

# Crawley Borough Council

## Report to Overview & Scrutiny Commission 4 February 2019

### Report to Cabinet 6 February 2019

## 2019/20 Budget and Council Tax

Report of the Head of Corporate Finance - FIN/462

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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 2018 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 2019-2020 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 2019/20 Budget:**

- (a) **to approve the proposed 2019/20 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 2019/20 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) **to approve the 2018/19 to 2021/22 Capital Programme and funding as set out in paragraph 11.4 of the report,**
- (d) **to agree that the Council's share of Council Tax for 2019/20 be increased by 2.49% from £198.99 to £203.94 for a band D property as set out in paragraphs 5.5.1 and 13.3,**
- (e) **to approve the Pay Policy Statement for 2019/2020 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 2019/20 General Fund and Housing Revenue Account Budgets and the 2021/22 Capital Programme will be approved by Council in February 2019. This will be informed by the recommendations of the Budget Advisory Group, and take into account the savings and income generation achieved through the refreshed transformation programme led by the Corporate Management Team with increased focus on looking at income generation.
- 4.2 The Council's revenue expenditure is funded from a number of sources. The major sources are council tax, rents, Government grants, retained business rates, investment income and fees and charges. The majority of the Council's services are funded from the General Fund. The main exception is the management and maintenance of the Council's housing stock, which is funded through a Housing Revenue Account (HRA).
- 4.3 There have been a number of major financial pressures on the General Fund since the start of the financial crisis in 2008/09. In common with all authorities there have been significant reductions in Government funding, reductions that are highly likely to continue in the coming years. The outcome of the comprehensive spending review later this year is unknown. There are two consultation papers that have been issued with a closing date of 21<sup>st</sup> February 2019, these are 'review of local authorities relative needs and resources' and 'business rates retention reform'. The outcome of these consultations will change the way that the Council is funded in future, however this will not be known until late Autumn 2019 and as a result it will be difficult to project forwards.
- 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, challenge of budgets and generating new sources of income. The 2019/20 - 2023/24 Budget Strategy was approved by the Cabinet on 31<sup>st</sup> October 2018 and Council on 12<sup>th</sup> December 2018. 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 1.00% for 2019/20 increasing to 1.25% for 2020/21, 1.50% for 2021/22, 1.65% for 2022/23 and 1.75% for 2023/24,
  - An average of 2.802% pay award for the financial years 2019/20 and 2.0% in future years,
  - An inflation provision of 3.7% for contract expenditure in 2019/20, 3.4% in 2020/21, 3.3% in 2021/22 and 3.2% in future years with no inflation allowance for general running expenses,
  - An assumed increase in business rates income of 3.3% in 2019/20 decreasing to 2% for the following years,
  - An overall increase in fees and charges of 2.4% which is CPI.

- 4.5 The Budget Strategy approved working towards balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus. This will be important as the Town Hall project progresses as there will be loss of interest on investments and interest payable on any loans before the floors of the New Town Hall are commercially let.

A budget gap of £225,000 was identified in the Budget Strategy, this assumed a £4.95 increase in a Band D Council tax for 2019/20.

- 4.6 There have been some significant changes since the Budget Strategy was approved in December 2018 including:

- Change in interest rates projections based on phasing on the capital programme
- Increased retained business rates income
- Changes to New Homes Bonus
- Additional efficiencies, savings and income identified
- Growth items recommended by the Budget Advisory Group
- A contribution to the renewals fund for refuse vehicles

- 4.7 The Table below summarises the changes between the approved Budget Strategy and the proposed 2019/20 Budget. Further details are provided in section 5 of the report.

	£000's	Paragraph
October Cabinet Gap per budget strategy	225	4.6
Business rates	-383	5.2
Council tax more than projected due to more Band D properties than projected	-36	5.5.1
New Homes Bonus – number of new properties less than previously projected	57	5.5.2
Interest	26	5.5.3
Renewals	300	5.5.4
Revenue implications of capital programme	-11	5.5.5
Delay in implementing Tilgate Heat pump as per the Quarterly monitoring report elsewhere on this agenda	38	5.5.6
Additional cost of insurance	36	5.5.7
Efficiencies identified as part of the budget setting process	-45	5.5.8
2019/20 Savings and efficiencies reported to the Budget Advisory group	-399	5.5.8 & 6.4
2019/20 Growth	145	6.5
Changes to inflation estimates	43	
Other - minor	4	
<b>Total (balanced budget)</b>	<b>0</b>	

## 5. Analysis

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

The four year Settlement figures provided by the Ministry of Housing, Communities and Local Government (MHCLG) 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 set out 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 was to receive £59,107 in Revenue Support Grant with the assumption of no further grant in the following years. However West Sussex authorities successfully jointly bid to be a pilot for 2019/20 for business rates retention – this will mean that any gained business rates over a certain limit will be kept, this will result in up to £19.1m being available county wide. This sum will be invested in a digital infrastructure spine which will enable residents and businesses across the County to connect to a full 5g fibre network.

The impact of this is that the Council will not be receiving the £59,107 Revenue support grant but will pay over less business rates to the pool, as a result the Council will not be worse off.

The outcome of the next Comprehensive Spending review will not be known until later this year as outlined above.

### 5.2 Retained Business Rates

The provisional local government settlement announced in December 2018 that West Sussex business rates pool pilot had been successful. The impact on the retention of business rates for the Council is:

- Local government’s share of business rate growth increased from 50% to 75%, split 20/55 between Crawley Borough Council and West Sussex (previously 40/10).
- Removal of the levy (this burden now falls on the pool).
- A reduction in the tariff to compensate for the changes above.
- Most importantly, there is a ‘no-detriment’ clause in the pooling agreement so that the Council will be no worse off under the pilot.
- Although there is a large change in the proportion due to West Sussex (from 10% to 55%), the additional payment to them is in their capacity as lead authority and will be used to support the objectives of the pool as outlined above.

Although the Council will collect in excess of £123 million in business rates the amount it retains is much smaller. One of the main reasons for this is that the Government retain 25% of the rates collected and West Sussex County Council retain 55%. The second main reason is that the Council also has to pay a significant tariff to the Government. The estimated income from business rates is higher than anticipated in the Budget Strategy due to additional properties being identified in 2019/20.

The tables below show that we are estimating to collect almost £124m but will keep significantly less.

Projected non-domestic rates income	£123,868,258
Government share (central share 25%)	-£30,967,064
West Sussex County Council share (55%)	-£68,127,542
Crawley Borough Council share (before tariff & adjustments)	<b>£24,773,652</b>

The projected retained rates amount for 2019/20 is set out in the table below.

	£
Council's share of non-domestic rates income	<b>24,773,652</b>
Tariff	-19,103,425
Additional rates due to renewable energy at K2 Crawley	5,040
S31 Grants	681,942
Sub Total	<b>6,357,209</b>
Surplus in current financial year	81,941
Transfer to the Business Rates Equalisation reserve	-905,631
<b>Total</b>	<b>5,533,519</b>

5.3 There is budgeted income of £681,942 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 2019/20 will vary by several hundred thousand pounds from the current estimate. A business rates equalisation reserve has been established to assist in the management of these swings. There is a budgeted transfer to this reserve of £905,631 in 2019/20 shown above.

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

#### 5.5.1 Council Tax

The Budget Advisory Group agreed to recommend to Cabinet an increase in Council Tax of **£4.95** per annum for a Band D property, this is an increase of 2.49%. The MHCLG gave capping guidance of the increase of 3% or £5 on a Band D, whichever is the highest.

Appendix 4 gives the proposed Council Tax per band including this 2.49% 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 B – 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	8	135.96	3.30	0.06
B	112	158.62	3.85	0.07
C	100	181.28	4.40	0.08
D	87	203.94	4.95	0.09
E	17	249.26	6.05	0.12
F	19	294.58	7.15	0.14
G	0	339.90	8.25	0.16
H	0	407.88	9.90	0.19
	<b>343</b>			

As a result of net increases in the number of properties in Crawley, the 2019/20 Council Tax base has changed. The number of properties has increased by 343, the majority of these properties are in Council Tax Bands B - C; the numbers are more than anticipated and have resulted in £36,000 more Council Tax income than projected in the October Budget Strategy report to Cabinet.

#### 5.5.2 New Homes Bonus

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

The Council receives direct payment from the MHCLG for the number of new properties it reports to the Valuation Office. For each dwelling the total payment is £1,671.45 (of which West Sussex County (WSCC) receives £334.29 and Crawley Borough Council £1,337.16) with an additional £350 for affordable housing of which Crawley Borough Council receive £280 and WSCC receives £70. From 2017-18 the Government introduced a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid reflecting a percentage of housing that would have been built anyway (deadweight). The amount payable in 2019/20 is less than anticipated in the budget strategy, this is due to more properties in lower tax bands being built.

#### 5.5.3 Reduced Investment Interest

Interest projections have reduced due to the impact of the capital programme as outlined below and in the Capital Strategy elsewhere on this agenda.

#### 5.5.4 Increased contribution to renewals

The current refuse collection contract ends in February 2021, with an optional extension of up to 3 years. The council purchased the refuse vehicles for this contract; this has kept annual contract costs lower. The aim is to increase the vehicle replacement reserve in order to purchase vehicles for the new contract in order to continue with lower annual running costs.

#### 5.5.5 Additional income from capital spend to save

As a result of capital investment income of £10,500 per annum.

#### 5.5.6 Tilgate Park Heat Pump

The Heat pump implementation has been delayed as reported elsewhere on this agenda, the income receivable has therefore been pushed back to future years.

#### 5.5.7 Additional insurance costs

There has been a change to the discount factor used by courts in calculating the liability for successful claims, and our insurance provider has passed on this additional cost through the Council's insurance premiums.

#### 5.5.8 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, a challenge of budgets exercise identified additional savings and efficiencies. As a result of these exercises budget holders have been able to identify savings and increased income as part of the budget setting process. In addition savings have been identified during the year, these are shown in Appendix 1.

## 6. 2019/20 General Fund Budget

6.1 Details of the proposed 2019/20 Budget are set out in Appendix 2 and is summarised in the Table below:

<b>2019/20 General Fund Budget</b>		<b>£'000s</b>
Net Cost of Services ( <b>see table below 6.2</b> )		15,136
Investment Income		(906)
Transfer to/from General Fund Reserve		0
<b>Net Expenditure</b>		<b>14,230</b>
<b>Funded by</b>		
New Homes Bonus		1,473
Council Tax		7,182
Collection Fund surplus – Council Tax		42
Total Retained Business Rates (5.2)	6,357	
Surplus in current year (5.2)	82	
Transfer to Business Rates Equalisation Reserve	(906)	5,533
<b>Total</b>		<b>14,230</b>

6.2 Estimated service expenditure is summarised in the table below:

<b>2019/20 Budget – Service Expenditure</b>	
<b>Portfolio</b>	<b>£'000s</b>
Cabinet	1,412
Public Protection and Community Engagement	1,667
Resources	1,267
Environmental Services & Sustainability	6,929
Housing Services	2,823
Wellbeing	6,682
Planning & Economic Development	(2,827)
Depreciation	(3,517)
Contribution to Renewals Funds	700
<b>Net Cost of Services</b>	<b>15,136</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 2019/20 Budget with £1.257m identified:

<b>Efficiencies, additional income and savings</b>	<b>2019/20 £'000s</b>
Identified in Budget Strategy (Appendix 1)	813
Reported to the Budget Advisory Group (Appendix 1)	399
Identified as part of budget setting (5.5.8)	45
<b>Total identified</b>	<b>1,257</b>

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

<b>Item</b>	<b>General Fund £</b>
IT – transformation staffing	100,000
Economic Development Manager	45,000
<b>Total</b>	<b>145,000</b>

**Recommendation 2.2 (a): to approve the proposed 2019/20 General Fund Budget including the savings and growth proposals as set out above and Appendix 1 and 2.**

## 7. 2020/21 Budget Projections

7.1 The Budget Strategy for 2020/21 to 2024/25 is scheduled to be considered at the October 2019 Cabinet. Future predictions will be difficult to make until the outcome of the Fair Funding review which will be known in December 2019. The table below summarises the 2020/2021 Budget projections based on the following headline assumptions:

- A 2.4% increase in Council Tax £5.
- Average investment rate of 1.75%

- An inflation provision of 3.4% for contract expenditure with no allowance for general running expenses.
- A pay award of 2.0%.
- An overall increase in fees and charges of CPI or 2% whichever is the highest.

	2020/21 £'000s
Base Budget	15,383
Investment interest	-1,101
Net Budget	14,282
Funded by:	
Council Tax	-7,530
Retained Business Rates	-5,721
New Homes Bonus	-1,166
Estimated reduced funding for the Fair Funding review	700
<b>Indicative Budget Gap</b>	<b>565</b>

The main changes between years are itemised below

	Change £000's
New Homes Bonus – only legacy payments made	307
Fair Funding provision – assumption of reduction in Government funding	700
Inflation provision	455
Increased Council tax income	-286
Increased investment income	-246
Increased retained business rates	-15
Reduced contribution to renewals fund	-300
Reduced costs of election (all out in 2019/20)	-106
Other - various	56
<b>Total Change</b>	<b>565</b>

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The refreshed transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduce waste and duplication. The challenge of budgets was successful in identifying savings and efficiencies and will be repeated in future years. 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 CPI (2.4%) or 2% whichever is the highest. In some cases a lower increase has been assumed; for example when a service is required by statute to be self-financing e.g. Local Land Charges. In other cases, a higher increase has been assumed. The overall objective was to increase income by 2.4%. 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.

## **9. Investment Income**

- 9.1 Interest on investments provides a significant source of funding for the Council. For the 2019/20 Budget, it represents 6.0% 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 2019/20 is projected at 1.25%. 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 2019/20 Budget is based on the following assumptions:
- Average yield of 1.25% 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 2019/20 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 2019/20 which can be found elsewhere on the agenda.
- 9.6 Included in Appendix 5 is an identification that the volatility of interest rates is a key risk associated with the 2019/20 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 2018/19 budget and 2019/20 budget are as follows.
- 10.2 The Portfolio Holder for Housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. However, in the Housing and Planning Act, the Government has required social housing providers to reduce their rents by at least 1% and the Cabinet member has therefore opted for a 1% reduction which equates to nearly £420,000 reduction in income. This has been

offset by new social and affordable properties with an estimated rental value of over £1,650,000.

- 10.3 Interest projections reflect the capital programme for the HRA together with the increased interest rate as shown in section 9.
- 10.4 The responsive repairs budget includes an allowance for inflation on the contract.
- 10.5 Cyclical and Planned costs have reduced in 2019/20, the painting programmed in year will be less than the current financial year, in addition there are efficiencies provided by the new contract with Liberty Gas. The combined savings amount to £300,000.
- 10.6 The Budget includes the revenue implications of the capital programme for items recommended by the Budget Advisory Group of £62,500 as identified in paragraph 11.1 below and Appendix 1.
- 10.7 The Crawley Homes (HRA) 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 and borrowing in future.
- 10.8 A budget challenge session helped to illustrate over £60,000 worth of savings, including: £10,000 of bank charges, £40,000 for the vacant Policy and Engagement Manager within Crawley Homes and an accumulation of smaller budgets.

**Recommendation 2.2 (b) to approve the proposed 2019/20 Housing Revenue Account Budget as set out above and Appendix 3 of the report.**

## **11. Capital Programme**

- 11.1 The October 2018 Budget Strategy report approved that items for the Capital Programme are driven by the need for the upkeep of council assets and environmental obligations and schemes will also be considered that are spend to save or spend to earn, but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

The Budget Advisory Group received bids for consideration for inclusion in the capital programme and the table below gives the items recommended to Cabinet for approval.

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

	Total £'000
ICT Transformation Programme	461
Purchase of Edinburgh House, Broadfield (HRA)	3,500
Provision of New Integrated Housing database (HRA) – revenue costs in 2019/20 of £62,500	542
Purchase of Investment properties	6,000
<b>Total</b>	<b>10,503</b>

- 11.2 The proposed programme of £10.503m, (£6.461m General Fund and £4.042m HRA) is incorporated into the financial projections contained in other sections in this report and the revenue implications built into the budget for 2019/20 and into the budget strategy for future years, with the exception of any income from the investment property, this will be added if a purchase is made. **In addition £3m will be drawn down for costs associated with the demolition of the Town Hall and associated professional costs.** Until the tender exercise has been undertaken the full cost of the scheme will not be added to the capital programme; the total budget available for the scheme was approved in February 2017 Report DCE/02 refers.
- 11.3 The approved HRA Budget is included as amended in the report to the Budget Advisory Group. A schedule of the Crawley Homes capital programme is given in Appendix 3 (i). The HRA Investment priorities were approved at Cabinet on 10 October 2012, together with the Affordable Housing delivery programme budget approvals which was approved by Cabinet on 2<sup>nd</sup> December 2015 CH/167.

The original budget for Telford Place was based on a 180 unit scheme (of which 50 were affordable rental). A subsequent report (CH/180) increased the units in scheme to approximately 316 (of which around 88 would be affordable rental), whilst noting that the £9m additional funding that this would require would not be affordable with the borrowing constraints on the HRA.

The removal of the HRA debt cap now means that the Council can retain all the affordable rental units in the scheme. **Cabinet is therefore requested to approve to Full Council a supplementary capital estimate request of up to £9m for the additional units at Telford Place which would be funded by additional borrowing by the HRA, the impacts of the borrowing will be included in the Treasury Management Strategy elsewhere on this agenda.**

11.4 2018/19 to 2021/22 Capital Programme

The table below sets out the proposed capital programme and funding for 2018/19 to 2021/22 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report. A detailed breakdown of the capital programme for future years is included in the Capital Strategy elsewhere on this agenda.

	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda)</b>	<b>47,933</b>	<b>65,425</b>	<b>33,777</b>	<b>4,199</b>	<b>151,334</b>
Housing Programmed repairs Adjustment to the Budget Required (Appendix 3(i))		600		9,030	9,630
Purchase of properties (Appendix 3(i))		320	-1,000	1,000	320
Town Hall – prelims (para 11.2)		3,000			3,000
Telford Place (para 11.3) – additional HRA borrowing				9,000	9,000
Purchase of Investment properties		6,000			6,000

<b>New Schemes</b>					
ICT Transformation		461			461
Purchase of Edinburgh House, Broadfield		3,500			3,500
Provision of New Integrated Housing database		75	400	67	542
<b>TOTAL</b>	<b>47,933</b>	<b>79,381</b>	<b>33,177</b>	<b>23,296</b>	<b>183,787</b>

<b>Funded by -</b>					
Capital Receipts	5,018	20,416	8,279	990	34,703
Capital Reserve	0	25	0	0	25
1-4-1 Receipts	8,256	14,923	3,882	1,569	28,630
HRA revenue contribution	31,600	39,123	16,858	11,737	99,318
Section 106 contributions	578	1,087	308	0	1,973
Lottery/external funding	1,438	2,799	3,850	0	8,087
Revenue – replacement fund	143	702	0	0	845
Borrowing (HRA)	0	0	0	9,000	9,000
Better care fund (formally DFG's)	900	306	0	0	1,206
<b>TOTAL</b>	<b>47,933</b>	<b>79,381</b>	<b>33,177</b>	<b>23,296</b>	<b>183,787</b>

**Recommendation 2.2 (c): to approve the 2018/19 to 2021/22 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 2019/20-2023/24 was approved by the Council on 12<sup>th</sup> December 2018. 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 but that such prioritisation should not preclude the initial consideration of capital projects that could deliver social value.

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

The provisional Local Government finance settlement was announced on 13<sup>th</sup> December 2018, at that time the Government also included two formal consultations with a closing date of 21<sup>st</sup> February 2019. These are 'review of local authorities' relative needs and resources' and 'business rates retention reform'. The first one is known as the 'fair funding review'; the aim of implementing a new system in 2020/21, this **will** result in changes to the amount of business rates that we retain, however the final outcome will not be known until December 2019.

Despite the healthy level of reserves, it is less likely that the Council will be able to continue to achieve a balanced Budget and maintain current service levels and may need to use reserves during the construction stage of the Town Hall development and before the upper floors of the building are commercially let and resources have been spent on the building project.

- 12.4 In compiling the 2019/20 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 5.5.8 above.
- 12.5 There are a number of services where budgets are susceptible to changes outside the direct control of the Council. These tend to be demand-led services such as homelessness and the implications of the Homelessness Reduction Act 2017, benefits payments and the impact of universal credit, development control fees and Council Tax Reduction payments; in addition the impact on Crawley Borough Council budgets of other public sector decisions for example West Sussex County Council. 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 2019/20 Budget preparation. The Table below summarises the estimated level of reserves available for 2019/20:

	Estimated Available Balance at 31/3/19 £'000s	Paragraph
<b>General Fund Reserves</b>		
General Fund Reserve / Balance	4,000	12.7.2
Business Rates Equalisation reserve	4,094	12.7.2
Usable Capital Receipts	25,277	12.7.3
Capital Reserve	6,652	12.7.4
Acquisition reserve	5,000	12.7.4
1-4-1 Receipts	12,100	12.7.4
Restructuring Impact	695	12.7.5
Housing & Planning Delivery Grant/LDF	507	12.7.6
Vehicles & Plant	441	12.7.7
ICT Replacement	215	12.7.7
Specialist Equipment – Hawth & K2 Crawley	200	12.7.7
Town Centre Regeneration	131	12.7.8
Other	2,202	12.7.9
<b>Total General Fund</b>	<b>61,514</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,198	12.7.10
Housing Capital Investment reserve (committed)	20,526	12.7.11
<b>Total HRA</b>	<b>23,724</b>	
<b>Total</b>	<b>85,238</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 In line with the Budget Strategy report the balance on this reserve will be £4m at 31 March 2019. The Head of Corporate Finance is satisfied that this level of reserve is adequate to enable the Council to face the challenges over the short term, there is an aim to increase this reserve by transferring from the business rates equalisation reserve, this is in line with the budget strategy; the purpose of this is to have sufficient reserves during the build phase of the new Town Hall where resources have been expended, and before the upper floors have been let. In addition a £4.1m 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 2019 is £25.277m. Usable capital receipts can only be used for capital spending.
- 12.7.4 The capital reserve was created by transferring balances from the revenue reserve and the general fund balance. The estimated balance at the end of March is £6.652m. A separate reserve for Investment Acquisitions has been established of £5m. In addition to this there is a reserve and an estimated £12.1m of 1-4-1 receipts from right to buy. There are restrictions on these 1-4-1 receipts, including that they can only make a 30% contribution towards affordable housing capital expenditure and cannot be used for intermediate tenure such as shared equity or shared ownership.
- 12.7.5 The Restructuring Impact reserve was created as part of the 2008/09 Budget in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs associated with restructuring.
- 12.7.6 The balance of the Local Development Framework has commitments and will be fully spent over the next three years.
- 12.7.7 There are three replacement funds; these are ICT Replacement, Specialist Equipment – Hawth & K2 Crawley, and Vehicles & Plant. The use of these funds is determined by the appropriate Cabinet member under delegated powers.
- 12.7.8 The purpose of the Town Centre and Regeneration Reserve is to provide pump priming and partnership finance for potential town centre regeneration and economic development schemes - this reserve is now fully committed.
- 12.7.9 There are a number of reserves which are earmarked for a specific purpose, e.g. Risk Management and Insurance. These reserves are not available to support the revenue Budget. Investment interest on these reserves is credited to the General Fund.
- 12.7.10 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year, this is an acceptable balance.
- 12.7.11 In line with the HRA Business Plan and the capital programme, the balance on the Housing capital investment reserve will be used on future housing development programmes - this is fully committed.

### **13. Council Tax**

- 13.1 The 2019/20 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the advice of the Budget Advisory Group it is proposed to increase the Council tax by £4.95 per annum for a Band D property which is an increase of 2.49%, this is an increase of 9.5p per week.
- 13.2 It is assumed that West Sussex County Council will increase their share of the Council Tax for 2019/20 by 4.99%, this will equate to an estimated increase of £65.79 per band D property. This includes an increase of 2% for Adult Social care responsibilities.
- 13.3 It is understood that the Sussex Police and Crime Commissioner will be increasing their share of the Council Tax by 14.47% which is an increase of £24.00 per annum. This will be confirmed at the Council meeting on 27 February 2019. 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 2019/20 be increased by 2.49% to £203.94 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 £355,119 of which £41,995 is the Council's share.

### **14.2 Business Rates**

In a similar manner, the overall estimated deficit in relation to Business Rates is £204,852 of which £81,941 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 Ministry for Housing, Communities and Local Government has advised the provisional business rate multiplier for 2019/20 is as follows (see section 5.2 above):-

- i) Standard Multiplier – 50.4p per £ (49.3p in 2018/19)
- ii) Small Business Multiplier – 49.1p per £ (48.0p in 2018/19)

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 2019/20 Budget and how they will be managed are shown in the Appendix 5. The Town Hall project will impact more on the financial years 2020/21 and 2021/22. There is a drawdown of £3m for 2019/20, the full budget will be added when tenders have been agreed. Risks on the Town Hall project are reported to the Audit committee. Risks are highlighted throughout the report including interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years and the need to take out borrowing. In some cases these can be mitigated by a stringent approach to financial control and planning and a rigorous approach to reviewing current levels of expenditure and procurement methods.

16.2 It is anticipated that the Budget measures set out in this report will increase the Council's staffing establishment by 5.44 Full time equivalent (FTE's) posts. All reorganisations are carried out in accordance with the Council's agreed Management of Organisational Change procedure which includes full staff consultation so the exact number may change as detailed proposals are drawn up. The redeployment process is designed to maximise the opportunity for those at risk of redundancy to find alternative employment within the Council.

16.3 The Council is required to produce a Pay Policy Statement for each financial year in accordance with Section 38(1) of the Localism Act 2011 and must have regard to

statutory guidance issued under section 40 and this will be updated annually from April each year and must be approved by The Council. The Pay Policy statement for 2019/20 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 2019/20, 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 2019/2020 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 2019/20 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 (NDR1) for the year 2019/20.

## **17. Other implications**

The legal implications are set out in the report. The Equality Act 2010 includes a public sector equality duty arising under Section 149 which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a "protected characteristic and those who do not share that protected characteristic". When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take account of the Equality Duty and any particular impact on the protected group. There are no specific equality implications arising from the Budget that the Council is proposing

## 18. Background Papers

Cabinet Reports 7 February 2018  
2018/19 Budget and Council Tax FIN/434  
Treasury Management Strategy for 2018/2019 FIN/433

Cabinet Reports 27 June 2018  
Financial Outturn 2017/2018 FIN/443  
Treasury Management Outturn 2017/18 FIN/442

Cabinet Reports 5 September 2018  
Q1 Budget Monitoring 2018/19 FIN/449

Cabinet Reports 31 October 2018  
Budget Strategy 2019/20 – 2023/24 FIN/417

Cabinet Reports 21 November 2018  
Q2 Budget Monitoring 2018/19 FIN/456

Elsewhere on this Agenda -  
Treasury Management Strategy 2019/20 FIN/464  
Q3 Budget Monitoring 2018/19 FIN/466  
Capital Strategy FIN/467  
“Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes”, 2017 Edition - Chartered Institute of Public Finance and Accountancy  
“The Prudential Code for Capital Finance in Local Authorities”, 2017 Edition - Chartered Institute of Public Finance and Accountancy  
MHCLG Guidance on Local Government Investments (Second Edition)

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## 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 was supported by officers. It has been able to raise questions on these proposals and received information based on these requests.

### Revenue Savings

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

	£	
<b>Items identified as during the financial year – included in budget Strategy</b>		
Retendered contracts	645,000	Including K2 Crawley and cleaning
CMT restructure	123,300	Deletion of post and reduction in hours of another post
Planning pre-application fees	30,000	
Reduced external audit fees	15,000	
<b>Sub Total</b>	<b>813,300</b>	
<b>Challenge of budgets during budget setting process</b>		
Head of Strategic Housing – review of running costs budgets and removal of consultants’ fees budget.	20,000	
Review of Benefits Service - efficiencies and increased income	202,700	as a result of exercises done on behalf of the DWP and HMRC
Head of Economy and Planning removal of consultants’ fees budget.	9,300	
Review of posts within Community Services due to vacancies	45,000	
Reduced vehicle hire within Community Services due to changes in vehicles used	10,000	
Deletion of vacant post within Democratic Services	11,000	
Legal Services – subcontracted budget reduction	11,600	
Member training	3,000	
Miscellaneous budgets within Legal, Democracy and HR	10,000	
Taxation service	15,000	deletion of vacant hours due to MyCrawley impact
Corporate facilities vacant hours	20,000	
Telephone lines – reduced costs	13,000	
Communications team	28,000	Efficiencies and increased income
<b>Sub Total</b>	<b>398,600</b>	
<b>Total</b>	<b>1,211,900</b>	

The Group was asked to note these savings which include savings identified at the first Budget Advisory Group meeting.

### **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 2019/20. As discussed at the first Budget Advisory Group Districts and Boroughs have been given the option to increase to as much as £5 or 3% for a Band D property.

The group agreed to recommend to Cabinet an increase of 2.49% which is a **£4.95** increase per annum (9.5p per week).

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

The Group considered growth items for the General fund. All bids in the table below were agreed unanimously the Group recommended that Cabinet considered these growth bids.

Item	General Fund
IT – transformation staffing	100,000
Economic Development Manager	45,000
<b>Total</b>	<b>145,000</b>

### **Crawley Homes Programmed Repairs Capital programme**

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

The Group noted these revisions for inclusion in future budgets.

### **General Fund and HRA Capital Programme**

The Group considered four capital bids.

The BAG are recommending that Cabinet approves all four of the bids for inclusion in future budgets.

<b>Proposed HRA Programmed / Major Works Budget</b>			
<b>Programmed Repairs</b>	<b>Proposed 3 Year Plan</b>		
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Key Element</b>			
Electrical Test / Rewires	1,200,000	1,200,000	1,200,000
Roofing	600,000	600,000	600,000
Windows / Doors	300,000	300,000	300,000
Structural Works	80,000	80,000	80,000
Renovations Refurbishment	200,000	200,000	200,000
Insulation (Cavity, loft, sound)	250,000	250,000	250,000
Kitchens	850,000	850,000	850,000
Bathrooms	550,000	550,000	550,000
Common Areas	20,000	20,000	20,000
Adaptations For The Disabled	300,000	300,000	300,000
Sheltered Schemes	100,000	100,000	100,000
Boilers / Heating	1,000,000	1,000,000	1,000,000
Disabled Adaptations	950,000	950,000	950,000
Legionella	50,000	50,000	50,000
Energy Efficiency Work (LED emergency lighting)	80,000	80,000	80,000
External, environmental work	100,000	100,000	100,000
Intercom Upgrade	50,000	50,000	50,000
Major Insulation, Energy Efficiency	1,800,000	1,800,000	1,800,000
Hostels	450,000	250,000	250,000
Major Renovation, Flats, Blocks etc.	500,000	100,000	100,000
Garages	200,000	200,000	200,000
<b>Total Planned Capital work</b>	<b>9,630,000</b>	<b>9,030,000</b>	<b>9,030,000</b>
Currently in the Capital Programme	9,030,000	9,030,000	
<b>Change required to the Capital Programme</b>	<b>600,000</b>	<b>0</b>	<b>9,030,000</b>

<b>Purchase of Properties including Buy Back of Dwellings</b>			
Proposed Budget	1,000,000	1,000,000	1,000,000
Current Budget	680,000	2,000,000	-
<b>Change required to the Capital Programme</b>	<b>320,000</b>	<b>-1,000,000</b>	<b>1,000,000</b>

## Appendix 2

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

2018/19		2019/20	
Original Estimate £		Draft Estimate £	Variation £
1,262,530	Cabinet	1,412,410	149,880
1,658,900	Public Protection & Community Engagement	1,667,340	8,440
1,284,740	Resources	1,267,450	(17,290)
5,882,299	Environmental Services & Sustainability	6,928,640	1,046,340
2,588,560	Housing Services	2,822,780	234,230
8,313,771	Wellbeing	6,682,380	(1,631,390)
(2,814,610)	Planning & Economic Development	(2,826,870)	(12,260)
(3,595,600)	Depreciation	(3,517,320)	78,280
400,000	Contribution to Renewals Fund	700,000	300,000
<b>14,980,590</b>	<b>NET COST OF SERVICES</b>	<b>15,136,810</b>	<b>156,230</b>
(848,222)	Interest on Balances	(906,439)	(58,227)
14,132,368		14,230,371	98,003
0	Transfer to / from ( ) reserves	0	0
<b>14,132,368</b>	<b>NET EXPENDITURE</b>	<b>14,230,371</b>	<b>98,003</b>
	<b>External Support</b>		
(574,754)	Revenue Support Grant	0	574,754
(1,467,303)	New Homes Bonus	(1,473,175)	(5,872)
	<b>Internal Resources</b>		
(5,160,007)	Total Retained Business Rates	(5,533,189)	(373,182)
(6,862,051)	Council Tax	(7,182,012)	(319,961)
(68,253)	Collection Fund Surplus	(41,995)	26,258
<b>(14,132,368)</b>		<b>(14,230,371)</b>	<b>(98,003)</b>

	2018/19	2019/20
Number of Band D Equivalents	34,484.4	35,216.3
Number of properties	44,654	44,997

There are variations between Environmental Services & Sustainability and Wellbeing due to reporting lines for patchworking changes.

## Appendix 3

### HOUSING REVENUE ACCOUNT

	<b>Original Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b><u>Income</u></b>			
Rental Income	(44,654)	(46,400)	(1,747)
Other Income	(2,080)	(2,079)	1
Interest	(209)	(125)	84
<b>Total Income (a)</b>	<b>(46,942)</b>	<b>(48,604)</b>	<b>(1,662)</b>
<b><u>Expenditure</u></b>			
Employees	3,647	3,714	67
Responsive Repairs	8,249	8,496	247
Cyclical and Planned	2,236	1,952	(285)
Other running Costs	1,849	2,005	156
Managed services	436	338	(98)
Support Services	2,673	2,673	0
Interest payable on Self Financing Debt	8,309	8,309	0
<b>Total Expenditure (b)</b>	<b>27,398</b>	<b>27,485</b>	<b>87</b>
Balance available to fund existing and future HRA capital programme (a - b) *	19,544	21,119	1,575
<b>Total</b>	<b>46,942</b>	<b>48,604</b>	<b>1,662</b>

\*Transferred to Housing capital investment reserve

## Appendix 3 (i)

### HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

	2019/20	2020/21	2021/22
	£000's	£000's	£000's
Total Investment needed excluding Future Developments as Appendix 1 (i)	9,630	9,030	9,030
HRA Improvements Slippage identified at Q3	330		
Other HRA investment schemes			
Bridgefield House	12,489		
Purchase of Edinburgh House	3,500		
Purchase of properties	1,000	1,000	1,000
151 London Road	388		
Kilnmead	1,987		70
Telford Place Development	5,597	6,266	9,000
Woolborough Road Northgate	1,118		
Goffs Park (Depot Site)	551		
83-87 Three Bridges Road	303		
Dobbins Place		24	
Barnfield Road	20		
Forge Wood Phase 1	2,622		
Forge Wood Phase 2	7,050		
Forge Wood Phase 3	1,068		
Forge Wood Phase 4	962	1,050	
257/259 Ifield Road	841		
Prelims & contingencies		1,290	
<b>Total Future Developments</b>	<b>39,496</b>	<b>9,630</b>	<b>10,070</b>
<b>Total Investment Required including Future Developments</b>	<b>49,456</b>	<b>18,660</b>	<b>19,100</b>

## Appendix 4

<b>COUNCIL TAX 2019/20 PER BAND CRAWLEY ELEMENT</b>					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND PROPOSED	
				2019/20	2018/19
				£	£
A	6/9	Under £40,000	1,165	135.96	132.66
B	7/9	£40,000 - £52,000	7,084	158.62	154.77
C	8/9	£52,000 - £68,000	21,607	181.28	176.88
D	9/9	£68,000 - £88,000	8,667	203.94	198.99
E	11/9	£88,000 - £120,000	3,771	249.26	243.21
F	13/9	£120,000 - £160,000	2,233	294.58	287.43
G	15/9	£160,000 - £320,000	461	339.90	331.65
H	18/9	above £320,000	9	407.88	397.98
<b>TOTAL</b>			<b>44,997</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 2020/21. This is an early projection and the actual gap could be significantly larger due to the fair funding review and the outcome of the comprehensive spending review.</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. The General Fund reserve will be increased to be used during the New Town Hall build programme where resources will be used before the upper floors are let.</p>
<p>2. Interest rates (section 9 refers).</p>	<p>Investment rates are monitored daily to ensure that the Council obtains the best returns whilst achieving its objective of maintaining an appropriate balance between security, liquidity and yield and ethical. The investment income budget is monitored monthly. If rates rise when we are in a borrowing position this will impact on the return on the Town Hall investment, however external borrowing will be minimised.</p>
<p>3. New Homes Bonus</p>	<p>The Government have announced that they will continue to pay legacy payments if the scheme stops as part of the Fair Funding review. This has been built into future projections.</p>
<p>4. The Business Rates valuation list was updated on 1 April 2017. There is no history of appeals to calculate a provision, so there is a risk that this is over/under provided for causing a volatility in the business rates retained over the lifetime of the valuation list.</p>	<p>There is a high probability of occurrence which can be managed through the use of the business rates equalisation reserve.</p>
<p>5. Increase in net costs to the Council as a result of changes to demand-led budgets. Provision in the 2019/20 Budget has been based on the latest available information. For example, an economic slowdown, any impact of Brexit, changes in housing policy and welfare reform could meant that there are changes in demand.</p>	<p>Provision in the 2019/20 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</p>

	<p>monitored closely. The Council has sufficient reserves to cover unexpected overspendings. Provisions for bad debts have been reviewed as a result of welfare reform.</p>
<p>6. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income. Town Hall investment will result in borrowing for future investments.</p>	<p>A review of available capital resources will be undertaken as part of the Autumn Budget Strategy report; the report will also consider the required level of investment income to support the revenue budget. It will be important to generate new capital receipts to fund future capital programmes. A future treasury management strategy will consider impacts of borrowing should the Town Hall project progress</p>
<p>7. Failure to collect income. The Council is responsible for collecting annual income totalling almost £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.</p>	<p>There will be regular monitoring of debts and performance levels. The Council has good collection rates for Council Tax, NNDR and Housing Rents; these are the most significant areas of income. The welfare reforms will have an impact on Crawley Homes' rental income. This has been reflected in the HRA budgets</p>
<p>8. Failure to maintain budgetary and financial control.</p>	<p>Variances between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, the Cabinet and through the Members Information Bulletin. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet.</p>
<p>9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget. The impact of the Homelessness Reduction Act 2018 is not known.</p>	<p>The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2019/20 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. 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 with the new comprehensive spending review.</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 Councillors Information Bulletin.</p>
<p>11. Fair Funding Review</p>	<p>The government are currently consulting on the approach to measuring the relative needs of local authorities with a view to amend how resources are allocated between them.</p>

	<p>This will result in a new baseline funding allocation in 2020/21. However the outcome will not be known until late in 2019. There will be a transfer to or from reserves as a result. A provision for reduced funding has been included in future budgets.</p>
12. Retained business rates review	<p>The aim with this is to make local authorities self-sufficient, but there would be passing of risk from central government to local authorities. The Settlement announced that local share would increase from 50% to 75% and would include a transfer of public health and other grants. The impact of this will not be known until late in the year. A provision has been included in future budgets for reduced business rates income.</p>
13. Roll out of Universal Credit	<p>Universal credit has commenced roll out in Crawley and there is evidence that this is impacting on arrears. We will work with tenants to assist them in managing their rent account and signpost them to funds and advice available. With regards to increased Council tax arrears, where there may be universal credit involved (we are not informed if they are a new claimant and not an existing Housing Benefit claimant) we are writing to the customer and inviting them to apply for Council tax reduction.</p>

### **Crawley Borough Council Pay Policy Statement for 2019/2020**

#### **Introduction and Purpose**

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This Pay Policy Statement sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 (1) of the Localism Act 2011 and the statutory guidance issued under Section 40 of the Act.

The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:

- The methods by which salaries of all employees are determined
- The detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation and its lowest paid employees and the relation between the remuneration of its chief officers and its employees.
- The Council with responsibility for ensuring that the provisions set out in this statement are applied consistently throughout the Council and that the Council gives approval for any amendments.

#### **Key Aims**

The council is committed to the principles of equal pay for all employees and to ensure consistency and fairness within its pay structures. The terms and conditions of Council’s 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 Executives & Heads of Service.  
All other staff – National Joint Council for Local Government Services

In determining the pay and remuneration of all employees, the Council will comply with all relevant employment legislation. This includes legislation such as:

- Equality Act 2010, inclusive of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 which specifies gender Pay gap Reporting for public bodies with 250 employees or more,
- Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000.

#### **Publication**

This statement will be reviewed and prepared for each financial year then approved by full Council, usually by the 31<sup>st</sup> March each year or at the earliest Council in the financial year for which it applies.

It will be published on the Council’s website as soon as reasonably practicable following approval. For the 2019/2020 approval will be at Full Council meeting on 27<sup>th</sup> February 2019.

## **Key Elements of the Pay Package**

A substantial pay review was undertaken in 2001/2 and the national job evaluation was adopted for all posts. This was undertaken in partnership with trade union and was implemented successfully. Incremental pay scales were established for all posts and progression within the scales occurs annually, subject to satisfactory performance. Annual cost of living increases are negotiated nationally.

A review of the scheme was carried out in 2016 in consultation with the trade union. A further grade was created at the top of the salary scale. This was agreed in recognition of the increased level of responsibility at third tier level following a review of the Council's senior management team.

New employees will normally be appointed to the first point of the salary scale for their grade, although this can be varied where the successful candidate is currently on a point higher than the minimum of the grade of the job being recruited to.

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

A local pay agreement was implemented in October 2013 with a review taking place in 2015 for all Community Services Staff to ensure consistent payment of allowances for evening weekend and bank holiday working.

In the latest national round of pay negotiations carried out by the National Joint Council for Local Government Services which was negotiated in conjunction with Unison and GMB, an agreement was made for a 2 year pay deal covering 2018-2020. The 2018 pay agreement was implemented on 1 April 2018. The pay agreement for 2019 included a new pay spine base and this will be implemented with effect from 1 April 2019.

A recent review of the Council's senior management team took place in 2018 which led to the deletion of the post of Head of People and Technology and the reduction in hours of the Head of Strategic Housing post. As part of that review the salary scales were revised these revisions removed the allowance paid to officers who carry out the statutory S151 and the Monitoring Officer functions, the allowance being consumed within the revised salary. These roles which have a deputy for these functions, still receive an allowance.

All salary scales and the Local Pay Agreement are attached.

- Chief Officers salary
- Staff Salary Scale
- Local Pay Agreement
- Apprenticeship salary scale.

## **Other Financial Benefits**

- Discretionary reimbursement of a proportion of relocation expenses (including contribution to professional and removal fees, disturbance allowance and interim arrangements up to a maximum of £8,000.)
- Recruitment Incentive Scheme for hard to recruit posts
- Payment of professional fees where they are an essential requirement of the job
- Essential and casual car user allowances at NJC rates but subject to local criteria
- Loans for car purchase and public transport season tickets
- Free parking at the Town Hall for essential car users

- Salary sacrifice schemes for child care vouchers and bike to work available
- Voluntary Benefits scheme allowing access to a range of retail discounts for 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 Democracy and HR 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. The Regulations where introduced in 2016 remain as draft statutory instruments.

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.

#### **Definition and remuneration of lowest paid staff.**

All staff are paid within relevant nationally negotiated salary scales and the lowest paid staff will be on spinal column point 6 for which the annual salary inclusive of Crawley Allowance is £19,284. There is a pay ratio of 1:6 between these posts and the current top point of the scale for the Chief Executive. The Council feels that this is acceptable and is well within the Government's recommended pay ratio which is 1:20. There are a small number of apprentices who spend a significant amount of their time in training and are employed on a training contract at a locally agreed rate of 60% of Scale B.

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 £9.00 per hour

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

The Council's highest paid employee is the Chief Executive salary £116,846.00  
The mean average of employees is £25,731 the pay ratio between this and the Chief Executive is 1:4.5.

#### **Use of additional or one off payments**

Honorarium payments - are paid to staff, for example when they carry out s duties at a higher level e.g. cover for a higher graded colleague whilst they are away for the workplace.

Acting Allowance - Where an employee undertakes all, or a proportion of the duties and responsibilities of a higher graded post on behalf of another in their absence for a period of four weeks or more.

Merit award - Where an employee has achieved exceptional performance in their duties or conducted themselves in an exceptional manner during the course of their employment.

## **Payments on termination**

The Councils approach to statutory and discretionary payments on termination of employment of its employees, prior to reaching normal retirement age, and is covered within the Management of Organisational Change Policy, in accordance with regulations of the Local Government (Early termination of Employment) (Discretionary Compensation) Regulations 2006.

The Council also has policies for the Local Government Pensions Discretions which may include additional payments on retirement. Additional or early payment of pension will only be granted if there is a demonstrable benefit to the council to include the consideration of costs. And approved by leader and cabinet member for the area in which the employee works.

## **Reemployment/re-engagement of former employees**

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.

## **Benefits schemes**

The Council believes that it has a responsibility to help support the health, wellbeing and welfare of its employees in order to ensure that they are able to perform at their best. As part of the approach, and in common with large organisations, we offer a range of initiatives including access to the wellbeing team, health and fitness activities and discount schemes which support the local economy.

## **Gender Pay Gap**

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires employers with more than 250 employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees. In line with legislation the Council now publishes the following information.

- Average gender pay gap as a mean average
- Average gender pay gap as a median average
- Average bonus gender pay gap as a mean average
- Average bonus gender pay gap as a median average
- Proportion of males and females receiving bonus payment
- Proportion of males and females when divided into quartiles ordered from lowest to highest pay

**Ann-Maria Brown**  
**Head of Legal, Democratic and HR**  
**February 2019**

**Corporate Management Team Pay scales  
W.E.F 01/04/19**

CATERGORY	TOTAL
<b>CHIEF EXECUTIVE</b>	£119,217 £116,578 £113,941 £111,299 £108,653
<b>DEPUTY CHIEF EXECUTIVE</b>	£103,720 £101,433 £99,148 £96,856 £94,563
<b>HEAD OF SERVICE B</b>	£73,546 £71,933 £70,324 £68,710 £67,103

**STATUTORY RESPONSIBILITY ALLOWANCE**

DEPUTY MONITORING OFFICER	£1,690.46
DEPUTY SECTION 151 OFFICER	£1,690.46

**NJC LG SERVICES SALARY SCALES FROM 1ST APR 2019**

Scale	Spinal point	Annual salary
B	1	£ 20,070.00
	2	£ 20,417.00
C	3	£ 20,771.00
	4	£ 21,132.00
D	5	£ 21,501.00
	6	£ 22,027.00
E	7	£ 22,260.00
	8	£ 22,811.00
	9	£ 23,200.00
	10	£ 23,457.00
	11	£ 23,933.00
	12	£ 24,295.00
F	13	£ 24,727.00
	14	£ 25,168.00
	15	£ 25,617.00
	16	£ 26,075.00
	17	£ 26,542.00
	18	£ 27,019.00
G	19	£ 27,505.00
	20	£ 28,001.00
	21	£ 28,507.00
	22	£ 29,023.00
	23	£ 29,705.00
	24	£ 30,611.00
H	25	£ 31,491.00
	26	£ 32,342.00
	27	£ 33,213.00
	28	£ 34,077.00
	29	£ 34,735.00
	30	£ 35,584.00
	31	£ 36,505.00
	32	£ 37,494.00
J	33	£ 38,640.00
	34	£ 39,582.00
	35	£ 40,555.00
	36	£ 41,519.00
	37	£ 42,488.00
	38	£ 43,466.00
	39	£ 44,381.00
	40	£ 45,389.00
L	41	£ 46,368.00
	42	£ 47,338.00
	43	£ 48,297.00
	44	£ 49,267.00
	45	£ 50,249.00
	46	£ 51,233.00
	47	£ 52,225.00
	48	£ 53,216.00
N	49	£ 54,225.00
	50	£ 55,256.00
	51	£ 56,307.00

**Apprenticeship scheme salary W.E.F. 1.04.2019**

Percentage of spinal point 1	Annual Salary
60%	£12,042.00
65%	£13,045.50
70%	£14,049.00
75%	£15,052.50
NMW	£14,855.48
National Living wage	£15,839.42