intercom Upgrade	200,000	150,000	100,000
Adaptations For The Disabled	300,000	300,000	300,000
Legionella	50,000	50,000	50,000
Hostels	350,000	100,000	100,000
<b>Total Repairs &amp; Refurbishment</b>	<b>11,450,000</b>	<b>10,810,000</b>	<b>11,130,000</b>

Key Element (continued)	2015/16	2016/17	2017/18
	£	£	£
151 London Road (New Build)	240,000		
Purchase Of Properties including buy Back of Dwellings	1,300,000	1,300,000	1,300,000
Acquisitions Of Land	1,000,000	1,000,000	1,000,000
Gales Place	2,200,000		
Kilnmead	1,600,000		
Forge Wood	3,059,000	8,900,000	4,303,000
<b>Total Future Developments</b>	<b>9,399,000</b>	<b>11,200,000</b>	<b>6,603,000</b>
<b>Total Investment Required</b>	<b>21,349,000</b>	<b>22,510,000</b>	<b>18,233,000</b>
<b>HRA Existing Programme</b>	<b>18,245,000</b>	<b>18,868,000</b>	<b>0</b>
<b>Additional Budget Required</b>	<b>3,104,000</b>	<b>3,642,000</b>	<b>18,233,000</b>

## Appendix 4

<b>COUNCIL TAX 2015/16 PER BAND CRAWLEY ELEMENT</b>					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2015/16	2014/15
				£	£
A	6/9	Under £40,000	848	125.22	125.22
B	7/9	£40,000 - £52,000	6,657	146.09	146.09
C	8/9	£52,000 - £68,000	20,995	166.96	166.96
D	9/9	£68,000 - £88,000	8,388	187.83	187.83
E	11/9	£88,000 - £120,000	3,745	229.57	229.57
F	13/9	£120,000 - £160,000	2,184	271.31	271.31
G	15/9	£160,000 - £320,000	452	313.05	313.05
H	18/9	above £320,000	9	375.66	375.66
<b>TOTAL</b>			<b>43,278</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 2016/17. 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. An outline to the approach will be reported to the Cabinet at its July meeting however due to the General Election there is more uncertainty, 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. The investment income budget is monitored monthly.</p>
<p>3. Increase in net costs to the Council as a result of changes to demanded budgets. Provision in the 2015/16 Budget has been based on the latest available information. The continued economic downturn could mean that there will be changes in demand.</p>	<p>Provision in the 2015/16 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>4. High level of slippage in the capital programme resulting in delayed implementation of schemes. The anticipated use of capital receipts and capital reserves in 2015/16 is £15.1 million. Slippage of 25% would result in additional 2014/15 interest of approximately £37,000.</p>	<p>Capital budget monitoring reports will be considered by the Cabinet on a quarterly basis. Some slippage will inevitably occur on capital schemes; however, there has been a significant improvement in the delivery of the capital programme in recent years.</p>
<p>5. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income.</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.</p>

<p>6. Failure to collect income. The Council is responsible for collecting annual income totalling over £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.</p>	<p>There will be regular monitoring of debts and performance levels. The 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>7. 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 Performance Management Scrutiny Panel. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet.</p>
<p>8. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget</p>	<p>The initiatives are being well researched, and their success will be regularly monitored.</p>
<p>9. The volatility in business rates income, could threaten the spending plans. Because of the gearing effect a relatively small percentage variation would have a significant impact on the estimate. A 5% variance in business rates collected could result in a 27% variation in business rates retained.</p>	<p>Business rates income is continuously monitored. The level of the General Fund Reserve was increased in 2013/14 to be able to deal with variances in business rates income. Volatility should reduce as we go further into the 2010 rating list. From 1<sup>st</sup> April new appeals cannot be backdated prior to April 2014.</p>

### Crawley Borough Council Pay Policy Statement for 2015/16

#### 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 Directors and 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 and there were no pay awards for NJC employees from April 2010 till March 2013. The Council made a one off payment to staff of £175 in June 2012. There have been no pay awards for Chief Executive and Chief Officers since April 2009 but the rest of the workforce have received pay awards in 2013 and in January 2015.

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 has been agreed as part of the 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 will be 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 for information.

### **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
- Subsidised parking at the Town Hall for all other staff
- Salary sacrifice schemes for child care vouchers and bike to work scheme 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.

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 would 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 5 for which the annual salary inclusive of Crawley Allowance is £16,103. There is a pay ratio of 1/7 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 £7.85 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 £23,390 per annum. The pay ratio between this and the Chief Executive's salary is 1/ 4.8.

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**  
**2<sup>nd</sup> January 2015**

**JNC for Chief Executive and Chief Officer's Pay scales including Heads of Service  
W.E.F 01/04/14**

<b>CATAGORY</b>	<b>TOTAL</b>
<b>CHIEF EXECUTIVE</b>	£112,107 £109,621 £107,137 £104,648 £102,155
<b>DEPUTY CHIEF EXECUTIVE</b>	£95,640 £93,527 £91,416 £89,300 £87,181
<b>HEAD OF SERVICE A</b> FINANCE, REVS & BENS LEGAL & DEMOCRATIC SERVICES	£63,569 £62,170 £60,781 £59,379 £57,984
<b>HEAD OF SERVICE B</b> ECONOMIC & ENVIRONMENTAL SERVICES COMMUNITY SERVICES STRATEGIC HOUSING & PLANNING SERVICES CRAWLEY HOMES  PARTNERSHIP SERVICES PEOPLE & TECHNOLOGY	£67,767 £66,277 £64,791 £63,300  £61,814

**STATUTORY RESPONSIBILITY ALLOWANCE**

SECTION 151 OFFICER	£3,123.13
MONITORING OFFICER	£3,123.13
DEPUTY MONITORING OFFICER	£1,561.56
DEPUTY SECTION 151 OFFICER	£1,561.56



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

Scale	Spinal point	Annual salary
A	5	£16,103
B	6	£16,215
	7	£16,312
	8	£16,462
	9	£16,662
C	10	£16,925
	11	£17,794
	12	£18,110
	13	£18,528
D	14	£18,818
	15	£19,159
	16	£19,556
	17	£19,959
E	18	£20,301
	19	£20,963
	20	£21,635
	21	£22,329
F	22	£22,581
	23	£23,177
	24	£23,858
	25	£24,540
G	26	£25,265
	27	£26,026
	28	£26,800
	29	£27,768
H	30	£28,621
	31	£29,451
	32	£30,252
	33	£31,074
I	34	£31,886
	35	£32,506
	36	£33,306
	37	£34,174
J	38	£35,106
	39	£36,185
	40	£37,074
	41	£37,990
K	42	£38,899
	43	£39,811
	44	£40,733
	45	£41,595
L	46	£42,545
	47	£43,468
	48	£44,381
	49	£45,285
M	50	£46,199
	51	£47,125
	52	£48,051
	53	£48,986

**Apprenticeship scheme salary W.E.F. 1ST JAN 2015**

Percentage of spinal point 5	Annual Salary
60%	£9661.80
65%	£10466.95
70%	£11272.10
75%	£12077.25