

# Crawley Borough Council

## Report to Overview and Scrutiny Commission 3 February 2020

### Report to Cabinet 5 February 2020

## 2020/21 Budget and Council Tax

Report of the Head of Corporate Finance, **FIN/491**

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### 1. Purpose

- 1.1 The Council has a statutory responsibility to set Council Tax and its 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 2019 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 2020-2021 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 2020/21 Budget:**

- (a) **to approve the proposed 2020/21 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 2020/21 Housing Revenue Account Budget as set out in section 10 and Appendix 3 of the report,**
- (c) **to approve the 2019/20 to 2022/23 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 2020/21 be increased by 2.43% from £203.94 to £208.89 for a band D property as set out in paragraphs 5.5.1 and 13.3,**
- (e) **to approve the Pay Policy Statement for 2020/2021 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 2020/21 General Fund and Housing Revenue Account Budgets and the 2022/23 Capital Programme will be approved by Full Council on 26th February 2020. This is informed by the recommendations of the Budget Advisory Group, and takes 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 the 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. In common with all authorities there have been significant reductions in Government funding, which 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 of which the outcome has been deferred until later this year. These include a '[fair funding review: a review of relative needs and resources](#)' and '[business rates retention reform](#)'. The outcome of these consultations will change the way that the Council is funded in the future, however this will not be known until a later date and as a result it will be difficult to project forwards. It is however, likely that resources will be redistributed to Local Authorities with social care functions.
- 4.4 The Council's approach has been 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, a budget challenge process and generating new sources of income. The [Budget Strategy 2020/21 - 2024/25 FIN/483](#) was considered by the Cabinet on 27<sup>th</sup> November 2019 and recommended for approval. The Strategy was approved by Full Council on 16<sup>th</sup> December 2019. The Strategy was based on a number of key assumptions:
- Extension on the four year settlement offer including a one year only New Homes Bonus payment for 2020/21.
  - Work to keep Council Tax increases low without compromising local services,
  - An average investment rate of 0.95% for 2020-21 increasing to 1.19% for 2021/22, and 1.70% for 2022/23 onwards,
  - A 2% pay award for all future financial years,
  - An inflation provision of 2.4% for contract expenditure in 2020/21, 2.9% in 2021/22, 2.8% in 2022/23 and 2.7% in future years with no inflation allowance for general running expenses,
  - An assumed increase in business rates income of 2.2% in 2020/21, 2.6% in 2021/22 decreasing to 2.5% for the following years,
  - An overall increase in fees and charges of 2%.

- 4.5 The approved Budget Strategy is to work towards balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus.
- 4.6 A budget surplus of £489,000 was identified in the Budget Strategy, this assumed a £4.08 increase in a Band D Council tax for 2020/21. This increases to a predicted budget gap of £1.597m by 2022/23.
- 4.7 There have been some significant changes since the Budget Strategy was approved in December 2019 including:
- Change in interest rates projections based on phasing on the capital programme and the inclusion of the Town Hall project cash flows as the building contract was signed on 20<sup>th</sup> December 2019.
  - Increased retained business rates income
  - Changes to New Homes Bonus
  - Additional efficiencies, savings and income identified
  - Growth items recommended by the Budget Advisory Group
  - Changes in the contribution from the HRA towards corporate and support costs following a review.
- 4.8 The Table below summarises the changes between the approved Budget Strategy and the proposed 2020/21 Budget. Further details are provided in section 5 of the report.

	£000's	Paragraph
November Cabinet surplus per Budget Strategy	-489	4.6
Business rates	-170	5.2
Council tax more than projected due to more Band D properties than projected	-47	5.5.1
New Homes Bonus	-43	5.5.2
Interest	-182	5.5.3
Toilets – Business rates	19	5.5.4
IT licencing costs	40	5.5.5
BID Levy	10	5.5.6
Town Hall – impact on the running costs	-63	5.5.7
Review of recharges to the HRA	-179	5.5.8
2020/21 Savings and efficiencies reported to the Budget Advisory group	-292	6.4
2020/21 Growth	150	6.5
Changes to inflation estimates	26	
Other – various minor	51	
<b>Total</b>	<b>-1,169</b>	

There is a budgeted transfer to reserves of £1,169,550. This includes £258,698 business rates surplus as shown in paragraph 5.2 below. The balance includes

additional unplanned New Homes Bonus and early efficiencies and savings identified in order to help meet future budget gaps as identified in paragraph 6.4 below.

The approved Budget Strategy seeks to balancing the budget over a three year period, including putting back into reserves when the Budget is in surplus. The transfer will be to two separate reserves, one for the Local Development Framework of £200,000 and the remainder to the capital programme reserve.

## 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.” A four year settlement was approved at that time.

However a [technical consultation](#) was released on 3<sup>rd</sup> October 2019 by the MHCLG that confirmed that there will be a roll forward of the 2019/20 settlement for one further year, with the business rates retention reset and fair funding review being delayed until 2021/22. The impact of this in future years is very difficult to estimate at this stage as there is no information on the impact of these reforms.

In 2020/21 the Council will receive £60,070 in Revenue Support Grant with the assumption of no further grant in the following years. The West Sussex authorities’ successful joint bid to be a pilot for 2019/20 for business rates retention was for one year only. This was confirmed in the provisional settlement announced on 20<sup>th</sup> December 2019.

### 5.2 Retained Business Rates

Although the Council will collect in excess of £124 million in business rates the amount it retains is much smaller. One of the main reasons for this is that the Government retain 50% of the rates collected and West Sussex County Council retain 10%. The second main reason is that the Council also has to pay a significant tariff to the Government. There are further complications in that the Council’s retained share can be added to by a safety net payment or suffer a further levy. These are applied if a Council’s retained share is more than 7.5% below Government set figure (safety net) or above it (a levy of 50%).

The Tables below show that we are estimating to collect almost £124.4m but will keep significantly less.

Projected non-domestic rates income	£124,349,722
Government share (50%)	£-62,174,861
West Sussex County Council share (10%)	£-12,434,972
Crawley Borough Council share (before tariff & levy)	<b>£49,739,889</b>

The projected retained rates amount for 2020/21 is set out below.

	£
Council’s share of non-domestic rates income	<b>49,739,889</b>
Tariff	-42,592,432
Levy	-2,329,854

Additional rates due to renewable energy at K2 Crawley	5,120
S31 Grants	1,262,413
<b>Total retained for the year</b>	<b>6,085,136</b>
Surplus in 2019/20 financial year (transferred to reserves)	258,698
<b>Total</b>	<b>6,343,834</b>

- 5.3 There is budgeted income of £1,262,413 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 that it has incurred.
- 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, this reserve currently has £4m and is an adequate sum. There is a budgeted transfer to this reserve of £258,698 in 2020/21 shown above, this will be transferred to the capital programme reserve to part fund the capital programme shown in paragraph 11.5.
- 5.5 The following paragraphs identify changes since the approval of the Budget Strategy.
- 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 2.43%. The Ministry of Homes, Communities and Local Government (MHCLG) issued capping guidance of the increase of 2% or £5 on a Band D, whichever is the highest.

Appendix 4 to the report gives the proposed Council Tax per band including this 2.43% 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	33	135.96	3.30	0.06
B	135	158.62	3.85	0.07
C	309	181.28	4.40	0.08
D	127	203.94	4.95	0.09
E	17	249.26	6.05	0.12
F	26	294.58	7.15	0.14
G	6	339.90	8.25	0.16
H	-1	407.88	9.90	0.19
	<b>652</b>			

As a result of net increases in the number of properties in Crawley, the 2020/21 Council Tax base has changed. The number of properties has increased by 652, the majority of these properties are in Council Tax Bands B - D; the numbers are more than anticipated and have resulted in £31,000 more Council Tax income than projected in the Budget Strategy report to Cabinet. In addition the Collection fund surplus is £16,000 higher than 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 MHCLG for the number of new properties it reports to the Valuation Office. For each dwelling the total payment is £1,749.88 (of which West Sussex County (WSCC) receives £349.98 and Crawley Borough Council £1,399.90) 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 technical consultation stated that New Homes Bonus would be paid in 2020/21, but for one year only, therefore only legacy payments going forward. Previous assumptions were that no new payment would be made in 2020/21 and therefore the £664,737 New Homes Bonus was unexpected, as such £622,000 was included in the Budget Strategy. The amount payable in 2020/21 is higher than anticipated in the Budget Strategy, this is due to more properties in higher tax bands being built.

#### 5.5.3 Increased Investment Interest

Interest projections have changed due to the impact of the capital programme as outlined below, this is based on a review of the phasing of expenditure within the capital programme.

#### 5.5.4 **Business Rates for Public convenience provision**

In the Budget 2018 the Chancellor announced that public toilet owners would no longer have to pay business rates from the financial year 2020/21. However due to the prorogation of Parliament the intended legislation for this change was not passed in the last Parliamentary session, this results in a £19,000 increase.

#### 5.5.5 **ICT Licencing costs**

Unavoidable costs of IT licencing including Microsoft Office have been included in future budgets.

#### 5.5.6 **Town Centre BID**

The cost to the Council as a property owner as a result of the Town Centre BID has been included in the budget.

#### 5.5.7 **Town Hall running costs**

The building construction contract for the new Town Hall was awarded by the Council's development management partner Westrock to Kier on 20 December 2019. The impact of this is that there will be a need to add £36.4m to the Budget as part of the capital programme as outlined in paragraph 11.2 below. The impact of the contract being awarded is that there will be savings on the existing Town Hall business rates and cleaning costs. The impact of this has been included within interest projections.

#### 5.5.8 **Review of recharges to the Housing Revenue Account (HRA) (Crawley Homes)**

A review of the charges for central support, including IT, HR and finance was undertaken during the year. This found some areas where the HRA was paying too much and others such as IT where they were not paying enough. The review also found that the HRA was not contributing towards any costs of the Corporate Fraud and Inspections team, which deals with a large amount of Housing related work including reviewing Right to Buy applications, suspected sub-letting and other housing related frauds. The HRA also needs to contribute towards a proportion of Corporate Costs such as the apprenticeship levy and statutory audit costs and a proportion of the cost of governance and democracy.

## 6. **2020/21 General Fund Budget**

6.1 Details of the proposed 2020/21 Budget are set out in Appendix 2 and is summarised in the Table below:

<b>2020/21 General Fund Budget</b>	<b>£'000s</b>
Net Cost of Services ( <b>see table below 6.2</b> )	15,292
Investment Income	-613
Transfer to/from General Fund Reserve	1,169
<b>Net Expenditure</b>	<b>15,848</b>
<b>Funded by</b>	
New Homes Bonus	1,831
Revenue Support Grant	60
Council Tax	7,480
Collection Fund surplus – Council Tax	51

Levy Account Surplus		82
Total Retained Business Rates (5.2)	6,085	
Surplus in current year (5.2)	259	
	<u>6,344</u>	6,344
<b>Total</b>		<b>15,848</b>

6.2 Estimated service expenditure is summarised in the Table below:

<b>2020/21 Budget – Service Expenditure</b>	
<b>Portfolio</b>	<b>£'000s</b>
Cabinet	1,837
Public Protection and Community Engagement	1,628
Environmental Services & Sustainability	5,126
Housing Services	2,760
Wellbeing	9,296
Planning & Economic Development	-2,645
Depreciation	-3,410
Contribution to Renewals Funds	700
<b>Net Cost of Services</b>	<b>15,292</b>

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

6.4 The Table below summarises the efficiencies, savings and additional income included in the 2020/21 Budget with £0.628m identified:

<b>Efficiencies, additional income and savings</b>	<b>2020/21 £'000s</b>
Identified in Budget Strategy (Appendix 1)	273
Reported to the Budget Advisory Group (Appendix 1)	292
Town Hall savings (paragraph 5.5.7)	63
<b>Total identified</b>	<b>628</b>

6.5 The BAG are recommending to Cabinet the approval of the following growth items shown in the Table below. In addition the group approved growth items for the HRA as shown in paragraph 10.8 below.

<b>Item</b>	<b>General Fund £</b>
Income Generation Officer	49,000
Hawth Procurement Specialist Advice (one off)	20,000
Tree Officer	38,000
HR Officer – 2 year fixed term	43,000
<b>Total</b>	<b>150,000</b>



**Recommendation 2.2 (a): to approve the proposed 2020/21 General Fund Budget including the savings and growth proposals as set out above and Appendix 1 and 2.**

**7. 2021/2022 Budget Projections**

7.1 The Budget Strategy for 2021/22 to 2025/26 is scheduled to be considered by the Cabinet in November 2020. Future predictions will be difficult to make until the outcome of the Fair Funding review although, an indication may be known when the budget is announced on 11<sup>th</sup> March 2020. The Table below summarises the 2021/2022 Budget projections based on the following headline assumptions:

- A 2.4% increase in Council Tax £5.
- Average investment rate of 1.7%
- An inflation provision of 2.9% 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.

	2021/22 £'000s
Base Budget	15,528
Investment interest	-440
Net Budget	15,088
Funded by:	
Council Tax	-7,782
Retained Business Rates	-4,924
New Homes Bonus	-909
<b>Indicative Budget Gap</b>	<b>1,473</b>

The main changes between years are itemised below

	Change £000's
Surplus in 2020/21	<b>-1,169</b>
New Homes Bonus – only legacy payments made	922
Inflation provision	487
Increased Council tax income	-251
Reduced investment income	181
Reduced retained business rates (Business rates reform)	1,561
No Revenue Support Grant	60
Reduced contribution to renewals fund	-300
Cost of borrowing	166
Reduced contribution to Pension fund (actuarial advice)	-138
Other – various	-46
Projected Gap 2021/22	<b>1,473</b>

The Corporate Management Team continue to work on the refreshed transformation programme of service improvements savings, efficiencies and increased productivity through service redesign and other types of reviews aimed at reducing waste and duplication. The budget challenge was successful in identifying savings and efficiencies and will be repeated in future years. In addition a refreshed transformation programme includes an increased focus on achieving new sources of income which can be reinvested in the delivery of local public services. However the likely gap in 2021/22 is significant and as a result some difficult decisions are likely to have to be made in the future.

## **8. Fees & Charges**

- 8.1 The Budget Strategy for 2020/21 to 2024/25 assumes a general increase in fees and charges of CPI (1.7%) 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 2.0%. 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. Where we are in competition with other service providers some of these charges may not be made public in future and would be available on request.

## **9. Investment Income**

- 9.1 Interest on investments provides a significant source of funding for the Council. For the 2020/21 Budget, it represents 4.0% 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 2020/21 is projected at 0.95%. 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 2020/21 Budget is based on the following assumptions:
- Average yield of 0.95% 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 2020/21 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 2020/21 (FIN/493) 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 2020/21 Budget and the medium term Budget Strategy.

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

10.1 Details of the HRA Budget are set out in Appendix 3. The main changes between the 2019/20 budget and 2020/21 budget are as follows.

10.2 Over the past four years Government policy has been to reduce the rents by 1% per annum. The latest policy to an increase of up to CPI+1%. The Cabinet Member for Housing has delegated authority to vary the rent of properties held in the Housing Revenue Account. The Cabinet member has therefore opted for a CPI+1% increase (2.7%). This uplift coupled with anticipated new build income equates to an increased revenue budget of over £2.1m.

10.3 Interest projections reflect the capital programme for the HRA together with the increased interest rate as shown in paragraph 9.

10.4 The responsive repairs budget includes an allowance for inflation on the contract.

10.5 Cyclical and Planned costs have increased in 2020/21, the budget for the external decoration and painting has been increased in line with the rolling programme. This was explained to the Budget Advisory Group at its meeting on 5 November 2019.

10.6 The Crawley Homes (HRA) capital programme as outlined in paragraph 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.

10.7 The budget challenge session held by the Chief Executive and the Head of Corporate Finance identified £110,000 worth of savings, including: further gas contract efficiencies, consultancy fees and savings in ground rents.

10.8 An in year growth bid to enable effective housing rents debt management and to support the maintenance of new build properties has increased the 2020/21 Budget by £190,500.

The Budget Advisory Group agreed to recommend the items below, as shown in Appendix 1. These are included in the HRA budget for 2020/21.

<b>Crawley Homes – HRA -</b>	
Cleaner – Bridgefield House & smaller developments	27,000
Fire Risk Supervisor	32,000
<b>Total HRA</b>	<b>59,000</b>

In addition growth for the replacement of the Housing system database was approved in previous years and the impact of that has been included in the budget.

10.9 A review of recharges has led to an increase in the charge from the General Fund of £179,000 as shown in paragraph 4.8.

**Recommendation 2.2 (b) to approve the proposed 2020/21 Housing Revenue Account Budget as set out above and Appendix 3 of the report.**

## 11. Capital Programme

- 11.1 The November 2019 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:

	Total £'000
ICT Transformation Programme	300
Allotments	85
Longley House – affordable Housing	2,780
<b>Total</b>	<b>3,165</b>

- 11.2 The proposed programme of £3.165m shown in the table above, is incorporated into the financial projections contained in other sections in this report and the revenue implications built into the Budget for 2020/21 and into the Budget Strategy for future years. In addition the construction contract has been signed between our Development Management partner Westrock and the builder Kier which results in the final draw down of £36.4m for the Town Hall project. The total budget available for the scheme was approved in February 2017 by Full Council.
- 11.3 The HRA Budget is included as amended in the report to the Budget Advisory Group. A schedule of the Crawley Homes capital programme is given in Appendix 3 (i). The HRA Investment priorities were approved at Cabinet on 10 October 2012, together with the Affordable Housing delivery programme budget approvals which was approved by Cabinet on 2<sup>nd</sup> December 2015 CH/167.
- 11.4 Flooding Programme

The 2019/20 Budget Monitoring Report Quarter 3 FIN/492 elsewhere on this agenda identifies £626,988 for the years 2019/2020 to 2022/2023 for flooding schemes. There has been a review of the programme, based on the Environment Agency Short Form Business Case methodology for flooding schemes. Based on this methodology there are some schemes that are no longer a priority and therefore savings can be made. These are outlined in Appendix 1(i). Any further works required would be undertaken within the flooding Emergency works programme. This identifies £288,462 to be reallocated as set out in the Table below.

	£
Tilgate Lake Bank Erosion	100,000
Highways resurfacing at the Cemetery	50,000
Balance to flooding emergency works	138,462
<b>Total</b>	<b>288,462</b>

Due to past flooding the bank at Tilgate Lake has eroded and has begun to encroach upon footpaths.

Deterioration of some areas of the high-friction surfacing previously applied to the (westbound) carriageway immediately adjacent to Little Trees Cemetery has occurred. If this section of carriageway is to be maintained by WSCC (under a S278 agreement) this has to be rectified. If remedial works are not undertaken in the short-term, the highway surface will continue to deteriorate to a point where the high-friction surfacing will no longer perform as required. In order to complete the works £50,000 is required and it is requested that this is transferred from the flooding budget from savings identified.

#### 11.5 2019/20 to 2022/23 Capital Programme

The Table below sets out the proposed capital programme and funding for 2019/20 to 2022/23 based on the existing approved programme amended for items identified in the Quarter 3 Budget Monitoring report (FIN/492). A detailed breakdown of the capital programme for future years is included in the Capital Strategy elsewhere on this agenda FIN/493 paragraph 5.2.3.

	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	Total £'000s
<b>Existing Programme (agrees with Q3 elsewhere on this Agenda) – FIN/492</b>	<b>53,619</b>	<b>52,483</b>	<b>34,665</b>	<b>3,207</b>	<b>143,974</b>
Housing Programmed repairs Adjustment to the Budget Required (Appendix 3(i))		995	960	9,630	11,585
4 Perryfields (Appendix 3(i))		620			620
Town Hall – Final drawdown (para 11.2)		23,400	13,000		36,400
Flooding – reprioritising (Appendix 1 (i) and 11.4 above)		198	-279	81	0
<u>New Schemes</u>					
ICT Transformation		300			300
Allotments		40	45		85
Longley House		780		2,000	2,780
<b>TOTAL</b>	<b>53,619</b>	<b>78,816</b>	<b>48,391</b>	<b>14,918</b>	<b>195,744</b>

<b>Funded by -</b>					
Capital Receipts	14,511	26,930	2,500	1,195	45,136
Capital Reserve	115	5,000	0	0	5,115
1-4-1 Receipts	8,403	6,636	3,882	0	18,921
HRA revenue contribution	27,108	25,015	16,482	9,752	78,357
Section 106 contributions	888	1,608	145	1,372	4,013
Lottery/external funding	1,263	6,969	6,725	237	15,194
Revenue – replacement fund	670	345	0	0	1,015
Borrowing (HRA)	0	0	5,470	2,362	7,832
Borrowing (General Fund)	0	5,821	13,187	0	19,008

Better care fund (formally DFG's)	661	492	0	0	1,153
<b>TOTAL</b>	<b>53,619</b>	<b>78,816</b>	<b>48,391</b>	<b>14,918</b>	<b>195,744</b>

**Recommendation 2.2 (c): to approve the 2019/20 to 2022/23 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 and Council Tax. It is the view of the Head of Corporate Finance that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level. Regular monitoring reports are brought to councillors covering revenue budgets and the capital programme. The Head of Corporate Finance having considered the risks associated with Crawley Borough Council's capital investment plans is of the view that they are affordable, having taken into account the measures that are in place for mitigating against those risks; these measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.
- 12.2 The [Budget Strategy 2020/21 - 2024/25 FIN/483](#) was considered by the Cabinet on 27<sup>th</sup> November 2019 and recommended for approval. Full Council approval was given on 16<sup>th</sup> December 2019. 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 2015/16, 2016/17 and again in 2020/21 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 20<sup>th</sup> December 2019. The previous December 2018 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 the Council retains, however the final outcome was delayed due to the extension of the settlement for a further year, the future funding of Local Government now will not be known until later in 2020.

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 of the new Town Hall development and before the upper floors of the building are commercially let and resources have been spent on the building project. The General Fund reserve has been increased to £4.995m as a result to help absorb the impact, this is an adequate sum.

- 12.4 In compiling the 2020/21 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 on both general fund and Crawley Homes debt collection, 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 leaving 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 Councillors' 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 2020/21 Budget preparation. The Table below summarises the estimated level of reserves available for 2020/21:

	Estimated Available Balance at 31/3/20 £'000s	Paragraph
<b>General Fund Reserves</b>		
General Fund Reserve / Balance	4,995	12.7.2
Business Rates Equalisation reserve	4,000	12.7.2
Usable Capital Receipts	19,289	12.7.3
Capital Reserve	3,440	12.7.4
Acquisition reserve	5,000	12.7.4

1-4-1 Receipts	6,794	12.7.4
Affordable Housing Receipts	417	12.7.4
Restructuring Impact	695	12.7.5
Housing & Planning Delivery Grant/LDF	368	12.7.6
Vehicles & Plant	374	12.7.7
ICT Replacement	160	12.7.7
Specialist Equipment – Hawth & K2 Crawley	66	12.7.7
Town Centre Regeneration	90	12.7.8
EU Exit	153	12.7.9
Queens Square – future maintenance	392	12.7.10
Other	1,943	12.7.11
<b>Total General Fund</b>	<b>48,176</b>	
<b>HRA Reserves</b>		
Housing Revenue Account	3,198	12.7.12
Housing Capital Investment reserve (committed)	16,174	12.7.13
<b>Total HRA</b>	<b>19,372</b>	
<b>Total</b>	<b>67,548</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 £4.995m at 31 March 2020. 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. In addition a £4.0m 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 2020 is £19.3m. Usable capital receipts can only be used for capital spending. This is fully committed for future years.

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 £3.440m. A separate reserve for Investment Acquisitions has been established of £5m. Both these reserves are committed in future years. In addition to this there is a reserve and an estimated £6.8m 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 in order to smooth the impact of any restructuring/reorganisation initiatives. The reserve meets the one-off costs



associated with restructuring. This reserve will be reviewed as part of the closure of accounts process with any excess transferred to the capital programme reserve.

- 12.7.6 The current balance of the Local Development Framework has commitments and will be fully spent over the next two years. It is planned to increase this reserve for additional consultancy as part of the local plan and strategic planning issues.
- 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. Additional sums have been added to the Vehicle and Plant replacement fund to fund in part the purchase of refuse vehicles when the contract comes up for retendering.
- 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 Monies were received from Government for preparations for the EU exit. There is an estimated balance of £153,000 at 31<sup>st</sup> March 2020, some of this has been committed in the next financial year at Gatwick airport for environmental/port health staffing.
- 12.7.10 A commuted sum has been set aside in respect of future maintenance of Queens square. Any expenditure would be approved by the Head of Corporate Finance in consultation with the relevant Cabinet Member.
- 12.7.11 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.
- 12.7.12 The Housing Revenue account balance is estimated to be just over £3 million at the end of the current financial year (31<sup>st</sup> March 2020), this is an acceptable balance.
- 12.7.13 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 approved 2020/21 Budget Strategy aimed to keep any increase in Council Tax low without compromising services. On the recommendation 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 2.43%, 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 2020/21 by 3.99%, this will equate to an estimated increase of £55.20 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 2.63% which is an increase of £5.00 per annum. This will be confirmed at the Council meeting on 26 February 2020. 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 2020/21 be increased by 2.43% to £208.89 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 £444,479 of which £51,000 is the Council's share.

### **14.2 Business Rates**

In a similar manner, the overall estimated surplus in relation to Business Rates is £1,388,989 of which £258,698 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 (MHCLG) has advised the provisional business rate multiplier for 2020/21 is as follows (see paragraph 5.2 above):-

- i) Standard Multiplier – 51.2p per £ (50.4p in 2019/20)
- ii) Small Business Multiplier – 49.9p per £ (49.1p in 2019/20)

## **16. Implications**

16.1 The high level risks to the 2020/21 Budget and how they will be managed are shown in the Appendix 5. The new Town Hall project will impact more on the financial years 2020/21 and 2021/22. There is a drawdown of £36.4m for 2020/21 now that the construction has commenced. Risks on the Town Hall project are reported to the Audit Committee. Risks are highlighted throughout the report including interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years and the need to take out borrowing. In some cases these can be mitigated by a stringent approach to financial control and planning and a rigorous approach to reviewing current levels of expenditure and procurement methods.

16.2 It is anticipated that the Budget measures set out in this report will increase the Council's staffing establishment by 7.39 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 2020/21 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 2020/21, 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 2020/2021 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 (The Leader of the Council), under delegated powers, has approved the calculation of the Council Tax base for the year 2020/21 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 (The Leader of the Council), under delegated powers, has approved the calculation of the Non-Domestic Rating (NNDR1) for the year 2020/21.

## **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 6 February 2019  
[2019/20 Budget and Council Tax FIN/462](#)  
[Treasury Management Strategy 2019/20 FIN/464](#)

Cabinet Reports 24 June 2019  
[Treasury Management Outturn FIN/473](#)  
[Financial Outturn 2018/19 FIN/472](#)

Cabinet Reports 5 September 2018  
[Q1 Budget Monitoring 2018/19 FIN/449](#)

Cabinet Reports 25 September 2019  
[2019/2020 Budget Monitoring - Quarter 1 FIN/479](#)

Cabinet Reports 27 November 2019  
[2019/2020 Budget Monitoring - Quarter 2 FIN/482](#)

Cabinet Reports 27 November 2019  
[Budget Strategy 2020/21 - 2024/25 FIN/483](#)

Elsewhere on this Agenda -  
Treasury Management Strategy 2021/22 FIN/493  
Q3 Budget Monitoring 2019/20 FIN/492

“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 \(Second Edition\)](#)  
[Provisional local government finance settlement: England, 2020 to 2021](#)

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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 Efficiencies, Savings and income

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>		
Contract savings	40,000	
Reduced cost of Town Hall cleaning	33,000	
Income from lettings	64,000	
Reduced contributions to the pension fund due to the fund being fully funded (actuarial advice)	136,100	
<b>Sub Total</b>	<b>273,100</b>	
<b>Budget challenge during budget setting process</b>		
External funding in the Employment and Skills team – in order for the team to be fully self-financing	10,000	
Additional income in the Environment unit from energy switching and car charging	8,000	
Reduced hours in the Development Management Service	6,500	Staff request to reduce hours.
Benefits service reduce post	35,000	Vacant post
Removal of Consultants fees within the finance team	12,700	
Review of posts within Democratic Services due to vacancies	12,000	
Reduced hours within Member and Mayoral support	6,000	Staff request to reduce hours.
Member training	3,500	Underspends in previous years
Chief Executive – review of miscellaneous costs	4,000	
Miscellaneous budgets within Legal and Democratic Services	4,500	
Reduced corporate print budget	30,000	

Head of Partnership Services – review of training budgets	7,100	
Waste and Recycling reduced costs and increased take up of the green garden waste service	55,000	
Increased off street car parking income due reduced costs and ANPR	70,000	
Business Development Team – review of running costs	4,000	
Environmental Health – review of running costs	4,000	
Community Services – increased income and reduced operating costs	13,500	
Reduced hours within the NASB team	6,000	Staff request to reduce hours.
<b>Sub Total</b>	<b>291,800</b>	
<b>Further savings identified post Budget Strategy</b>		
Town hall savings	<b>63,200</b>	
<b>Total</b>	<b>628,100</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 2020/21. As discussed at the second Budget Advisory Group Districts and Boroughs have been given the option to increase to as much as £5 for a Band D property.

The Group agreed to recommend to Cabinet an increase of 2.43% which is a **£4.95** increase per annum (10p 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. There were concerns that the post within HR may be needed for longer than two years, it was fed back that if this was the case an update would be given to BAG in future years.

Item	General Fund £
General Fund	
Income Generation Officer	49,000
Hawth Procurement Specialist Advice (one off)	20,000
Tree Officer	38,000
HR – 2 year fixed term	43,000

<b>Total General Fund</b>	<b>150,000</b>
<b>Crawley Homes – HRA -</b>	
Cleaner – Bridgefield House & smaller developments	27,000
Fire Risk Supervisor	32,000
<b>Total HRA</b>	<b>59,000</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.

The table in below shows the budgets required for 2020/21 to 2022/23. There is an increase of £1,615,000 from the current capital programme in 2020/21 this is due to –

- Sheltered Major Works creating 2 new sheltered flats at Carey House.
- Hostels, refurbishment of existing hostels and £100,000 for the extension to create additional hostel accommodation.
- Major renovations including Milton Mount phase 1 – including water main replacement, new CCTV and internal decoration.
- Creation of 4 new flats at 5 Perryfields.

There is also an increase of £960,000 in 2021/22 for works in flats and sheltered accommodation. A provision for works for 2022/12 of £9.630m is included.

### **PROPOSED HRA PROGRAMMED REPAIRS / MAJOR WORKS BUDGET**

Scheme Description	Revised Budget 2020/21	Budget 2021/22	Revised Budget 2021/22	Budget 2022/23
	£	£	£	£
Rewiring	1,200,000	1,200,000	1,200,000	1,500,000
Roof Structure (i.e Soffits)	725,000	600,000	600,000	600,000
Windows & Doors	450,000	300,000	300,000	300,000
Structural Works	100,000	80,000	80,000	80,000
Renovation And Refurbishment	100,000	200,000	200,000	200,000
Insulation & Fire Safety	250,000	250,000	250,000	250,000
Kitchens	750,000	850,000	850,000	850,000
Bathrooms	550,000	550,000	550,000	550,000
Common Areas	20,000	20,000	20,000	20,000
Adaptations For The Disabled	300,000	300,000	300,000	300,000
Sheltered Major Works	230,000	100,000	310,000	100,000
Boilers	900,000	1,000,000	1,000,000	1,000,000
Disabled Adaptations-Major Room	950,000	950,000	950,000	950,000
Legionella	50,000	50,000	50,000	50,000
Energy Efficiency - Lighting	80,000	80,000	80,000	80,000
External Environmental Work	100,000	100,000	100,000	100,000

Intercom Upgrade	80,000	50,000	200,000	50,000
Major Insulation Energy Efficiency	1,800,000	1,800,000	1,800,000	1,800,000
Hostels	350,000	250,000	250,000	250,000
Major Renovation, Flats, Blocks etc.	840,000	100,000	700,000	100,000
Garages	200,000	200,000	200,000	500,000
<b>TOTAL PROGRAMMED REPAIRS</b>	<b>10,025,000</b>	<b>9,030,000</b>	<b>9,990,000</b>	<b>9,630,000</b>
4 Perryfields - New Flats	620,000			
<b>TOTAL HRA IMPROVEMENTS</b>	<b>10,645,000</b>	<b>9,030,000</b>	<b>9,990,000</b>	<b>9,630,000</b>

  

CURRENT BUDGET	9,030,000	9,030,000	9,030,000	
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<b>CHANGE TO CURRENT BUDGET</b>	<b>1,615,000</b>	<b>-</b>	<b>960,000</b>	<b>9,630,000</b>
Made up of -				
Repairs	995,000			
4 Perryfields	620,000			

### General Fund and HRA Capital Programme

The Group considered three capital bids.

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

	Total £'000
ICT Transformation Programme 20/21	300
Allotments	85
Longley House – affordable housing	2,780

Criteria as agreed in the Budget Strategy

*'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'.*



Appendix 1 (i)

Flooding programme	Budget	Comments	Revised Budget Current year	Revised Budget 2020/21	Revised Budget 2021/22	To be reallocated
	£		£	£	£	£
Waterlea	37,562	Flood Risk Activity Permit granted by the EA and construction work now complete. Work came under budget but £5k to be left for any auxiliary environmental work depending on how the asset performs any underspend can be taken as a saving.	5,000			32,562
Northgate	42,000	A recent site visit shows the bank of the watercourse have become more stable due to a flourishing vegetation growth and further bank stabilisation work will not be necessary. Therefore the scope of the work is reduced to Structure modifications to provide safe access for maintenance operations. The balance of the funds under this scheme can be saved.		20,000		22,000
Stafford Bridge	78,900	Removal of derelict bridge downstream Charlwood road to reduce water level and improve post event recovery at Stafford bridge has been done. The option to provide a bund adjacent to Stafford Bridge has proved to be too costly for the benefit it would give. The funds here can saved.				78,900
Crawters Brook	100,000	The works from Hazelwick roundabout to Manor Royal is currently being reviewed by Gatwick Airport and may be included in their future work. There may be future spend required in this area and the proposed improvements works from Manor Royal to Jenner road may have to be revisited depending how the asset performs. Therefore, the £100k under this budget can be reallocated (although noted spend may be required at a future date)				100,000

Flooding Emergency Works	192,373	This budget to have a in excess of £100,000 per annum for works that are undertaken in agreement with the Chief Executive and consultation with the portfolio holder.	10,000	71,403	110,970	
Titmus Lake	42,000	Work to this scheme is completed and the underspend budget can be reallocated.				42,000
Billington Drive	28,000	Recent review of this works, shows presently there are only minor grill alterations required. The scope of the work required urgently has been reduced so the remainder of the budget can be reallocated.		15,000		13,000
Broadfield Brook	31,935	A site visit to appraise the current proposal reveals about 7 properties will still be at risk should an event overwhelm the watercourse capacity. Vegetation clearance to restore the watercourse capacity within this area and some work to bank reinstatement will be required.	31,935			
River Mole	30,000	The works here include restoration of heavily vegetated areas of the watercourse and some works to bank reinstatement and stabilisation will be required.	30,000			
Telemetry Measuring Equipment	3,929	Installation of hydraulic level monitoring equipment and CCTV to rapid responding flood completed but because this is a recently completed scheme and will need monitoring for some additional works which may be required in some areas.	3,929			
Crabbet Park	33,000	Work to this structure is planned for next financial year. Topographical survey to be undertaken to ascertain whether attenuation pond needs registration under the new FWM act. Attenuation capacity of pond to be restored by clearing of over grown vegetation, trees. There is a need to create an access path to ensure maintenance operations of the control structure and trash screen during period of flood. Wire mesh fence to be installed on both sides from the drainage outfall to the control structure to keep the structure debris free.	33,000			

Leat Stream	7,289	The work here is the clearance of vegetation underneath the road where the watercourse runs through. This work is required to avoid future flooding from overtopping due to blockage.	7,289			
<b>TOTAL</b>	<b>626,988</b>		<b>121,153</b>	<b>106,403</b>	<b>110,970</b>	<b>288,462</b>

### Reallocation

Tilgate Lake Bank Erosion	100,000	The work here is the clearance of vegetation underneath the road where the watercourse runs through. This work is required to avoid future flooding from overtopping due to blockage.		100,000		
Little Trees Cemetery	50,000	Highways resurfacing		50,000		
Flooding Emergency Works top up	138,462	The work here is the clearance of vegetation underneath the road where the watercourse runs through. This work is required to avoid future flooding from overtopping due to blockage.		48,597	9,030	80,835
<b>Total reallocated</b>	<b>288,462</b>			<b>198,597</b>	<b>9,030</b>	<b>80,835</b>

## Appendix 2

### GENERAL FUND REVENUE BUDGET 2020/2021 Summary of Service Requirements

2019/20		2020/21	
Original Estimate £		Draft Estimate £	Variation £
2,634,660	Cabinet	1,836,550	(798,110)
1,667,340	Public Protection & Community Engagement	1,628,160	(39,180)
6,928,640	Environmental Services & Sustainability	5,125,680	(1,802,960)
2,822,780	Housing Services	2,760,280	(62,500)
6,682,380	Wellbeing	9,295,810	2,613,430
(2,781,670)	Planning & Economic Development	(2,644,730)	136,940
(3,517,320)	Depreciation	(3,409,950)	107,370
700,000	Contribution to Renewals Fund	700,000	0
<b>15,136,810</b>	<b>NET COST OF SERVICES</b>	<b>15,291,800</b>	<b>154,990</b>
(906,439)	Interest on Balances	(612,950)	293,489
14,230,371		14,678,850	448,479
0	Transfer to / from ( ) reserves	1,169,550	1,169,550
<b>14,230,371</b>	<b>NET EXPENDITURE</b>	<b>15,848,400</b>	<b>1,618,029</b>
	<b>External Support</b>		
0	Revenue Support Grant	(60,070)	(60,070)
(1,473,175)	New Homes Bonus	(1,830,770)	(357,595)
	Levy Account Surplus	(81,978)	(81,978)
	<b>Internal Resources</b>		
(5,533,189)	Total Retained Business Rates	(6,343,834)	(810,645)
(7,182,012)	Council Tax	(7,480,748)	(298,736)
(41,995)	Collection Fund Surplus	(51,000)	(9,005)
<b>(14,230,371)</b>		<b>(15,848,400)</b>	<b>(1,618,029)</b>

	2019/20	2020/21
Number of Band D Equivalents	35,216.3	35,811.9
Number of properties	44,997	45,649

The duties from the Resources Portfolio were reallocated to other Portfolio holders in May 2019.

## Appendix 3

### HOUSING REVENUE ACCOUNT

	<b>Original Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Variation</b>
	£'000s	£'000s	£'000s
<b><u>Income</u></b>			
Rental Income	(46,400)	(48,591)	(2,191)
Other Income	(2,079)	(2,085)	(6)
Interest	(125)	(132)	(7)
<b>Total Income (a)</b>	<b>(48,604)</b>	<b>(50,808)</b>	<b>(2,204)</b>
<b><u>Expenditure</u></b>			
Employees	3,714	3,888	174
Responsive Repairs	8,496	8,765	169
Cyclical and Planned	1,952	2,656	705
Other running Costs	2,005	1,746	(259)
Managed services	338	331	(7)
Support Services	2,673	3,096	423
Interest payable on Self Financing Debt	8,309	8,309	0
<b>Total Expenditure (b)</b>	<b>27,485</b>	<b>28,791</b>	<b>1,206</b>
<b>Balance available to fund existing and future HRA capital programme (a - b) *</b>	<b>21,119</b>	<b>22,017</b>	<b>998</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</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 2020/21 PER BAND CRAWLEY ELEMENT</b>					
PROPERTY BAND	BAND RATIO	PROPERTY VALUATION IN 1991	NUMBER OF PROPERTIES IN RANGE	AMOUNTS PER BAND	
				PROPOSED 2020/21	2019/20
				£	£
A	6/9	Under £40,000	1,198	139.26	135.96
B	7/9	£40,000 - £52,000	7,219	162.47	158.62
C	8/9	£52,000 - £68,000	21,916	185.68	181.28
D	9/9	£68,000 - £88,000	8,794	208.89	203.94
E	11/9	£88,000 - £120,000	3,788	255.31	249.26
F	13/9	£120,000 - £160,000	2,259	301.73	294.58
G	15/9	£160,000 - £320,000	467	348.15	339.90
H	18/9	above £320,000	8	417.78	407.88
<b>TOTAL</b>			<b>45,649</b>		

## Risks

Risk and Potential Impact	How Risk Will Be Managed including Probability of Occurrence
<p>1. Budget Gap future years As outlined in the report, a budget gap of £1.5m has been projected for 2021/22. 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 Cabinet 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. Financial risks associated with the New Town Hall are reported separately to the Audit Committee, a procurement exercise is being undertaken for letting Agents for the upper floors for the new Town Hall. Income projections for letting these floors are cautious.</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 future budget gaps however interest rates are projected to reduce.</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 2020/21 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 2020/21 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</p>



	Parking and Planning Fees will be monitored closely. The Council has sufficient reserves to cover unexpected overspendings.
6. Reduction in availability of capital resources in future years. This would lead to a reduced capital programme and the likelihood of reduced investment income. Town Hall investment will result in borrowing for future investments.	There is projected borrowing over the next two financial years of £19m. Any future capital schemes would come from borrowing or use of capital receipts received in the financial year. The impact of the loss of interest has been built into the financial strategy.
7. Failure to collect income. The Council is responsible for collecting annual income totalling over £300 million. The economic climate could result in a reduction in collection rates, as could any delay in the Council approving the Budget and Council Tax levels.	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 are having an impact on Crawley Homes' rental income, investment in additional staffing has been made to assist in collection of rents and providing advice to tenants on Universal Credit. This has been reflected in the HRA budgets
8. Failure to maintain budgetary and financial control.	Variances between Quarter 3 and final outturn should be kept to a minimum. There will be regular monitoring and reporting by budget holders and reports to CMT, the Cabinet and through the Members Information Bulletin. It is inevitable that variances will occur but it is important that any projected variances are reported promptly to the Cabinet.
9. The initiatives to mitigate the impact of high demand on the homelessness service may not be sufficient to avoid overspending the budget. The impact of the Homelessness Reduction Act 2018 is not known.	The initiatives are being well researched, and their success will be regularly monitored. This budget will be regularly monitored during 2020/21 with future budgets adjusted to mitigate the impact. There are adequate General Fund reserves to be able to cover a shortfall in the short term. The housebuilding programme is assisting in mitigating this risk.
10. The Impact of leaving 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.	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.
11. Fair Funding Review	The outcome of the consultation has been deferred on the approach to measuring the relative needs of local authorities with a view to amend how resources are allocated between them.

	<p>This will result in a new baseline funding allocation in 2021/22. However the outcome will not be known until later this year. 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 2018 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 are working 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. We are also working with the DWP to identify customers that are eligible for Council tax reduction.</p>

### Crawley Borough Council Pay Policy Statement for 2020/2021

#### 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 30<sup>th</sup> March each year or at the earliest Council in the financial year for which it applies. The statement may be adapted and or updated by agreement at a Full Council, the council reserves the right to review, revise, amend or replace the content of this statement from time to time to reflect service delivery needs and to comply with changes in legislation.

It will be published on the Council's website as soon as reasonably practicable following approval. For the 2020/2021 approval will be at Full Council meeting on 26<sup>th</sup> February 2020.

### **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.

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 was implemented on 1 April 2019.

A review of the Council's senior management team took place in 2018 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, and Head of Legal Democracy and HR Services and will be subject to the delegated powers and processes set out in the council's constitution. 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 were 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 1 for which the annual salary inclusive of Crawley Allowance is £20,135. 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 £9.30 per hour

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

The Council's highest paid employee is the Chief Executive salary £119,282.00  
The mean average of employees is £26,607 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 2020**

**CMT Pay scales  
W.E.F 01/04/2020**

CATERGORY	TOTAL
<b>CHIEF EXECUTIVE</b>	£119,282 £116,643 £114,006 £111,364 £108,718
<b>DEPUTY CHIEF EXECUTIVE</b>	£103,785 £101,498 £99,213 £96,921 £94,628
<b>HEAD OF SERVICE B</b>	£73,611 £71,998 £70,389 £68,775 £67,168

**STATUTORY RESPONSIBILITY ALLOWANCE**

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

**NJC LG SERVICES SALARY SCALES FROM 1ST APR 2020**

Scale	Spinal point	Annual salary
B	1	£ 20,135.00
	2	£ 20,482.00
C	3	£ 20,836.00
	4	£ 21,197.00
D	5	£ 21,566.00
	6	£ 22,092.00
E	7	£ 22,325.00
	8	£ 22,876.00
	9	£ 23,265.00
F	10	£ 23,522.00
	11	£ 23,998.00
	12	£ 24,360.00
	13	£ 24,792.00
	14	£ 25,233.00
G	15	£ 25,682.00
	16	£ 26,140.00
	17	£ 26,607.00
	18	£ 27,084.00
	19	£ 27,570.00
	20	£ 28,066.00
	21	£ 28,572.00
H	22	£ 29,088.00
	23	£ 29,770.00
	24	£ 30,676.00
I	25	£ 31,556.00
	26	£ 32,407.00
	27	£ 33,278.00
	28	£ 34,142.00
J	29	£ 34,800.00
	30	£ 35,649.00
	31	£ 36,570.00
K	32	£ 37,559.00
	33	£ 38,705.00
	34	£ 39,647.00
	35	£ 40,620.00
L	36	£ 41,584.00
	37	£ 42,553.00
	38	£ 43,531.00
	39	£ 44,446.00
M	40	£ 45,454.00
	41	£ 46,433.00
	42	£ 47,403.00
N	43	£ 48,362.00
	44	£ 49,332.00
	45	£ 50,314.00
	46	£ 51,298.00
N	47	£ 52,290.00
	48	£ 53,281.00
	49	£ 54,290.00
	50	£ 55,321.00
	51	£ 56,372.00



**Apprenticeship scheme salary W.E.F. 1.04.2020**

Percentage of spinal point 1	Annual Salary
60%	£12,081.00
65%	£13,087.75
70%	£14,094.50
75%	£15,101.25
NMW	£15,820.13
National Living wage	£16,823.35