

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 6 February 2017

### Report to Cabinet 8 February 2017

## 2017/18 Budget and Council Tax

Report of the Head of Finance, Revenues and Benefits, **FIN/401**

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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 2016 the Council continued to review its spending plans and considered options to amend spending to meet new priorities. This report presents the Revenue, Capital and Housing Revenue Account (The Budget) and sets the level of Council Tax for the Financial Year 2017-2018 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 2017/18 Budget:**

- (a) to approve the proposed 2017/18 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 2017/18 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,
- (c) to approve the 2016/17 to 2019/20 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 2017/18 be increased by 2.52% from £189.27 to £194.04 for a band D property as set out in paragraphs 5.5.1 and 13.3,
- (e) to approve the Pay Policy Statement for 2017/2018 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 2017/18 General Fund and Housing Revenue Account Budgets and the 2019/20 Capital Programme will be set by Council in February 2017. 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. This report excludes any implications of the Town Hall report elsewhere on this agenda.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are council tax, rents, Government grants, retained business rates, investment income and fees and charges. The majority of the Council's services are funded from the General Fund. The main exception is the management and maintenance of the Council's housing stock, which is funded through a Housing Revenue Account (HRA).
- 4.3 There have been a number of major financial pressures on the General Fund since the start of the financial crisis in 2008/09. In common with all authorities there have been significant reductions in Government grant, reductions that will continue in the coming years with no Revenue Support Grant being received from the financial year 2020/21. Income from investments has fallen due to low interest rates. 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 2017/18–2021/22 [Budget Strategy](#) was approved by the Cabinet in June 2016. The Strategy was based on a number of key assumptions:
- Annual Government grant reductions based on the four year settlement offer.
  - Work to keep Council Tax increases low without compromising local services,
  - An average investment rate of 1.65% for 2017/18 increasing to 2.15% for 2018/19, 2.40% for 2019/20, 2.45% for 2020/21 and 2.50% for 2021/22 (these figures were produced before the Referendum decision to leave the EU),
  - A 1% pay award for the financial years 2017/18 to 2019/20, increasing to 1.5% in 2020/21 and 2.0% in 2021/22,
  - An inflation provision of 1.3% for contract expenditure in 2017/18, 2.0% in 2018/19 and 2.5% for the following years with no inflation allowance for general running expenses,
  - An assumed increase in business rates income of 2.5% in 2017/18 to 2019/20 decreasing to 2% for the following years,
  - An overall increase in fees and charges of 2%.

4.6 The Budget Strategy approved working towards balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus. This methodology was included in the Council's [Efficiency Plan](#) which has been approved by the Department of Communities and Local Government (DCLG) see paragraph 5.1 below.

A budget gap of £465,000 was identified in the Budget Strategy. This assumed no increase in Council tax and the report showed the impact of different council tax increases on the gap. This reduced to £295,000 with a £5 increase which is the maximum increase. The Budget Strategy report included over £1m of efficiencies, increased income and savings and these are shown in Appendix 1(iii). Without these the budget gap would have been £1.472m for 2017/18.

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

- Impact on interest rates as a result of the Referendum decision to leave the EU
- Increased cost of inflation (September ONS figures)
- Changes to New Homes Bonus, both positive and negative
- Increase in Pension Fund contributions is less than anticipated
- Additional efficiencies, savings and income identified
- Additional Council Tax income

4.8 The Table below summarises the changes between the approved Budget Strategy and the proposed 2017/18 Budget. Further details are provided in section 5 of the report.

	£'000s	Paragraph
June Cabinet Budget Gap	(465)	4.6
Council Tax increase	162	5.5.1
Council Tax Base/Surplus – less than anticipated	(52)	5.5.1
New Homes Bonus more properties built	267	5.5.2
New Homes Bonus – Adult Social care top slice	(79)	5.5.2
Reduced Investment income	(806)	5.5.3
Additional cost of inflation	(40)	5.5.4
Pension costs less than anticipated	58	5.5.5
Additional income from capital investment	31	5.5.6
Review of budgets as part of budget setting	177	5.5.7
Anticipated restructure within the Enforcement and technical team Community Services	65	5.5.8
Immigration and Asylum coordinator contribution	(10)	5.5.9

2017/18 Savings	702	See Section 6.4
2017/18 Growth	(10)	
<b>Gap</b>	<b>0</b>	

## 5. Analysis

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

The only condition attached to the four-year offer is for authorities to publish an annual [Efficiency Statement](#) ‘which should be as simple and straightforward as possible’. The Council accepted the 4 year Grant Settlement from 1/4/2016 until 31/3/2020 by submission of its Efficiency Statement with the time frames which has been accepted.

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

The four year settlement shows grant reductions as below.

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

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

The Government determines the amount of grant it will provide to the Council and the basis on which the estimated amount of business rates the Council will retain are determined. The following Table sets this out in terms of the ‘Settlement Funding Assessment Elements’ for 2017/18, these figures are the draft Settlement details. The percentage change relates to the change compared with 2016/17.

	Revenue Support Grant	Business Rates	Total
	£	£	£
Start Up Assessment 2016/17	1,775,734	3,333,946	5,109,680
Provisional Start Up Assessment 2017/18	1,036,391	3,402,011	4,438,402
<b>Change in year</b>	<b>-739,343</b>	<b>291,935</b>	<b>-447,408</b>
<b>Percentage Change</b>	<b>- 41.64%</b>		

Business rates figures have been recalculated in 2017/18 to reflect the adjustment for the 2017/18 business rates revaluation as outlined in paragraph 5.2 below.

There is a **6.44% reduction in 'spending power'**, this is the largest reduction of all West Sussex councils.

## 5.2 Retained Business Rates

Every non domestic property in the country has been revalued, these valuations will be based on non-domestic properties' rateable value at April 2015. This new valuation list for all non-domestic properties takes effect from April 2017. The amount Businesses pay is based on the property valuation multiplied by a 'national rate multiplier'; there are two multipliers, one for small and another for standard businesses.

The Valuation Office Agency has published details of individual properties' draft rateable values for the new list, providing ratepayers with an estimate of their business rates bill from April 2017.

The revaluation is designed to be nationally 'fiscally-neutral', meaning the overall income from business rate receipts will remain constant in real terms at the start of the new list. In order to achieve this, given an overall national increase in rateable values, the multiplier will be reduced.

DCLG have indicated that 'the small business multiplier is estimated to fall, from April 2017, from 48.4p by 1.8p to 46.6p; and the standard multiplier is also estimated to fall from 49.7p by 1.9p to 47.9p to ensure business rate receipts remain constant in real terms'. These multipliers will be confirmed after either the Local Government Finance report for 2017/18 has been approved or 1 March 2017, whichever is earlier.

- 5.3 The impact on Crawley is that the overall Rateable Value has increased by 4.53% to almost £269 million; however nationally the increase is 9.1% (in London the average increase is 22.8%). After applying the new multiplier we will receive less income than the current financial year. This should be adjusted through the 'tariff' that the Council has to pay back to the Government.

In order to manage the impact of the revaluation on ratepayers, a transitional relief scheme will operate, as in previous years. The transitional relief arrangements are designed to be self-funding, with the cost of the relief for those ratepayers facing increases funded from other ratepayers.

Although the Council will collect in excess of £116 million in business rates, the amount it retains is much smaller. One of the main reasons for this is that the Government retain 50% of the rates collected and West Sussex County Council retain 10%. The second main reason is that the Council also has to pay a significant tariff to the Government. There are further complications in that the Council's retained share can be added to by a safety net payment or suffer a further levy. These are applied if a Council's retained share is more than 7.5% below a Government set figure (safety net) or above it (a levy of 50%).

Projected non-domestic rates income	£116,436,243
Government share	-£58,218,121
West Sussex County Council share	-£11,643,624
Crawley Borough Council share (before tariff & levy)	<u>£46,574,497</u>

The projected retained rates amount for 2017/18 is set out in the table below. A levy will apply if the forecast is correct.

	£
Council's share of non-domestic rates income	46,574,497
Tariff	(40,108,455)
Levy	(1,683,787)
Safety net	0
Sub total	<u>4,782,255</u>
Additional rates due to renewable energy at K2 Crawley	4,660
S31 Grants	401,144
Sub Total	<u>5,188,059</u>
Deficit in current financial year	(2,352,822)
Transfer from the Business Rates Equalisation reserve	2,147,333
<b>Total</b>	<u><b>4,982,571</b></u>

There is budgeted income of £401,144 in respect of Section 31 Grants, this is to reimburse the Council for business rate reliefs, including small business rate relief given by the Government which have reduced the retained rates that the Council would otherwise have received. Section 31 of the Local Government Act 2003 allows a Minister of the Crown to pay a grant to a local authority of England towards expenditure incurred by it.

5.4 It should be noted that there is significant potential volatility in business rates income, for economic, practical and technical reasons. It is possible that the final amount retained by the Council in 2017/18 will vary by several hundred thousand pounds from the current estimate, a business rates equalisation reserve has been established to assist in the management of these swings. There is a budgeted transfer to reserves in the current financial year of £2,031,564 in respect of business rates.

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

#### 5.5.1 Council Tax

The Budget Advisory Group agreed to recommend to Cabinet an increase in Council Tax of **£4.77** per annum for a Band D property, this is an increase of 2.52%. The Department of Communities and Local Government (DCLG) gave capping guidance of the increase of 2% or £5 on a Band D, whichever is the highest.

The Budget Strategy gave different options on increases and the aim was to keep Council Tax increases low without compromising local services. Appendix 4 gives the proposed Council Tax per band including this 2.52% increase.

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

The Table below shows the impact on the proposed increase in Council tax per year and per week, it also shows the change in the number of properties in each band since last year, this shows the largest increase are in bands A – C, Appendix 4 gives the total number of properties in each Council Tax band.

Council Tax Band	Change in the number of properties from last year	Proposed Council Tax (Crawley element)	Proposed Increase per year	Proposed Increase per week
		£	£	£
A	223	126.18	3.18	0.06
B	95	147.21	3.71	0.07
C	209	168.24	4.24	0.08
D	114	189.27	4.77	0.09
E	-8	231.33	5.83	0.11
F	9	273.39	6.89	0.13
G	4	315.45	7.95	0.15
H	0	378.54	9.54	0.18
	<b>646</b>			

As a result of net increases in the number of properties in Crawley, the 2017/18 Council Tax base has changed. The number of properties has increased by 646, however the majority of these properties are in Council Tax Band A-C; this has resulted in £28,000 less Council Tax income than projected in the June Budget Strategy report.

The Council will receive a share of the Collection Fund surplus in 2017/18 of £47,413 (see paragraph 14.1 - £60,000 of which was previously estimated).

#### 5.5.2 New Homes Bonus

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

The Council receives direct payment from the DCLG for the number of new properties we report to the Valuation Office. For each dwelling the total payment is £1,529 (of which West Sussex County (WSCC) receives £306 and Crawley Borough Council £1,223) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSCC receives £70.

The Government consultation "[sharpening the incentive](#)" on NHB was launched in December 2015 with a closing date of 10<sup>th</sup> March 2016.

The options floated included: 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.

It was announced by the Minister for Communities and Local Government on the 16<sup>th</sup> December 2016 that the Government will implement reforms to the scheme that sharpen the incentive for housing growth. This means New Homes Bonus payments will be reduced in duration from 6 years to 5 years in 2017-18 and 4 years from 2018-19. This had been included in our assumptions in the budget strategy.

From 2017-18 the Government will also introduce a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid reflecting a percentage of housing that would have been built anyway (deadweight).

The original consultation suggested 0.25% for the 'deadweight'. The actual deadweight was set at 0.40%, which suggests (though it doesn't say that in the response) that 0.15% is going towards adult social care. This was a very late announcement. We had assumed 0.25% and as a result we will receive £79,471 less per annum for five years than anticipated, a loss over the period of £397,355. This represents a 24.29% reduction which is the second highest reduction in West Sussex.

The New Homes Bonus that Crawley Borough Council received in 2016/17 was £1,880,562. This is made up of agreed annual sums based on housing growth in year. The New Homes Bonus for 2017/18 is £1,431,861 a reduction of £448,701 (23.86%) from 2016/17.

The numbers of new properties completed were higher than originally estimated in the Budget Strategy. The New Homes Bonus calculation is based on the increase in the Band D average, as the majority of the housing growth is Bands A-C we receive less New Homes Bonus as a result.

The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth. The increase in this deadweight has been included in future years' projections and has resulted in an increased budget gap as outlined in section 7.2 below.

#### **5.5.3 Reduced Investment Interest**

Interest projections have reduced as a result of the Bank of England reducing the base rate to 0.25% as a result of the Referendum decision to leave the EU.

#### **5.5.4 Increased costs of inflation**

At the end of September 2016 RPI was 2.0% which is the general allowance for contracts inflation; when the Budget Strategy was set in June 2016 the figure assumed was 1.3%. Inflation increased over the summer period.

#### **5.5.5 Reduced cost of employers pension contributions**

The actuarial revaluation of the pension fund managed by West Sussex County Council has resulted in a 0.5% increase in contributions annually from 2017/18 to 2019/20. The Budget Strategy assumed 1% per annum.



#### 5.5.6 Additional income from capital investments

As a result of capital investment and spend to save /spend to earn there will be additional income over and above what was budgeted for in the June Budget Strategy report.

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

With the introduction of the new financial management software Collaborative Planning, managers now have more management information and control over their budgets. As a result they have been able to identify savings and increased income as part of the budget setting process. This includes additional commercial property income and reduced operational costs.

5.5.8 There will be a restructure within the Enforcement and Technical team within the Community services area in 2017/18, this will result in anticipated savings of £65,000.

5.5.9 It is proposed to establish a single countywide team to co-ordinate our increasing workload on immigration and asylum seekers. This will be funded on a 60/40 basis between West Sussex County Council and the Districts and Boroughs and was felt to be the best way forward by County, Borough and District Leaders. Each District and Borough will contribute £10,000 towards the cost of a small team based at the County. The progress and success of this will be reviewed on an annual basis by the Leaders of County, Boroughs and Districts.

### 6. 2017/18 General Fund Budget

6.1 Details of the proposed 2017/18 Budget are set out in Appendix 2 and is summarised in the Table below:

<b>2017/18 General Fund Budget</b>		<b>£'000s</b>
Net Cost of Services ( <b>see table below 6.2</b> )		14,720
Investment Income		(645)
Transfer to/from Reserves		0
<b>Net Expenditure</b>		<b>14,075</b>
<b>Funded by</b>		
Revenue Support Grant		1,036
New Homes Bonus		1,432
Council Tax		6,577
Collection Fund surplus – Council Tax		47
Total Retained Business Rates (5.3)	5,188	
Deficit in current year (5.3)	(2,353)	
Transfer from Business Rates Equalisation Reserve	<u>2,147</u>	4,983
<b>Total</b>		<b>14,075</b>

6.2 Estimated service expenditure is summarised in the table below:

<b>2017/18 Budget – Service Expenditure</b>	
<b>Portfolio</b>	<b>£'000s</b>
Cabinet	1,435
Public Protection and Community Engagement	1,595
Resources	1,129
Environmental Services & Sustainability	5,917
Housing Services	3,131
Wellbeing	7,098
Planning & Economic Development	-2,560
Depreciation	-3,425
Contribution to Renewals Funds	400
<b>Net Cost of Services</b>	<b>14,720</b>

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

6.4 The table below summarises the efficiencies, savings and additional income included in the 2017/18 Budget with £1.951m identified:

<b>Efficiencies, additional income and savings</b>	<b>2017/18 £'000s</b>
Identified in Budget Strategy (Appendix 1 (iii))	1,007
Reported to the Budget Advisory Group (Appendix 1)	702
Identified as part of budget setting (5.5.7 and 5.5.8)	242
<b>Total identified</b>	<b>1,951</b>

6.5 The BAG are recommending to Cabinet the approval of a growth item of £10,000 per annum for the financial years 2017/18 for the extension of Unison facility time. In 2012 The Council made a Budget decision to reduce the facility time for the Unison Branch Secretary from 37 hours per week to 14.4 hours per week.

This was agreed on the basis that the Branch Secretary would develop stewards to take on more representation duties in order for him to manage on the reduced facility time. This has not been possible and the Branch Secretary is no longer able to cope with the responsibilities of the role in the 14.4 hours per week that is available.

Unison requested an extension of the facility time to 21.6 hours per week in order to meet the need from members of the union and management of the organisation. This has been agreed by the Cabinet Member for Resources and

endorsed by the Cabinet at the meeting of the Employees Joint Consultative Committee on the 13<sup>th</sup> July 2016 on a 6 month trial basis.

This trial started in August 2016. At the moment the additional day is being provided by the Deputy Branch Secretary and being funded from his substantive post. This is not sustainable going forward and it is therefore proposed that the budget for facility time is extended by £9,700 per annum to allow for the facility time to be extended permanently.

**Recommendation 2.2 (a): to approve the proposed 2017/18 General Fund Budget including the savings and growth proposals as set out above and Appendix 1 and 2.**

## 7. 2018/19 Budget Projections

7.1 The Budget Strategy for 2018/19 to 2022/23 is scheduled to be considered at the June 2017 Cabinet. The table below summarises the 2018/19 Budget projections based on the following headline assumptions:

- An inflationary increase in Council Tax.
- Average investment rate of 0.5%
- 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%.

	2018/19 £'000s
Base Budget	15,140
Investment interest	(564)
Net Budget	14,576
Funded by:	
Council Tax	6,854
Retained Business Rates	5,107
Formula Grant	575
New Homes Bonus	1,370
<b>Indicative Budget Gap</b>	<b>670</b>

The main changes between years are itemised below

	2017/18 £000's	2018/19 £000's	Change £000's
New Homes Bonus	1,432	1,370	62
Revenue Support Grant	1,036	575	461
Interest projections	645	564	81
Inflation provision			83

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.

## **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 2017/18 Budget, it represents 4.8% 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 2017/18 is projected at 0.50%. Most of the longer term investments at higher interest rates have now matured, so the projection now more closely matches the lower interest rates available in the market.
- 9.3 Due to the potential volatility of the market, investment rate assumptions have been constantly revised in recent months. The 2017/18 Budget is based on the following assumptions:
- Average yield of 0.35% for new internal investments.
  - Cash flows have been calculated from the revenue and capital budgets reported in this report.
  - Cash flows relating to the capital programme are spread evenly through the year.
  - Cash flows relating to revenue are based on the timings of previous year's income and expenditure.
- 9.4 It is believed that these assumptions are realistic and not over-cautious. However, it is likely that there will be variances due to the number of external factors that can affect investment performance and the size of the sums available for investment. The investment interest budget will be monitored closely throughout 2017/18 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 2017/18 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 2017/18 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 2016/17 budget and 2017/18 budget are as follows.
- 10.2 The Portfolio holder for housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. However, in the Housing and Planning Act, the Government has required social housing providers to reduce their rents by at least 1% and the Cabinet member has therefore opted for a 1% reduction which equates to nearly £400,000 reduction in income which is partly offset by additional income from new dwellings giving a net reduction in income of £320,000.
- 10.3 The responsive repairs budget includes an allowance for inflation on the contract of £221,000, together with an increase of £280,000 in base works for void properties.
- 10.4 The major variance within the cyclical and planned budget is due to the reduced requirement for external painting now that the five year programme of £1 million has been completed.
- 10.5 The Other income and Managed services variance refer to the effects of the withdrawal of support from West Sussex for the sheltered housing service, this service is being reviewed.
- 10.6 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 2017/18 Housing Revenue Account Budget as set out above and Appendix 3 of the report.**

## 11. Capital Programme

- 11.1 The June 2016 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
IT Future Projects Fund	145
Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save'	249
<b>Total</b>	<b>394</b>

- 11.2 The proposed programme of £0.394m 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 2016/17 to 2019/20 based on the existing approved programme amended for items identified

in the Quarter 3 Budget Monitoring report. It is proposed to bring these two schemes to 2017/18.

- 11.4 The approved HRA Budget is included as amended in the report to the Budget Advisory Group at its meeting on 24<sup>th</sup> November 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 ongoing 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). The HRA Investment priorities were approved at Cabinet on 10 October 2012, together with the Affordable Housing delivery programme budget approvals which was approved by Cabinet on 2<sup>nd</sup> December 2015 CH/167.

### 11.5 2016/17 to 2019/20 Capital Programme

	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda)</b>	<b>30,904</b>	<b>53,225</b>	<b>46,693</b>	<b>5,761</b>	<b>136,583</b>
HRA Adjustment to the Budget Required (Appendix 3(i))		(2,250)	(1,500)	10,830	7,080
Forgewood (paragraph 11.4 above)			2,780	9,435	12,215
<u>New Schemes</u>					
IT Future Projects Fund		145			145
Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save'		249			249
<b>TOTAL</b>	<b>30,904</b>	<b>51,369</b>	<b>47,973</b>	<b>26,026</b>	<b>156,272</b>

<b>Funded by -</b>					
Capital Receipts	4,919	12,551	8,419		25,889
Capital Reserve	7,899				7,899
Replacement Funds	453	23	87		563
1-4-1 Receipts	1,339	5,217	8,773	4,531	19,860
HRA revenue contribution	13,599	32,251	30,694	21,401	97,945
Section 106 contributions	301	95		94	490
Lottery/external funding	1,678	854			2,532
Better care fund (formally DFG's)*	716	378			1,094
<b>TOTAL</b>	<b>30,904</b>	<b>51,369</b>	<b>47,973</b>	<b>26,026</b>	<b>156,272</b>

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

**Recommendation 2.2 (c): to approve the 2016/17 to 2019/20 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 2017/18-2021/22 was approved by the Cabinet on 29<sup>th</sup> June 2016. Key objectives of the Strategy are:

- Work towards a balanced Budget over a three year period including putting back to reserves when the Budget is in surplus.
- Aim to keep Council Tax low without compromising local services.
- Instruct Corporate Management Team to take action to address the long term budget gap and to identify policy options for consideration by Cabinet Members and the Budget Advisory Group.
- That items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations, and schemes will be also considered that are spend to save and spend to earn.
- That the Council apply to accept the four year grant settlement from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2020.

12.3 These objectives have been met. To date the Council has responded well to the financial challenges of recent years. It has produced balanced Budgets, with transfers to reserves in both 2015/16 and 2016/17 in respect of general fund services, and maintained front-line services. The challenges will become more demanding in future years. 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 2017/18 Budget, a review of all departmental budgets has been undertaken to ensure that existing budget provision is adequate and that additional provision has been made for known service pressures, this review has resulted in efficiencies, savings and additional income as identified in paragraph 5.5.7 above.

12.5 There are a number of services where budgets are susceptible to changes outside the direct control of the Council. These tend to be demand-led services such as homelessness, benefits payments, development control fees and Council Tax Reduction payments. There is also volatility in income streams that are affected by external factors such as investment and business rates income. For such budgets, the latest information has been used to calculate the Budget.

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

impacts of welfare reforms and the unknown impacts of the decision to leave the EU. Budgets are monitored by officers on a monthly basis and the Corporate Management Team receives an update on key issues, while a quarterly revenue and capital Budget monitoring report is considered by the Cabinet and included in the Members information bulletin. This should ensure that any projected variances are identified at an early stage.

- 12.7 A review of reserves has been undertaken as part of the 2017/18 Budget preparation. The Table below summarises the estimated level of reserves available for 2017/18:

	Estimated Available Balance at 31/3/17 £'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	29,182	12.7.3
Capital Reserve	2,795	12.7.4
Acquisition reserve	5,000	12.7.4
1-4-1 Receipts	12,165	12.7.4
Development of Facilities for Young People	160	12.7.4
Restructuring Impact	870	12.7.5
Housing & Planning Delivery Grant/LDF	300	12.7.6
Vehicles & Plant	166	12.7.7
ICT Replacement	58	12.7.7
Specialist Equipment – Hawth & K2 Crawley	17	12.7.7
Town Centre Regeneration	250	12.7.8
Other	1,194	12.7.9
<b>Total General Fund</b>	<b>61,635</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,321	12.7.10
Housing Capital Investment reserve (committed)	31,373	12.7.11
<b>Total HRA</b>	<b>34,694</b>	
<b>Total</b>	<b>96,329</b>	

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

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



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

- 12.7.2 In line with the Budget Strategy report the balance on this reserve will be £4m at 31 March 2017. The Head of Finance Revenues and Benefits is satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term. This may result in using reserves as the Council is continuing to review service provision through the 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 usable capital receipts at the end of March is £29,182m. 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 £2.795m. A separate reserve for Investment acquisitions has been established of £5m. In addition to this there is £0.160m in the Developing Facilities for Young People reserve and an estimated £12,165m 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 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 2016/17 as the Local Plan has now been approved.
- 12.7.7 There are three replacement funds; these are ICT Replacement, Specialist Equipment – Hawth & K2 Crawley, and Vehicles & Plant. The use of these funds is determined by the appropriate Cabinet member under delegated powers.
- 12.7.8 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration and economic development schemes - this reserve is 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 2017/18 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the advice of the Budget Advisory Group It is

proposed to increase the Council tax by £4.77 per annum for a Band D property which is an increase of 2.52%, this is an increase of less than 9p per week.

- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2017/18 by 3.95%, this will equate to an estimated increase of £47.70 per band D property. This includes an increase of 2% for Adult Social care responsibilities.
- 13.3 It is understood that the Police and Crime Commissioner will be increasing their share of the Council Tax by 3.36% which is an increase of £5.00 per annum. This will be confirmed at the Council meeting on 22 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 2017/18 be increased by 2.52% to £194.04 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 £387,304 of which £47,413 is the Council's share.

### **14.2 Business Rates**

In a similar manner, the overall estimated deficit in relation to Business Rates is £5,906,904 of which £2,352,822 is the Council's share (this sum will form part of the sum to be transferred from the Business Rates Equalisation reserve).

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

- 15.1 The Department for Communities and Local Government has advised the provisional business rate multiplier for 2017/18 as follows (see section 5.2 above):-
- i) Standard Multiplier – 47.9p per £ (49.7p in 2016/17)
  - ii) Small Business Multiplier – 46.6p per £ (48.4p in 2016/17)
- 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 2017/18 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 2.2 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 statutory guidance and this will be updated annually from April each year. The policy statement for 2017/18 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 2017/18, 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 2017/2018 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 2017/18 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 2017/18.

## **17. Other implications**

The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a "protected characteristic and those who do not share that protected characteristic". When a

Budget proposal has implications for people covered by the Equality Act 2010, the Council must take account of the Equality Duty and any particular impact on the protected group. There are no specific equality implications arising from the Budget that the Council is proposing.

## **18. Background Papers**

Budget Strategy 29 June 2016 Fin/386

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/403) – Cabinet 8 February 2017

Treasury Management Strategy 2017/18 (FIN/404) – Cabinet 8 February 2017

2016/2017 Budget Monitoring Quarter 1 (FIN/392)

2016/2017 Budget Monitoring - Quarter 2 Fin/395

Efficiency Statement

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

**Report of the Budget Advisory Group**

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

**Revenue Savings**

A number of savings have already been identified mainly as a result of the Transformation programme. These have been or will be implemented. These savings are shown in the Table below.

	£	
<b>Items identified as part of the budget monitoring process</b>		
Finance vacancies and reduced hours	90,000	Vacant posts will be deleted and there will be one voluntary redundancy following a restructure that will take place within the finance team
Revenue collection	26,000	A vacant post will not be filled within the Council Tax collection team
Contact Centre (reduced from £48,000)	20,000	Review of management roles as a result of vacancies
Community Wardens	103,000	The Community Wardens Service are holding four posts vacant giving an under spend of £130,000 while going through a review of the service. A saving on a permanent basis of £103,000 can be made, allowing for overtime
Corporate Support	49,000	The Corporate Support Team had an admin review which has resulted in savings
Stationery contract	10,000	The contract will save £20,000, £10,000 had already been identified in the budget strategy and are shown in the table above
Forward Planning	120,000	The Forward Planning Service has staff savings from vacancies being held pending a Systems Thinking Review.
Corporate Subscriptions	20,000	The cost of the subscription to Gatwick Diamond is being paid by the West Sussex business rates pool, in addition subscriptions have been cancelled as no longer needed
Built Environment	20,000	Reduced running costs
Member National Insurance and training	20,000	There are savings in Council Members National Insurance contributions which are variable due to the make-up of the Members each year, together with a training budget underspend totalling £22,000.
K2 Crawley Gym extension	35,000	Additional income as a result of the extension will be £51,000pa. Proposals for the new design of the K2 Crawley fitness area expansion have led to changes to the Fire Strategy (building escape plan

		etc.). This has resulted in specialist engineers having to review the drawings and prepare a revised design proposal. This delay has led to the initial start date being moved back to avoid January which is always the busiest time of year for the health & fitness area so the income in 2017/18 will be £35,000
Review of running costs as part of the budget monitoring process	54,000	Savings have been identified across different services as part of a review of budgets, this includes finance, people and technology and forward planning and the vehicle workshop
Environmental Health	80,000	A review of the service and its running costs will result in savings of approximately £80,000  Figure presented by Clem and Tony says achievable
Streetscene	25,000	A saving of £25,000 on temporary staffing will be made as a result of reduction in waste due to the systems thinking review of Streetscene
Grants to the voluntary and community sector	30,000	The budget for GTVO is £628,620 in the current financial year. There was an underspend in the last financial year and there is also a reserve of £84,792 for grants contingency.
Total	702,000	

The Group was asked to note these savings

### **Proposed Council Tax increase**

The Group was asked to consider what level of Council Tax increase they may want to recommend that Cabinet consider for 2017/18. As discussed at the last Budget Advisory Group Districts and Boroughs have been given the option to increase to as much as £5 for a Band D property. The table below shows the impact of different changes in the Council Tax increase on the gap.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
1% £1.89 per year	271	904	1,264
1.5% £2.84 per year	239	838	1,161
2% £3.78 a year	206	772	1,058
2.5% £4.77 a year	173	702	950
£5 per year	166	690	938

The group agreed to recommend to Cabinet an increase of 2.5% which is a £4.77 increase per annum (9p per week)

### **General Fund Revenue Growth Item**

The group considered a growth item for the extension of Unison facility time. There was concern expressed that this role had been reduced in 2012 due to a reducing workforce.

The majority of the Group supported the bid and recommended that Cabinet considered this growth bid.

### **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 for each of four years which had previously been approved by Government.

The Group noted these revisions.

### **General Fund Capital Programme**

The Group considered two capital bids totalling £394,000. This is less than previous years, a review of the existing capital programme showed that there are sufficient resources for the cyclical schemes.

The BAG are recommending that Cabinet approves both of the bids including option 1(b) a water source heat pump with Americas Zone included for Tilgate Park.

## HRA Major Works Capital Programme

Key Elements	Current 3 Year Plan			Proposed 3 Year Plan		
	2016/17	2017/18	2018/19	2017/18	2018/19	2019/20
	£	£	£	£	£	£
Capitalisation Of Repair Work	300,000	500,000	500,000			
Rewiring	1,000,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Roof Structure (I.E Soffits)	500,000	500,000	500,000	600,000	600,000	600,000
Windows	300,000	300,000	300,000	300,000	300,000	300,000
Structural Works	120,000	80,000	80,000	80,000	80,000	80,000
Renovation And Refurbishment	200,000	200,000	200,000	200,000	200,000	200,000
Insulation	250,000	750,000	750,000	250,000	250,000	250,000
Kitchens	850,000	850,000	850,000	850,000	850,000	850,000
Bathrooms	550,000	550,000	550,000	550,000	550,000	550,000
Common Areas	100,000	120,000	120,000	20,000	20,000	20,000
Sheltered Major Works	250,000	250,000	250,000	50,000	100,000	100,000
Boilers	2,000,000	1,500,000	1,500,000	1,800,000	1,800,000	1,800,000
Legionella	150,000	50,000	50,000	50,000	50,000	50,000
151 London Road (New Build)	50,000	200,000		200,000		
Energy Efficiency- Lighting	80,000	80,000	80,000	80,000	80,000	80,000
External Environmental Work	100,000	100,000	100,000	100,000	100,000	100,000
Intercom Upgrade	195,000	50,000	50,000	50,000	50,000	50,000
Major Insulation Energy Efficcy	1,250,000	2,800,000	1,800,000	2,800,000	1,800,000	1,800,000
Hostels	280,000	500,000	50,000	750,000	500,000	250,000
Ren Con Studio Flats Blocks	200,000	200,000	200,000	100,000	100,000	100,000
Garages	700,000	750,000	750,000	200,000	200,000	200,000
Adaptations For The Disabled	300,000	300,000	300,000	300,000	300,000	300,000
Disabled Adaptations-Mjr Room	900,000	900,000	900,000	950,000	950,000	950,000
<b>Total HRA Improvements</b>	<b>10,625,000</b>	<b>12,730,000</b>	<b>11,080,000</b>	<b>11,480,000</b>	<b>10,080,000</b>	<b>9,830,000</b>
Acquisitions Of Land		1,000,000	500,000			
Purchase Of Properties		2,000,000	1,000,000	2,000,000	1,000,000	1,000,000
<b>Total Investment Needed</b>	<b>10,625,000</b>	<b>15,730,000</b>	<b>12,580,000</b>	<b>13,480,000</b>	<b>11,080,000</b>	<b>10,830,000</b>
Revenue - External Decorations	2,000,000	600,000	600,000	1,000,000	200,000	2,000,000
<b>Revised Investment Needed</b>	<b>12,625,000</b>	<b>13,330,000</b>	<b>11,680,000</b>	<b>12,480,000</b>	<b>10,280,000</b>	<b>11,830,000</b>



## CAPITAL BIDS

Ref		2017/18 £'000	2018/19 £'000	2019/20 £'000	Future Years	Total £'000
A	IT Future Projects Fund	145				145
B	Sustainable Heating Supply Tilgate Park & Nature Centre 'Spend to Save'	249				249
	Total value of bids	394				394

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.

**Savings already identified in Budget Strategy.**

	2017/18 £'000
<u>Savings / Efficiencies</u>	£'000
Investment property	-507
Members Allowances	-10
Green Garden Waste additional income	-20
Recycling support	-30
Building control	-40
Property rental – town hall	-30
Benefits restructure – systems thinking review	-100
Recycling education officer	-14
Democratic Services admin	-5
Interest receivable of shared equity properties	-96
Mobile phone contract savings	-30
Stationery contract savings	-10
Commercial property income	-75
Feed-in Tariff income	-40
<b>Total identified in the Budget Strategy</b>	<b>-1,007</b>

## Appendix 2

### GENERAL FUND REVENUE BUDGET 2017/2018 Summary of Service Requirements

2016/17		2017/18	
Original Estimate £		Original Estimate £	Variation £
1,436,740	Cabinet	1,434,962	(1,778)
1,573,400	Public Protection & Community Engagement	1,594,651	21,251
1,286,490	Resources	1,129,277	(157,213)
5,983,520	Environmental Services & Sustainability	5,917,429	(66,091)
3,275,020	Housing Services	3,131,165	(143,855)
6,761,160	Wellbeing	7,098,263	337,103
(2,142,000)	Planning & Economic Development	(2,560,645)	(418,645)
(2,984,110)	Depreciation	(3,425,160)	(441,050)
400,000	Contribution to Renewals Fund	400,000	0
<b>15,590,220</b>	<b>NET COST OF SERVICES</b>	<b>14,719,942</b>	<b>(870,278)</b>
(1,117,520)	Interest on Balances	(645,012)	472,508
14,472,700		14,074,930	(397,770)
431,634	Transfer to / from ( ) reserves	0	(431,634)
<b>14,904,334</b>	<b>NET EXPENDITURE</b>	<b>14,074,930</b>	<b>(829,404)</b>
	<b>External Support</b>		
(1,775,734)	Revenue Support Grant	(1,036,391)	739,343
(1,880,562)	New Homes Bonus	(1,431,861)	448,701
	<b>Internal Resources</b>		
(4,861,045)	Total Retained Business Rates	(4,983,571)	(122,526)
(6,315,656)	Council Tax	(6,576,695)	(261,039)
(71,337)	Collection Fund Surplus	(47,413)	23,924
<b>(14,904,334)</b>		<b>(14,074,930)</b>	<b>828,404</b>

	2016/17	2017/18
Number of Band D Equivalents	33,368.5	33,893.5
Number of properties	43,505	44,151

## Appendix 3

### HOUSING REVENUE ACCOUNT

	<b>Original Budget 2016/17</b>	<b>Budget 2017/18</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b><u>Income</u></b>			
Rental Income	(45,028)	(44,708)	320
Other Income	(2,456)	(2,113)	343
Interest	(77)	(79)	(2)
<b>Total Income (a)</b>	<b>(47,561)</b>	<b>(46,900)</b>	<b>661</b>
<b><u>Expenditure</u></b>			
Employees	3,618	3,510	(108)
Responsive Repairs	7,581	8,083	501
Cyclical and Planned	3,761	2,800	(961)
Other running Costs	1,904	1,898	(6)
Managed services	448	328	(120)
Support Services	2,645	2,650	5
Interest payable on Self Financing Debt	8,309	8,309	0
<b>Total Expenditure (b)</b>	<b>28,266</b>	<b>27,577</b>	<b>(689)</b>
Balance available to fund existing and future HRA capital programme (a - b) *	19,296	19,323	27
<b>Total</b>	<b>47,561</b>	<b>46,900</b>	<b>(661)</b>

\*Transferred to Housing capital investment reserve

## Appendix 3 (i)

### HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Total Investment needed excluding Future Developments as appendix 1 (i)	13,480	11,080	10,830
Other HRA investment schemes			
Kilnmead	3,628	2,000	
Southern Counties housing	2,667	7,998	
Telford Place Development	570	5,700	5,667
Woolborough Road Northgate	1,143	657	
Goffs Park (Depot Site)	4,000	3,386	
83-87 Three Bridges Road	2,399		
Dobbins Place	1,157	189	
Barnfield Road	850		
Forgewood	6,809	4,517	
257/259 Ifield Road	500	760	
Prelims	95	400	
<b>Total Future Developments</b>	<b>23,818</b>	<b>25,607</b>	<b>6,372,000</b>
<b>HRA Improvements Slippage identified at Q3</b>	<b>170</b>		
<b>Total Investment Required including Future Developments</b>	<b>37,468</b>	<b>36,687</b>	<b>16,497</b>
HRA Existing Programme (as per Q3 report)	39,718	38,187	5,667
Adjustment in Budget Required (see paragraph 11.5)	(2,250)	(1,500)	10,830

COUNCIL TAX 2017/18 PER BAND CRAWLEY ELEMENT					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND	
				PROPOSED 2017/18	2016/17
				£	£
A	6/9	Under £40,000	1,091	129.36	126.18
B	7/9	£40,000 - £52,000	6,813	150.92	147.21
C	8/9	£52,000 - £68,000	21,305	172.48	168.24
D	9/9	£68,000 - £88,000	8,532	194.04	189.27
E	11/9	£88,000 - £120,000	3,740	237.16	231.33
F	13/9	£120,000 - £160,000	2,196	280.28	273.39
G	15/9	£160,000 - £320,000	465	323.40	315.45
H	18/9	above £320,000	9	388.08	378.54
<b>TOTAL</b>			<b>44,151</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 £0.7m has been projected for 2018/19. 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. The Government is retaining the right to adjust the baseline in future should there be a housing boom, this could impact upon the accuracy of future projections.</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.</p>
<p>5. Increase in net costs to the Council as a result of changes to demanded budgets. Provision in the 2017/18 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 2017/18 Budget has been based on the latest available information but there could still be a significant change in demand as a result of external factors outside the control of the Council. This could affect either expenditure or income budgets; budgets such as Commercial Properties, Housing Benefits, Council Tax Reductions, Homelessness, Car Parking and Planning Fees will be monitored closely. The Council has sufficient reserves to cover unexpected overspendings.</p>
<p>6. Reduction in availability of capital resources in future years.</p>	<p>A review of available capital resources will be undertaken as part of the July</p>

<p>This would lead to a reduced capital programme and the likelihood of reduced investment income.</p>	<p>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. There is a report elsewhere in this Agenda that considers borrowing in order to invest in future projects which will realise additional income to the council.</p>
<p>7. Failure to collect income. The Council is responsible for collecting annual income totalling almost £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.</p>	<p>There will be regular monitoring of debts and performance levels. The Council has good collection rates for Council Tax, NNDR and Housing Rents; these are the most significant areas of income. The welfare reforms will have an impact on Crawley Homes' rental income. This has been reflected in the HRA budgets</p>
<p>8. Failure to maintain budgetary and financial control.</p>	<p>Variances between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, the Cabinet and through the Members Information Bulletin. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet.</p>
<p>9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2017/18 with future budgets adjusted to mitigate the impact. There is an adequate General Fund reserve to be able to cover a shortfall in the short term.</p>
<p>10. Impact of Housing and Planning Act on the HRA 30 year plan</p>	<p>High value assets sale – the detail is not yet available as this has been postponed to 2018/19. There is uncertainty as to when this will happen, there are pilots taking place for Right to Buy for tenants with Registered Social Landlords, these are being funded by the Government. Future investment plans will be adjusted to take the impact into consideration the impact once we know the details.</p>
<p>11. The Impact of the decision to leave the EU; there are lots of unknowns around demands on services and income budgets, also Government priorities beyond 2020 once the four year Settlement Financial is</p>	<p>The impact of the implications of the decision will be closely monitored and changes will be made to forecasts which will be reported to CMT and to Members through Cabinet and the Members Information Bulletin.</p>

## Crawley Borough Council Pay Policy Statement for 2017/18

### Introduction

The Council is committed to a fair, equitable and transparent pay policy which recognises and rewards good performance at all levels in the organisation. The terms and conditions of Council employees are in accordance with the relevant national negotiating bodies which are:

Chief Executive	Joint Negotiating Committee for Local Authority Chief Executives
Chief Officers	Joint Negotiating Committee for Chief Officers of Local Authorities (this covers Deputy Chief Executive & Heads of Service)
All other staff	National Joint Council for Local Government Services

### Key Elements of the Pay Package

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

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

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

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

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

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

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

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



All salary scales and the Local Pay Agreement are attached.

- Chief Officers salary scale
- Staff salary scale
- Local Pay Agreement
- Apprenticeships salary scale

### **Other Financial Benefits**

- Discretionary reimbursement of a proportion of relocation expenses (including contribution to professional and removal fees, disturbance allowance and interim arrangements up to a maximum of £8,000.)
- Recruitment Incentive Scheme for hard to recruit posts
- Payment of professional fees where they are an essential requirement of the job
- Essential and casual car user allowances at NJC rates but subject to local criteria
- Loans for car purchase and public transport season tickets
- Free parking at the Town Hall for essential car users
- Salary sacrifice schemes for child care vouchers and bike to work available
- Salary sacrifice scheme for parking is in place but will cease for new applications from 6.4.17. The scheme will close on 31.3.18 in line with new HMRC rules
- Voluntary Benefits scheme allowing access to a range of retail discounts for all staff
- Access to the Local Government Pension Scheme including local discretions
- Redundancy compensation at the rate of 2 weeks actual salary for each year of service up to a maximum of 104 weeks plus access to pension for staff over the age of 55. This will be reviewed in order to comply with the Government's proposed further reforms to exit payments when these are introduced.
- In exceptional circumstances other severance arrangements may be agreed. Any such payments will be subject to the agreement of the Chief Executive, Leader, Cabinet Member for Resources and Head of Legal and Democratic Services. The payment will take into account the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee. In the event of the Chief Executive being the subject of the payment then the Section 151 Officer would replace the Chief Executive in the authorisation process.
- All exit payments will be subject to compliance with the proposed Public Sector Exit Payment Regulations when these are introduced.

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

### **Lowest Paid Employees**

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column point 6 for which the annual salary inclusive of Crawley Allowance is £17,278. There is a pay ratio of 1/6.6 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 £8.45 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 £24665 per annum. The pay ratio between this and the Chief Executive's salary is 1:4.6

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

## **Gender Pay Gap**

The government are introducing a requirement for all employers of 250 employees or more to report on the gender pay gap. The first report must be published before 30<sup>th</sup> April 2018. The Council already reports on this data and our pay gap for all staff in 2015/16 was 2.5%. The national figure for full time workers is 13.9%.

**Lucasta Grayson**  
**Head of People & Technology**  
**13th January 2017**

**CMT Pay scales  
W.E.F 01/04/16**

CATERGORY	TOTAL
<b>CHIEF EXECUTIVE</b>	£113,350 £110,839 £108,330 £105,816 £103,298
<b>DEPUTY CHIEF EXECUTIVE</b>	£98,603 £96,426 £94,252 £92,071 £89,889
<b>HEAD OF SERVICE A</b> FINANCE, REVS & BENS LEGAL & DEMOCRATIC SERVICES	£65,564 £64,122 £62,691 £61,247 £59,810
<b>HEAD OF SERVICE B</b> ECONOMIC & ENVIRONMENTAL SERVICES COMMUNITY SERVICES STRATEGIC HOUSING & PLANNING SERVICES CRAWLEY HOMES PARTNERSHIP SERVICES PEOPLE & TECHNOLOGY	£69,888 £68,353 £66,822 £65,286 £63,756

**STATUTORY RESPONSIBILITY ALLOWANCE**

SECTION 151 OFFICER	£3,217.45
MONITORING OFFICER	£3,217.45
DEPUTY MONITORING OFFICER	£1,608.72
DEPUTY SECTION 151 OFFICER	£1,608.72

**SCALES FROM 1ST DEC 2016**

Scale	Spinal point	Annual salary
B	6	£17,278
	7	£17,375
	8	£17,524
	9	£17,724
C	10	£17,986
	11	£18,244
	12	£18,560
	13	£18,927
D	14	£19,217
	15	£19,507
	16	£19,904
	17	£20,282
E	18	£20,626
	19	£21,295
	20	£21,973
	21	£22,674
F	22	£22,929
	23	£23,530
	24	£24,218
	25	£24,907
G	26	£25,639
	27	£26,408
	28	£27,190
	29	£28,167
H	30	£29,029
	31	£29,867
	32	£30,676
	33	£31,506
I	34	£32,327
	35	£32,953
	36	£33,761
	37	£34,637
J	38	£35,579
	39	£36,669
	40	£37,566
	41	£38,492
K	42	£39,410
	43	£40,331
	44	£41,262
	45	£42,133
L	46	£43,092
	47	£44,024
	48	£44,947
	49	£45,860
M	50	£46,783
	51	£47,718
	52	£48,653
	53	£49,598
N	54	£50,541
	55	£51,502
	56	£52,483
	57	£53,483

**Apprenticeship scheme salary W.E.F. 1.10.2016**

Percentage of spinal point 6	Annual Salary
60%	£10,366.80
65%	£11,230.70
70%	£12,094.60
75%	£12,958.50
NMW	£13,408.52
National Living wage	£13,890.84