CABINET

15 DECEMBER 2015

PRESENT: Councillor N Blake (Leader); Councillors S Bowles (Deputy Leader), J Blake, A Macpherson, H Mordue, C Paternoster and Sir Beville Stanier Bt

IN ATTENDANCE: Councillors Rand and Stuchbury

APOLOGIES: There were none.

1. MINUTES

RESOLVED –

That the Minutes of 10 November, 2015 be approved as a correct record.

2. NEW HOMES BONUS DECISION REPORT

Members recalled that an informal advisory Panel had been established to consider grant funding applications from Parish/Town Councils utilising funds set aside for this purpose from New Homes Bonus (NHB). NHB was a national initiative whereby funding from the Revenue Support Grant had been top sliced and allocated to local authorities in proportion to the number of new homes in their area. The Council's scheme was designed to help alleviate the impacts of housing growth on local communities. Twenty per cent of the Government allocation had been set aside for the scheme, which equated to £938,000 being available in 2015/2016, the third year. In addition, £192,404 had been carried over from the second round of funding, making a total of £1,130,404 available for this funding round.

The advisory Panel had met on 18 November, 2015 and a schedule containing the Panel's recommendations and rationale was appended to the Cabinet report. The report also summarised the criteria for the submission and determination of applications. In total, 13 expressions of interest had been received, 8 of which had resulted in formal applications with a total value of £1,264,826. The Panel had been unanimous in recommending funding for 7 applications, totalling £1,114,826.

It was reported that if the Panel's recommendations were endorsed by Cabinet, 99% of the available budget would be committed, leaving £15,578 being carried over into the next funding round.

RESOLVED –

That the recommendations of the NHB Informal Advisory Grants Panel, held on 18 November, 2015, set out in the Appendix attached to these Minutes, be approved.

NOTE: Councillor Mordue declared a prejudicial interest in this item as a Member of Buckingham Town Council and left the meeting whilst the matter was discussed.

3. HEALTH, SAFETY AND WELLBEING STRATEGY 2015-18

Cabinet received a report submitted also to the Finance and Services Scrutiny Committee on 12 October, 2015, setting out health, safety and wellbeing performance during 2014/15 and a proposed health, safety and wellbeing strategy reflecting the fact that health and safety was one of the top 15 Council risks as identified in a risk management report submitted to Cabinet in October, 2015. The strategy identified the priorities and work streams for the next three years and the development of annual work plans.

The strategy would also ensure that a consistent approach was taken to addressing health, safety and wellbeing risks across the Council. AVDC had taken the opportunity to fully embrace “well being” as defined by the Chartered Institute for Personnel and Development, and recognised the importance of having a sustainable work force. The Scrutiny Committee (whose Minutes summarised the detail of the strategy) had noted the performance report and had recommended adoption of the strategy.

RESOLVED –

(1) That the Annual Health and Safety Performance report covering the twelve months period to 31 march, 2015, be noted.

(2) That the Health, Safety and Wellbeing Strategy 2015 – 2018, attached as an Appendix to the Cabinet report, be adopted.

4. BUDGET PLANNING 2016/17 AND BEYOND (INITIAL PROPOSALS)

The report to Cabinet on 10 November, 2015, had set out the context for 2016/17 budget planning and had explained the significant difficulty created by a variety of high value factors, the greatest of which being those associated with retained business rates, further reductions in Government Grant and New Homes Bonus. The latest report sought to bring together an indication of those factors that could be predicted with some degree of certainty, and proposed a strategy for those factors that could not be predicted at this stage. The Cabinet report had been written just after the Chancellor of the Exchequer’s spending review statement made on 23 November, 2015, but prior to the announcement of detailed grant allocations for councils. The report divided the main elements of budget planning between pressures, savings, Government grant and business rates and considered options for Council Tax. Work would continue on refining the elements of uncertainty between the date of this meeting and Cabinet’s final budget decisions.

Savings and Income Identification Options

As had been set out in the November Cabinet report, the approach adopted for setting the budget for 2016/17 was similar to that followed in recent years and relied primarily on capitalising on the savings achieved via reorganisation and restructuring during 2015/16 in anticipation of the Government Grant reductions.

Since the prospect of significantly reduced Government Grant had first been mooted in 2010/11, the Council had devoted considerable effort and resources to identifying and delivering a smaller net budget requirement. This had been achieved by reconsidering what it did, what it could do and who should pay. This work had been badged “New Business Model”. As had previously been mentioned, this had not specifically been about income generation, but had instead been a review of what customers wanted and needed, who was best placed to provide those services, the most efficient and effective way of delivery, who should pay for the service and how much, and potentially for some services, whether they needed to be provided at all.

The work undertaken over the last 12 months in recognition of the forecast financial pressures had delivered significant savings and many of these were already accruing in the current financial year, thereby contributing in part to the current forecast underspend for 2015/16. This work had been carried out with the expectation that these transformational and efficiency measures would replace the need for a crude annual cost cutting exercise. This planned response to budget reductions represented a cornerstone of the budget development process.

In addition to the major transformation exercises, a number of other savings had been generated as a result of service managers reviewing budgets for efficiencies and taking the chance to restructure as and when the opportunities presented themselves through natural turnover. The Cabinet report contained a list of the most significant savings to be incorporated into budget planning. These totalled £1.93 million. Of this sum, £1.4 million was attributed to service redesign, restructuring, new income generation or service cessation delivered as part of work undertaken under the umbrella of "New Business Model". Beyond 2016/17 budget planning, a new strategy was required in order to deliver future savings, as referred to elsewhere in this Minute.

Pressures

Expected pressures relating to 2016/17 had been identified in the Medium Term Financial Plan (MTFP) back in February. The assumptions which determined the sums to be provided had been reconsidered and new pressures had been identified as set out in the Appendix to the Cabinet report. The new pressures were primarily associated with waste disposal, and these had been reflected in the initial budget proposals based on anticipated amounts. The total service based pressures amounted to £2.227 million, of which £559,000 represented a general provision for inflation and pay. Pay negotiations had not yet been concluded.

Government Grant

As highlighted in the budget scene setting report in November, the predicted reductions in grant support were as yet unknown, but expected to be severe and likely to continue throughout the life of the MTFP. The actual impact for 2016/17 would not be known until mid to late December (believed to be 23 December). The Chancellor's spending review statement had given some clues about the Government's anticipated policy stance towards local government funding, but exactly how the sums mentioned would translate into allocations between the different local government tiers and regions would not be known until the detailed allocations had been made public.

What had been indicated was that there would be further deep cuts in support for local government (in excess of 50% of the remaining core grants), although within this was new protection for adult social care budgets. This all pointed to reductions in support being concentrated on non protected elements of local government funding, with districts likely to feel the brunt of the reductions.

There were further references which indicated that the funding system would be reviewed to switch priority towards those councils with responsibility for the provision of adult social care. Whilst unspecific at this time, the risk was that the current 80:20 split of business rate growth and new Homes Bonus might be changed, or even reversed completely in favour of upper tier councils. Without clarity over the impact of these proposals the initial budget presented and the MTFP had been prepared on the basis of an expected reduction in Government Support of £1.087 million for 2016/17 and on-going reductions of £1.3 million thereafter. This was consistent with reductions in recent years.

Government Grant now comprised two elements namely, Revenue Support Grant and Retained Business Rates. In 2015/16 the Council had received £6.3 million in grant support, including Retained Business Rates. This represented the rolling in and blurring of numerous previously separate grant streams, including the 90% funding for what was formerly Council Tax Benefit and Council Tax Freeze Grants. The draft budget assumed an allocation for 2016/17 of £5.1 million. However, there was very little certainty that this was the correct amount at this stage in the budget planning process.

Without the clarity of a clear Government statement, the MTFP assumed that grant would continue to reduce at the same rate as that experienced over the past 5 years (approximately £1.2 million per annum), and on this basis, the Council would receive no Revenue Support Grant by 2017/18. Thereafter the MTFP assumed that the Government would gradually recoup the Council's element of Retained Business Rates until an absolute level of zero Government support was reached in 2020/21. Considerable uncertainty existed around the exact timing of the point where this Council would reach zero Government support, or what would happen thereafter.

Much of this would depend how the Government's spending review translated into grant reductions for individual councils, but the potential for zero grant to be reached even earlier than currently predicted was a real and serious risk with budget planning. Confirmation of the actual grant allocation for 2016/17 was now expected only to be known in the week before Christmas. This again allowed no time to significantly change the detail of budget plans. However, with a spending review announced covering the entire parliamentary period, it was hoped that the grant announcement in December would include some indications of future allocations which could be used to better inform future budget planning.

Because of the timetable for publication of the final budget proposal and of the grant announcement, there would only be time to reflect but not react to the final numbers and therefore, as in previous years, it was proposed to amend the final budget by making an adjustment to, or from, working balances if the numbers varied from those assumed in the Cabinet report.

Retained Business Rates

The other element of Government Grant was Retained Business Rates. This remained one of the most difficult areas of the budget proposal to accurately predict.

The Cabinet report in November had explained in more detail the background to this funding stream, the difficulties in accurately predicting business rate growth and, more importantly, potential reductions through appeals. The position on appeals continued to represent a significant risk, as these had twice the impact on the budget as growth. The payment and the backdating of refunds potentially further increased the downside risk in any given year by a factor of four, but (what was believed to be) an adequate reserve had now been established.

A further year of operating within this new system and the creation of an Appeals Provision had helped to reduce some of the inherent risks and uncertainty within the system, but it was likely that the product of the system would always remain highly volatile. For initial planning purposes a cautious extrapolation of current changes had been projected forward to arrive at a starting position for 2016/17. This reflected some uplift through the annual RPI (0.8%) in the Business rates multiplier (as determined by Central Government) but assumed that growth would exceed appeals during the next year. Whilst some growth was suggested by the planning work, it was far from certain and so it was considered imprudent to build a budget proposal which significantly relied on this in 2016/17.

Avoidance of any significant dependency on business rate growth was further justified by the Government's announcement that it intended to consult on changing the split of local government resourcing in favour of those councils responsible for adult social care. Given that there had been a tension between tiers over the 80:20 split of business rate growth in favour of districts since its introduction, it was feared that this distribution might be targeted for review and any benefit to lower tier councils significantly reduced.

Because of these concerns, it was proposed that any gain (outside of that generated through pooling) or loss achieved in the year would be managed through the Business Rate Equalisation Reserve in 2016/17. If at that point any growth was considered to be sustainable and the longer term position in relation to the retention of gains was clarified, then it would be captured in the budget beyond 2016/17. An update on the position in relation to outstanding appeals and the implications of any Government consultation on the distribution of business rates gain would be provided to Cabinet at the point when it had to make its final budget recommendations in January, 2016.

The budgetary projection included the extension to various rate reliefs (notably small business rates relief) through 2015/16 and 2016/17 announced in the Chancellor's spending review statement. This reduced the amount of rates collectable and the Government compensated the Council based upon the amount of actual relief given. The Government had established a fair compensatory mechanism for its changes to the business rates system and so the impact was assumed to be revenue neutral to this Council.

Equalisation Fund for Business Rates

As previously referred to, in response to the volatility inherent in the new system, the Council had created an Equalisation Reserve to smooth out some of the unexpected results produced by the system. This had already proved useful with the Council contributing in excess of £1,600,000 to the Reserve in 2013/14, with the expectation that the majority of this would be drawn back out again in 2014/15. In practice, a further smaller contribution had been made to the reserve when the final position was known for 2014/15, resulting in a balance of just over £1.9 million. Whilst this was potentially higher than required in order to establish a sustainable position, the biggest risk factors in the prediction of the on-going benefit likely to be achieved from the business rate system had yet to be resolved. These were the outstanding appeals lodged by the largest supermarkets and the potential redistribution of benefit between the tiers of local government. Only when these had been resolved would it be possible to determine a sustainable level of business rate gain to build into the base revenue budget.

The budget proposal for 2016/17 assumed that the reserve would again be used to manage uncertainty. As a clearer picture emerged, as to the appropriate size of the reserve, a review would be undertaken to determine how much could be taken into the revenue budget in following years. However, given the size of the reserve, it was considered that £476,000 of business rate gain could be safely taken into the budget planning proposals. As long as the system continued to produce volatile results and until such time as to who got the benefit was finally resolved, it was likely that the Equalisation Reserve would continue to prove both necessary and prudent. The balance on the Reserve would be monitored and reviewed annually as part of the budget planning process.

Business Rates Pooling

As had been reported to Cabinet in November, the Council had submitted a Business Rate Pooling application to the Government for 2016/17, even though the Government had never actually formally invited any proposals. With no clear statement contained within the Chancellor's spending review, it was assumed that pooling would not be offered in 2016/17 and that instead, this would be wrapped into the wider review of local government funding that would include the Government's stated intention for councils to retain 100% of business rates by 2020.

If in the unlikely event, that a pooling scheme was announced within the detailed proposals in December, then the relative merits would be discussed in the final budget report to Cabinet in January, 2016.

Investments/Net Borrowing

The Council had been using its cash balances over the past few years in lieu of long term borrowing. This had delivered an advantage over lending returns whilst base rates remained low. The financial advantage in terms of lower borrowing costs had been factored into the initial budget proposal. As had been identified last year, the on-going low Bank Base Rate was creating financial pressure. Since 2010 the shortfall in investment earnings, which had arisen from the record low base rate, had been smoothed via the use of the Interest Rate Equalisation Reserve. This Reserve had been created from excess interest earnings in times when the Base Rate had been considerably higher than its current level.

The Reserve had been used effectively over the past few years to smooth the budget pressure created by the lower interest rates in the realistic expectation that rates would recover. Whilst rates were now forecast to potentially start increasing, this would be gradual and the timeframe was expected to be lengthy. Therefore any further on-going use of the Reserve was unsustainable and, as had previously been identified, the Council's reliance on the Interest Equalisation Reserve would need to be curtailed.

Consequently, a reduction had been factored into the MTFP, bringing the recognition of investment income down to what was considered to be a sustainable on-going level. Last year, as part of that budget planning exercise, it had been proposed that a zero use of the Reserve should be achieved by 2017/18. After reviewing the balance on this particular Reserve, it was deemed that the move to zero usage could be pushed out a further year and that no further reduction would be required in 2016/17, but that reductions should instead take place in 2017/18 and 2018/19.

New Homes Bonus (NHB)

The Council had agreed a New Homes Bonus strategy on 5 December, 2012. Within this there was an adjustment for the loss of grant associated with the introduction of the Bonus. The Council had agreed not to use the majority of the NHB in support of the revenue budget, firstly because it denied the potential use of the Bonus on schemes to mitigate the impacts of growth, such as East West Rail, but secondly because it risked the revenue budget becoming overly dependent on a grant system whose long term funding was far from certain.

The policy did however allow for an adjustment to reflect the proportional grant loss associated with the on-going national top slicing of the local government funding settlement in order to pay for higher NHB payments in those years. In accordance with this policy, a further adjustment had been proposed in 2016/17, being the 6th and final adjustment. That adjustment being based upon a reported increase in the total properties in the Vale over the past 12 months (including the reduction in long term empty properties) equal to 1,600 dwellings.

The Chancellor's spending review statement had outlined his intention for a review of this scheme to be consulted upon as part of the detailed Grant announcement in December. The total annual cost of NHB was currently around £1.5 billion and so the target reduction represented a significant diminution of the benefit from the scheme and as the District with the highest growth in new homes in the country, any change in the scheme would impact this Council more than any other.

Further, it was speculated that the 80:20 split of NHB in favour of planning authorities might also be targeted as an area for review, or changed in favour of upper tier councils. Whether this was the reference to social care within the Chancellor's statement or, whether this was separate and in addition, was currently open to speculation. Either way, the statement raised serious concerns over the extent to which the Council could rely on this income and justified the policy stance adopted thus far. It also called into question the intention to build a 6th adjustment into budget planning in 2016/17 and with the considerable uncertainty hanging over this funding stream, the budget proposals had factored out any reliance on this for now. The position could be revisited once the detailed grant figures for consultation had been announced. It was understood that the HHB scheme would continue for a further year in its current guise.

Council Tax Base (Discounts, Exemptions and the Reduction Scheme)

As a response to the financial impact on councils of introducing Localised Council Tax Discounts (the replacement for Council Tax Benefits), the Government had also given extra freedoms to change other discounts and exemptions within the Council tax system in 2013. These mainly related to empty property discounts and the Council had used these freedoms to review the extent of discounts offered. These changes had complemented the Council's objective of bringing empty properties back into use as quickly as possible, thereby reducing the need for new housing.

The impact of these changes had been to reduce the discounts given and thereby increase the Council tax payable. The measure of Council Tax payable was the Council Tax Base and this had seen a further significant increase. This partly related to the changes in discounts and exemptions and partly to the on-going growth in housing numbers across the Vale. The combined financial impact had been to increase the estimated amount of Council Tax collectable by £205,000 in 2016/17.

In relation to the review of the Council Tax Reduction Scheme and the limits within it, these were usually aligned to those used in the wider national welfare schemes. With these being under threat of reform, it had not been possible to carry out a detailed review within a suitable consultation timeframe because of the uncertainty over the Government's proposed changes.

Ultimately, the Government had announced within the spending review its decision not to proceed with some of its proposed changes, notably around changes to Tax Credits, but this had come too late to effect any significant review of the local system. In the absence of a full review, the decision would normally be to uprate the local factor in line with inflation. However, as CPI had effectively been zero in September, it had been decided not to make any changes to existing limits this year, other than in the case of those which the Government determined nationally. With a clearer direction as to the Government's policy in relation to welfare reform, a full review of the local scheme would now be undertaken during the forthcoming year so as to better inform decision making in 2017/18.

Aylesbury Vale Estates

As had been reported in November, a business plan for the current year had yet to be agreed by the AVE Board and it was expected that this would be presented to Cabinet and the relevant Scrutiny Committee early in 2016. Dividend payments had been forecast within the developing version of the business plan for 2016/17, and in keeping with the realistic expectation that these would be delivered, they had been reflected within the budget proposal for Cabinet's consideration.

Council Tax

The Government had yet to announce its policy on Council Tax increases, but signals from the spending review indicated that whilst a threshold was still likely to exist at the same level as in previous years, it might not be underpinned by a Council Tax Freeze Grant offer. The current MTFP assumed that Council tax would rise in each of the years covered by the MTFP from 2016. The purpose of the increase was twofold. Firstly to offset the impacts of inflation within services and secondly to partially mitigate the impact of Government Grant reductions.

Whilst headline inflation remained low for now, there was a difference between the headline rate and the actual rate of inflation experienced by different organisations. The actual rate of inflation for AVDC was therefore higher than the headline rate.

However, the larger consideration and principle justification was the reduction in support from the Government. As Members were aware, £93.08 of the cost of services to residents was met by the Government and £136.35 was met by the residents themselves through Council Tax (calculated at Band D). In 2016/17, the support from Government would further reduce to £75.40 per property, a reduction in spending power of £17.68.

Without action by the Council, the lower support from the Government would equate to a straight reduction in services received by residents. This ignored the higher costs of delivering services through the impacts of inflation, which only served to compound the problem. Because of Government controls over the level of Council Tax increases, Council Tax could not be used to replace the entirety of the lost income, and even if there were no controls, then the Council's priority would be to use all other means to avoid doing so. However a modest increase in Council Tax was still valuable in terms of partially mitigating the impacts of Grant loss and in the preservation of core services to residents.

Whilst the value of annual increases might seem minimal, the cumulative effect over the MTFP period was significant and was vital as part of a package of actions, in terms of protecting services that residents expected. As Council Tax was a non progressive tax, to hold it at the same level actually reduced its buying power in real terms as the action of inflation eroded its worth. In real terms, a decision to freeze Council tax would actually represent a cut. For these reasons Cabinet felt that Council Tax should be increased to a point just below the expected Council Tax referendum threshold limit of 2%.

Since the Government's austerity programme had begun, the reduction in Grant support had been equal to £105 per resident. Against this backdrop, it would be unreasonable for residents to continue to expect to receive the same services without something changing, such as the level of tax paid or the ability of the Council to generate new income through other means. In practice, the Council had focused on efficiency measures and new income generation/maximisation as a way of preserving valued services. To a lesser extent, where it was evident that existing services were no longer valued, some of these had been stopped.

Reserves

Earmarked reserves represented the prudent saving of sums against the recognition of future financial events which, if not prepared for, would be difficult to deal with at the point at which they occurred. In short, earmarked reserves were an essential part of sound financial planning. It was noted that as part of the development process, the Cabinet Member for Finance, Resources and Compliance was undertaking the annual full review of the Council's reserves and provisions.

With the national focus on the reduction in resources and continuing media interest, it was unfortunate that the Council's earmarked reserves position had shown a considerable jump as this belied the reality of the situation that the Council was facing. The principal explanation behind the increase was the sizeable amounts of New Homes Bonus being received by the Council on the back of the significant housing growth in the Vale and the difficulty in delivering infrastructure schemes in a short timeframe. The consequence of this was the ring fencing of these sums in reserves pending delivery of the schemes.

If these sums were excluded then the findings of the Cabinet Member's review were likely to show that whilst the overall level of the Council's reserves had remained broadly constant, there had been a significant use of reserves in 2014/15 which had largely been offset by the extra provision for the local plan development process and the defence of planning decisions against appeals.

The vast majority of reserves held were for legitimate reasons and the balances were reasonable given a fair assessment of the budgetary pressures that they were held against. The total balance held in reserves was expected to dip significantly over the next two years as the pressures against which they were held materialised and the infrastructure schemes for which New Homes Bonus was held, were delivered. Where the revenue budget was dependent upon the use of funding from reserves, reliance was being reduced to the point where the budget was deemed to be sustainable.

Review of Fees and Charges

As part of budget planning for the current financial Cabinet had introduced an annual review of all the Council's fees and charges as a core part of the process. This had been introduced in accordance with the wider transparency agenda to enable any proposed changes to be discussed in an open forum. The Cabinet report incorporated a schedule of proposed fees and charges for 2016/17. The Cabinet member for Finance, Resources and Compliance gave a brief overview of the most significant increases (in percentage terms) and indicated that he was seeking further clarification around some charges, particularly, taxi licensing fees.

Environmental Health had had to respond to new legislative requirements around the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 which had come into force on 1 October 2015. These Regulations placed a duty on local housing authorities to serve remedial notices on private sector landlords who breached their duties under the Regulations which required them to install smoke and carbon monoxide alarms (where appropriate) in their rental properties. Regulation 8 allowed the local authority, where it was satisfied that a landlord had breached a remedial notice, to require him/her to pay a penalty charge that must not exceed £5,000.

It was proposed that AVDC, in line with other Buckinghamshire authorities, should determine a penalty charge of £5,000 and that there should be no reduction in penalty for early payment. This was because once a remedial notice had been served, the landlord had 28 days in which to comply and avoid the penalty. The smoke and carbon monoxide alarms that were required to be fitted were readily available in high street shops at low cost and could be fitted easily in most properties without requiring technical expertise. The consequences of there not being a working smoke or carbon monoxide alarm in a property were potentially extremely serious and could result in fatalities in the event of a fire or carbon monoxide incident. It was therefore believed that imposing the maximum £5,000 fine was justified when remedial notices under these Regulations were breached.

Balances

The Council held general working balances as insurance against unexpected financial events. This included failure to generate expected income as well as financial claims against the Council. The current minimum assessed level of balances was £2.5 million which had been arrived at based upon a risk and probability assessment of potential budgetary factors during 2016/17. This remained unchanged on the previous year and was a reflection of the massive uncertainty surrounding the impact of the Government's changes to the Grant system and the impacts of business rates plus the financial concerns over the size of the change agenda in response to this uncertainty.

The September Quarterly Digest had projected savings against budget for the year in excess of £1 million. Some of this represented "one off" additional income such as that relating to property income, but a significant element was attributed to work undertaken by officers and portfolio holders to deliver savings targets.

With the cost of developing the Vale of Aylesbury Local Plan (VALP) and defending hostile planning applications being of particular concern at the moment, it was considered prudent to set aside excess planning income from 2015/16 in a specific reserve held for this purpose. A review would take place at the year end to see how much funding was likely to be required and how much could be set aside for that purpose.

Current projections indicated that working balances might end 2015/16 at around £4 million after appropriations for specific projects. This was significantly above the assessed minimum level. The holding of excess balances presented the Council with opportunities to offset the upfront costs of change initiatives that would pay back and deliver on-going savings in later years. One such example was the funding last year of the web site and e-commerce project ("Right Here, Right Now"), leading to the recent web site re-launch and the forthcoming automation of many of the Council's existing processes. It was expected that this would deliver considerable efficiencies in the reorganisation through allowing customers to self serve, and these efficiencies would contribute towards balancing the budgets in future years. However, this project represented only a fraction of the wider organisational change required in order to ensure the Council was sustainable in the future, against a backdrop of projected falls in funding.

Sustainable AVDC

Cabinet appreciated that to address the wider challenge, a fundamentally different approach to service delivery was required and recalled the report submitted to the last meeting. This represented a universal change to the whole management of the Council, the most significant since the inception of the Council in 1974. Moving from a silo organisation to an enterprise organisation was a fundamental change and required careful but significant investment. However, the rewards were a sustainable organisation which without the future investment and the transformation, would fail at some point in the very near future. In simple terms, it would fail to deliver services that local people expected, relied on and valued. This was not an over dramatisation and it was possible to point to recent examples of councils which had failed to do this and as a consequence, were under severe financial pressure and in imminent danger of collapse.

The early recognition of the need to reform and then backing this up with on-going investment were key elements to the organisation's success thus far in dealing with the financial imperative. The organisation was only half way towards the final expected position and it was essential that it continued to adequately invest in resolving this challenge in order that there was a continual delivery of future savings so as to protect service delivery.

This proposed sustainability programme was built around the founding elements of the New Business Model programme, and applied this to the whole organisation. In summary, its aim was to:-

- React to the increasingly challenging financial position of the Council.
- Deliver automated and more cost effective forms of service delivery including self serve, aligning the Council with most of the other service providers residents relied upon in their day to day lives.
- Create greater value and income from more commercial operations to cross subsidise those areas of the Council which could not cover their own costs.
- Focus on the customer at the heart of everything the Council did.

In achieving these aims there were a number of changes to the way in which the Council was organised and how its staff worked:-

- Overall a need for a much more commercial approach and understanding of the Council's business.
- Removal of the silo arrangement of staff, moving them into a more generic approach to fulfilling customer needs (without losing specialism where this was needed to meet customer demands).
- Detaching management responsibility from professional expertise – recognising that good management did not always come with specific technical expertise.
- Becoming more flexible in the way the Council worked and the way in which it served customers – enabling staff and developing processes and structures designed to react to new demands from customers.
- Widening the spans of responsibility for managers and taking a more corporate approach as opposed to departmental orientation.

In its simplest form, AVDC needed to be:-

- Orientated around the customer, fulfilling their demands and delivering what they wanted.
- Speedy in response to customer demands, similar to commercial organisations and when customers wanted it.
- Have a cost effective delivery model at a cost which customers would pay.

To kick start and enable this change, the entire structural model of AVDC would be changing. This was in recognition of the above context and would set AVDC on a new footing to deal with the future challenges ahead. Conceptually, the new AVDC would abolish the historical departmental structure and replace it with a more flexible and universal structure. This would then enable a full business review of all current activities with a view to understanding and maximising income opportunities and rationalising the organisation of resources in the most efficient way so as to deliver the right products at the lowest cost.

To deliver change on this scale, required considerable resources on an invest to save basis, with the core objective of delivering an organisation which was able to function, survive and even thrive within the funding resources available to it at that point in time. To do this properly required the secondment of a number of key individuals from within the organisation in order to work solely on the restructuring and review of processes. Until such time as their work delivered benefits, these individuals would require backfilling and project management direction and support.

To achieve this, whilst ensuring the continued delivery of core services to residents, it would require the Council to invest and resource the exercise properly and Cabinet proposed that £600,000 of the Council's General Fund working balance be ring fenced for this specific purpose. It was appreciated that as the project was in its early stages of development, a detailed budget requirement could not be presented and so to ensure that the proper governance and accountability was maintained for the allocation of this funding, it was agreed that delegated authority should be given to the Cabinet Member for Finance, Resources and Compliance to determine the allocation and commitment of this budget. If endorsed by full Council, this would bring working balances down to nearer £3.5 million. A schedule showing the projected position with working balances was submitted as part of the Cabinet report.

Medium Term Financial Plan (MTFP) 2017/18 and after

The report to Cabinet in November had set out the rationale for the core assumptions used in the formulation of the MTFP. In summary, the single biggest issue remained the on-going and severe reductions in Government Grant, and the uncertainty as to how these would be applied to individual councils. The reality of continued public sector austerity through this Parliamentary term had been confirmed within the recent spending review. The only question remained around how much and how quickly for individual councils.

The MTFP was predicated on reductions at the same rate as had been experienced over the last five years through to 2020. At that point the Council would receive no support towards services from the Government. Ahead of the Government's consultation on Grant allocations, estimated to be mid to late December, it was not possible to refine this prediction. However, there might be some limited opportunity to finesse the assumptions in the final budget proposals.

It remained likely that lower tier councils would fair less well as the reduced resources available to local government were targeted more towards adult social care. This potentially created a double hit. However, it was probably no worse than the no grant spectre being used as the core planning assumption used in recent years. Thus far the Council's strategy had been effective, in that by the end of 2016/17 the cumulative annual savings, additional income and efficiency measures achieved would exceed £13 million.

The strategy for balancing the next five years represented a shift away from the New Business Model to a more holistic and all embracing solution that built upon the success of the New Business Model, but which also searched for deeper efficiencies and a clearer, greater focus on understanding and delivering what the customer wanted. Not excluded from this would be the on-going investigation into new models for local government and public services generally. This might extend to neighbouring councils and beyond the boundaries of Buckinghamshire.

Special Expenses

It was noted that work was progressing on the development of the Special Expenses budget and that initial indications were that a review of services and costs charged into this area were likely to result in the tax in Aylesbury being frozen at its current level. The draft budget was appended to the Cabinet report.

RESOLVED –

(1) That the following, relating to the budget for 2016/17 and the Medium Term Financial Plan, be approved for consideration by the Finance and Services Scrutiny Committee:-

(a) To take into budget planning the £1.953 million of realised savings as set out in paragraph 4.6 of the Cabinet report.

(b) To increase Council Tax by an annual amount equal to £2.71 for a Band D property, equivalent to 1.99% from 1 April, 2016.

(c) To agree to use or contribute to balances any difference created within the budget arising from the Government's Grant settlement figures being different from that assumed within the Cabinet report.

(d) To agree the revised list of fees and charges contained in Appendix E to the Cabinet report.

(2) That no change be made in the current year's level of Band D Special Expenses charge for Aylesbury Town for 2016/17.

(3) That the sum of £600,000 be ring fenced from General Working Balances to fund the AVDC change programme and that the Cabinet Member for Finance, Resources and Compliance be given delegated authority to approve a budgetary framework and allocations from this sum.