CABINET

(held at the Brill Church of England School)

10 JANUARY 2017

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

IN ATTENDANCE: Councillors Branston and Rand.

APOLOGY: Councillor S Bowles

1. PUBLIC QUESTION TIME

This meeting was held in Brill as part of Cabinet's programme of holding meetings within local communities. An opportunity was afforded to those members of the public present to ask questions of individual Cabinet portfolio holders. Questions were asked about a range of issues, including:-

- The policy for the determination of housing numbers in villages as part of the Vale of Aylesbury Plan process.
- The policy (both nationally and locally) for the provision of affordable housing, and in particular the definition of such provision.
- The use of section 106 monies for local community projects.
- The perceived risk of the loss of agricultural buildings to residential development.
- The lack of funding made available by the County Council as Highway Authority, for repairs to the rural road network.
- AVDC's procurement arrangements.
- Planning enforcement issues.

2. MINUTES

RESOLVED –

That the Minutes of 13 December, 2016, be approved as a correct record.

3. DRAFT BUDGET PROPOSALS FOR 2017/18

The report to Cabinet on 13 December, 2016 had presented a set of initial budget proposals for 2016/2017 and beyond. The report had highlighted the uncertainty around a number of issues, including retained business rates , further reductions in Government Grant and New Homes Bonus.

It was however now reported that in practice, little had changed at a service level and consequently the significant elements of the final budget proposals revolved around the impact of the Government Grant numbers and changes to other centrally funded support.

On 15 December, 2016, the Government had announced the draft Grant settlement for Councils. Despite indications that there might be significant changes to reflect ongoing pressures on the wider local government sector, the Government had largely honoured its commitments contained in the four year settlement.

The only significant change had been to the Business Rates Tariff (the proportion of the locally collected business rates which had to be paid to Central Government). It had been acknowledged that this figure would need to change in order to reflect the business rates revaluation, effective on 1 April, 2017. Each council would have either gained business rates income or seen a reduction as a result of the revaluation. To ensure that councils neither gained or lost by virtue of this national re-basing exercise, the net effect of the revaluation was captured through the system of tariffs and top-ups. The Government had also taken the opportunity to baseline into the system the impact of some of its recent national policy changes to business rates.

Notably, where the Government had extended small business rates relief, the cost of this decision (in terms of lost business rates retained by local councils) would be compensated for through a separate Grant. This Grant was now being rolled into the top-up and tariff adjustments numbers for individual councils. Combined together, the consequence of the revaluation, the impact of the evaluation on the amount of mandatory relief entitlement, the scope of the transitional relief scheme (for those affected), and the impact of rolling in the compensating grants, made determining the true impact of the revaluation difficult to assess accurately.

The Government's methodology had been validated, and seemed reasonable, but the tangible impact on rates payable locally was difficult to accurately calculate until such time as the Council's software supplier had reflected these changes in the computer system. Only at this point could the new rates payable from 1 April be calculated. The final budget therefore continued to assume that the impact of all these changes was neutral – as the Government had intended.

The Council maintained a Business Rates Equalisation Reserve to protect and cushion the budget against volatility and fluctuation in its business rates income. Should the impact of the revaluation, and other factors, ultimately prove not to be neutral, then the reserve would be used to smooth the impact on the budget.

With regard to New Homes Bonus (NHB), this had been a major concern. The Government had consulted on a sharpening of the incentive, with the intention of diverting resources towards adult social care. Ultimately however, the finance settlement statement indicated that although the Government would increase the take from NHB by a further £240 million, the impact on allocations would be less significant than had been anticipated.

In addition to a reduction in the amount made available for the scheme nationally, the Government had made some changes to how the scheme would work, as follows:-

- Payment of the Bonus reduced to five years from 2017/18 and then to four years from 2018/19.

- A new assumed annual amount of baseline growth of 0.4%, with NHB only paid on growth above this.

- NHB to be withheld on growth approved following a planning appeal.

- Penalties for areas where planning performance failed to meet targets.

The table below showed the indicative numbers for NHB included in last year's four year settlement, compared to the revised numbers included in this year's draft settlement:-

	2016-17 £M	2017-18 £M	2018-19 £M	2019-20 £M
2016 NHB - 4 Year Settlement	8.3	8.3	5.2	5.0
2017 NHB - Finance Settlement	8.3	7.9	6.1	5.8
Change (+ =Gain , - = Reduction)	-	-0.4	+0.9	+0.8

The actual numbers would, of course, depend upon actual housing growth during those years. However, the schedule suggested sufficient certainty to validate the revenue contribution assumption made in the Medium Term Financial Plan.

It was recalled that the Parish NHB scheme had been put on hold pending the outcome of the Government consultation. It was noted that a separate report would be brought to a subsequent Cabinet meeting analysing whether the scheme had achieved its objectives, whether there was a need to refocus the scheme and whether the resources allocated were appropriate given the future reductions in national funding for NHB.

Members also recalled the discussions at the last meeting about business rates pooling. The members of the pool were this Council, Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council. Based upon the experience gained thus far during 2016/17, it was felt that AVDC should continue to be a party to this arrangement, as on balance this was likely to produce a material gain for the pool members.

The draft budget proposals had assumed that AVDC would be required to pay an additional 2% of employer's pension contributions following the last revaluation which equated to £280,000. It was reported that the final figure for AVDC would be £320,000. However there were options which employers could exercise which might reduce this figure. The increase would be managed within the total employers provision for pension contributions and annual fluctuations in that budget caused through restructuring.

Whilst the overall scheme deficit had reduced over the three years, expectations over future investment performance, taking into account the uncertainty surrounding the UK economy, take up of pensions and changing life expectancy, had led the Actuary to conclude that the employers contribution needed to increase.

An opportunity existed to make lump sum payments to reduce the deficit outstanding and the benefit of doing so outweighed the advantage that the Council might achieve by investing surplus balances in cash deposits. The scheme Actuary had provided a model which showed the reduction in employer pension contributions which could be achieved by making lump sum contributions prior to 31 March, 2017.

The Council held balances for many specific purposes (earmarked reserves) and these amounts totalled in excess of £30 million. Some of these reserves were used annually whilst some were held for future events, which might not be required for a number of years e.g. East-West Rail. As these sums represented tied up cash balances, it was proposed that a sum from these reserves be paid towards the pension fund deficit prior to 31 March, 2017. The resultant reduction in the pension contribution would then be captured and used to repay the reserves temporarily applied for this purpose.

The exact amount of reserves that might be used in this way would depend on the accelerated timeframe for East-West Rail. Clarification around this was expected within the next few weeks and it was agreed that the final decision on the application of the reserves should be left to the Section 151 Officer, in consultation with the Cabinet

Member for Finance, Resources and Compliance. Whilst work would continue with the Actuary to finalise the actual numbers payable over the next three years, they would be no greater than those identified in the Cabinet report (and this Minute).

It was reported that since the last report, which included the results of a review of fees and charges, it had been proposed that the charge for the collection of green waste should be increased by £1 in line with inflation for 2017/18.

The initial budget proposals recommended an increase in Council Tax by the likely maximum permissible, i.e. £5 (3.59%). The Finance Settlement had confirmed the Council's ability to apply this increase. As a means of partially mitigating the reductions in Government Grant and thereby protecting services valued by residents and businesses within the Vale, Cabinet confirmed its earlier decision to recommend a £5 increase in Council Tax with effect from 1 April, 2017.

The value of Government Grant lost in 2017/18 was £0.9 million. A Council Tax increase of £5 would generate £355,000 per annum and would represent an increase equivalent to 10 pence per week and would increase the Band D Council Tax for Aylesbury Vale to £144.06.

The initial budget proposals had examined the options for balancing the budget in the event that the final budget numbers differed from those contained in the initial proposals. The numbers announced in in the draft Finance Settlement were, insofar as they affected revenue resources, the same as those assumed in the initial proposals. Consequently there was no impact from the draft Finance Settlement.

Cabinet recalled the consideration given at the last meeting to the Aylesbury Vale Estates (AVE) Business Plan which identified a dividend distribution of £200,000 next year. This was consistent with the number already reflected within the budget proposal. The AVE Business Plan also included a "downside" business case as part of its scenario planning, which did not include a dividend payment. Whilst this was recognised, it was appreciated that the budget plan had been based on the best case scenario. The "downside case" was recognised as a budgetary risk and account had been taken of this in determining the appropriate level of working balances to be held this year.

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 they occurred. As part of the budget development process for 2017/18, the Cabinet Member for Finance, Resources and Compliance had undertaken the annual review of the Council's reserves and provisions. This had included an holistic consideration of the total cash balances tied up within these reserves and whether the cash was being held effectively.

The sizeable balance on the New Homes Bonus Reserve (in excess of £10 million), which included the sum set aside for East-West Rail, distorted the Council's overall reserves position. In practice, the entire balance on this reserve was committed, but as previously referred to in this Minute, the timeframe for delivery on specific elements was drawn out.

The reserves were held for legitimate reasons and the balances were reasonable, given a fair assessment of the budgetary pressures against which they were being held. It was expected that the total balance held in reserves would dip significantly over the next two years as the pressures against which they were being held materialised and the infrastructure schemes for which New Homes Bonus Funds were held, were delivered.

The Council also held general working balances as insurance against unexpected financial events. This included failure to generate expected income, as well as 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 2017/18. Current projections indicated that working balances might end 2016/17 at around £3.6 million.

Given the uncertainty surrounding the scale of organisational change, together with both internal and external factors impacting upon the finances of the Council, it was felt that the assessed minimum level of balances should not be reduced this year. The holding of excess balances presented the Council with opportunities to offset the upfront costs of change initiatives (such as redundancy) that would pay back and deliver ongoing savings in later years.

One such example was the funding during the current year of the AVDC change programme. It was expected that this would continue to deliver efficiencies in the organisation. These efficiencies, some of which had already been included in the final proposals, would contribute towards balancing the budgets in future years.

The previous report to Cabinet had set out the rationale for the core assumptions used in the Medium Term Financial Plan. Whilst some of the uncertainty surrounding the Government Grant settlement and the future of New Homes Bonus had diminished, there were still multiple uncertainties and risk factors that would need to be managed.

The single biggest issue likely to remain was the ongoing and severe impact of reductions in Government Grant and how public sector austerity continued to impact upon local government as a whole, and the demands of the communities it served and the services it provided. The reality of continued public sector austerity through this Parliamentary term had been confirmed within the four year funding settlement. The Medium term Financial Plan was therefore predicated on reductions at the same rate as had been experienced over the last five years through to 2021.

Last year the Government had introduced the concept of Negative Grant and it was expected that this would become a feature of local government financing over the Council's financial planning period. This was consistent with the historic planning assumption that the Council had been using over the past six years. The Council's strategy for balancing its budget was predicated on this continuing. The strategy around commercialism and efficiency was considered to remain the right strategy to deal with the financial challenges facing the Council.

The additional freedom around Council Tax increases would help soften the challenges marginally, although new pressures, such as those associated with inflation, were likely to absorb any respite offered by them.

As far as the Aylesbury Special Expenses were concerned it was reported that the work undertaken since the preparation of the initial proposals had confirmed that the Aylesbury Special Expenses charge would remain unchanged.

The Chairman of the Finance and Services Scrutiny Committee attended the meeting and elaborated upon the consideration given by that Committee to both the initial budget proposals and the final proposals.

In response to the Committee's comments, the Cabinet Member for Finance, Resources and Compliance:-

- Gave an explanation of the position around future New Homes Bonus payments which was essentially as outlined in this Minute.

- Explained further the rationale behind the maintenance of earmarked reserves, which he reviewed on an annual basis (again summarised in this Minute).

- Confirmed that, based upon the information currently available, he had confidence in the savings identified in the final budget proposals materialising over the period 2018 to 2021.

- Explained the rationale behind the proposed increase in the hiring fees for the Meadowcroft all weather pitch and grass football pitches. It was confirmed that officers had liaised with local football league associations.

RESOLVED –

(1) That the Finance and Services Scrutiny Committee be thanked for its input to the budget planning process.

(2) That in relation to Council Tax, Council be recommended to approve an increase of £5 (3.59%) in respect of a Band D property for the financial year commencing on 1 April, 2017.

(3) That Council be recommended to approve the budget for 2017/18 and the Medium Term Financial Plan as set out in summary form at Appendix A to the Cabinet report.

(4) That Council be recommended to approve Aylesbury Special Expenditure totalling £845,800, supported by a precept of £45, which represented a Council Tax freeze for Special Expenses (as set out in Appendix F to the Cabinet report).

(5) That the fees and charges (taken into the final calculations) set out in Appendix E to the Cabinet report be agreed.

4. TECHNOLOGY STRATEGY 2017-2022

Cabinet received a report, also submitted to the Finance and Services Scrutiny Committee on 1 December, 2016, concerning the vision and strategic aims for the future use of technology and data within AVDC. (Details of the Committee's consideration are contained in the Minutes of that meeting, posted on the Council's web site). For ease of reference however, an extract from the Minutes was submitted setting out the principal points raised by the Committee. The Chairman of the Committee attended the Cabinet meeting to elaborate upon the Committee's deliberations. The Computer Services Manager gave a similar presentation to that given at the Scrutiny Committee meeting.

Cabinet noted that the majority of the Committee's comments related to the implementation of the strategy and not the direction of the approach set out in the strategy document. Members of the Committee had been assured that before implementing any of the changes the issues raised would be addressed or were in fact in hand, to ensure that they were satisfactorily resolved. For example, it was indicated that work had commenced on developing an Information Management Strategy which would address the issues around data security and regarding how data and knowledge would be shared within teams. The final strategy that would be presented to Council would be re-worded to make the content clearer. The impacts of the strategy were well understood by the unions and staff as it had formed the main driver behind the recently agreed restructure proposals within the IT teams.

Having had an opportunity to seek clarification from officers around various aspects of the Strategy, Cabinet

RESOLVED –

That Council be recommended to approve the Connected Knowledge- Technology Strategy 2017 – 2022.

5. PUBLIC SECTOR EQUALITY DUTY

Cabinet considered a report, also submitted to the Finance and Services Scrutiny Committee on 9 January, 2017, and summarised in the Minutes of that meeting, giving an assessment of the Council's performance against the Public Sector Equality Duty, and the requirements of Regulation 2 of the Equality Act, 2010 (Specific Duties) Regulations, 2011. The Chairman of the Scrutiny Committee attended Cabinet to elaborate upon the Committee's deliberations. It was reported that the Scrutiny Committee did not have any issues that it wished to highlight to Cabinet but had noted that a full review was currently being completed against the requirements of the Public Sector Equality Duty to re-evaluate all of the work that AVDC did as an organisation. The Committee had asked for a further report when the full review had been completed.

After careful consideration, it was,

RESOLVED –

That the Equality Report 2016 be approved for publication in order to meet the Council's statutory duty.