CABINET

6 SEPTEMBER 2017

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

IN ATTENDANCE: Councillor M Rand

APOLOGY: Councillor A Macpherson

1. MINUTES

RESOLVED –

That the Minutes of 28 June, 2017, be approved as a correct record.

2. AYLESBURY GARDEN TOWN - GOVERNANCE ARRANGEMENTS

In October 2016, AVDC had co-ordinated the preparation and submission of a bid to the Government's Garden Towns and Villages Programme. In January this year, Aylesbury had been announced as one of the successful town bids. The first step had been to bring together the key partners responsible for the development of the Vale and to form a local Aylesbury Garden Town Partnership. This group comprised AVDC, BCC, the two Local Enterprise Partnerships and Buckinghamshire Advantage. This would probably expand as the project matured to include engagement with Town/Parish Councils, local residents and developers.

A project team had been established to carry the initiative forward and included a Garden Town Project Manager. Other support staff would be recruited in due course. Advice was being received from expert consultants with strong experience in running similar projects. The consultants had reviewed the overall project plan, the governance arrangements and the stakeholder strategy.

A clear project plan, identifying key work streams had been put together and the emerging Vale of Aylesbury Local Plan (VALP) included clear guiding principles and commitments to enable the project to progress. Work was soon to begin on a series of supplementary planning documents to support the Local Plan and the delivery of Aylesbury Garden Town, focussing on issues such as infrastructure and high quality design principles. Work would also start on a vision for the future and planning beyond the period covered by the VALP.

Cabinet was advised that one of the early tasks was to put in place a formal delivery board that would provide leadership and oversight of the general strategy of the project. Draft governance arrangements had been formulated and copies of these documents were submitted. They set out the governance structure, membership and key functions of the delivery board, programme delivery team and the relationship with key forums (yet to be established).

Active engagement and communication would be a key component of the work and it was proposed that there would be regular briefing notes for Councillors and stakeholder groups.

By way of reminder, Members were advised that the Council had secured £810k of funding from Central Government to support the initiative and this would be used to support the development of the Garden Town Group approach, master planning, the development of supporting evidence and dedicated staff. This initial funding would also be used to help further refine the total infrastructure requirements and bidding opportunities to help achieve the garden Town ambitions. AVDC was the accountable body for these funds.

RESOLVED –

(1) That, subject to the final documents making reference to the fact that the District comprised two Parliamentary Constituencies and therefore had two MPs and reference to surrounding Parish Councils as well as the Town Council, approval be given to the governance arrangements for the Aylesbury Garden Town Project, as outlined in the papers accompanying the Cabinet report and that the Leader of the Council be appointed as the AVDC representative on the Board.

(2) That the Director with responsibility for Community Fulfilment, after consultation with the Leader of the Council, be authorised to finalise the governance arrangements/documents taking into account the above and any other matters considered necessary or appropriate having regard to the aspirations of the project.

3. HOUSING AND PLANNING ACT 2016

The Housing and Planning Act was expected to come into force in several stages during 2017. The provisions relating to civil penalty notices and rent repayment orders had commenced on 1 April, 2017. The provisions for Banning Orders were scheduled to come into force on 1 October.

The Act provided local authorities an alternative enforcement option for non compliance with certain Housing Act 2004 offences rather than taking a prosecution in court. Although the burden of evidence would be the same for a civil penalty as it was for a prosecution, prosecutions could be both time consuming and expensive. The provisions did not replace the option for prosecution, and it was expected that a prosecution would still be taken in the most serious of cases or for repeat offenders.

The use of Banning Orders was designed to prevent rogue landlords and/or property agents from letting property for a fixed period of time, from holding an HMO licence or from making a prohibited disposal of property. A Banning Order could be made by a first tier tribunal if a person was convicted of a Banning Order offence which would be specified in Regulations. Breach of a Banning Order was an offence and a person being found guilty on summary conviction might face a fine and/or imprisonment for a period of up 51 weeks. However, an authority could as an alternative to prosecution impose a civil penalty fee of up to £30,000 if it decided beyond all reasonable doubt that the person had breached a Banning Order. The authority would have a statutory duty to enter data on a national database of rogue landlords. Civil penalties were designed to act as a punishment to the offender, deter others and to remove financial benefit the offender might have obtained as a result of committing the offence.

The Council had a statutory duty as a local housing authority to enforce relevant housing legislation. Officers had to have delegated powers under the Act in order to carry out their functions. The Council had to have regard to any statutory guidance issued in relation determining the level of any civil penalty. The Act allowed the authority to use income from civil penalty charges to further the local housing authority's statutory functions in relation to their enforcement activities covering the private rented sector.

The Cabinet report summarised the provisions of the Act in relation to civil penalties, Banning Orders, the database of rogue landlords and Rent Repayment Orders. It was reported that consultation was taking place with the other Buckinghamshire authorities to ensure that AVDC's procedures for enforcement and for determining the amount of any civil penalties was consistent. It was proposed that officers would design and implement a procedure that enabled the use of civil penalties as an alternative to prosecution, which would be finalised in conjunction with the relevant Cabinet Member(s).

RESOLVED –

(1) That the provisions of the Housing and Planning Act 2016 ('the Act') and the introduction of civil penalty charges for certain offences under the Housing Act 2004 be endorsed.

(2) That the power to apply for a Banning Order against certain persons convicted of a Banning Order offence to prohibit them from letting property for a specified period of time be endorsed.

(3) That the power to apply for a Rent Repayment Order for certain offences to seek recovery of rent paid by Universal Credit be agreed.

(4) That delegated authority be given to the Group Manager, Regulatory Services to delegate officers to enforce the provisions of the Act.

(5) That the Principal Enforcement Officer (Private Sector Housing) be authorised to prepare and agree a penalty fee structure in respect of the penalty charges in line with the Act and Statutory Guidance for relevant offences specified under Act after consultation with the Group Manager, Regulatory Services and the relevant Cabinet Member(s).

(6) That a fee structure be adopted to set penalty charges for certain specified offences under the Housing and Planning Act in accordance with Statutory Guidance.

4. CORPORATE HEALTH AND SAFETY POLICY / STRATEGY

Cabinet received a report concerning the work undertaken to update the Council's Corporate Health and Safety Policy and the formulation of an implementation strategy. This was a Policy Framework issue and as such a similar report had been considered by the Finance and Services Scrutiny Committee. Cabinet's recommendations would be submitted to full Council.

The Policy would apply to all staff employed by the Council, either directly or indirectly and to any person or organisation that used Council services or premises for any purpose. The existing policy had not been the subject of a comprehensive refresh since 2014. The Policy would also apply to temporary staff, young workers, staff working from home and contractors working on Council business. The principles of the Policy would apply to all Council work activities, regardless of who had or who was supplying or providing them.

The aims of the Policy were to:-

- Outline the requirements of Health and Safety Regulations.

- Outline Health and Safety Guidance and Approved Codes of Practice that applied to the Council.

- Inform managers, supervisors and staff as to their roles and responsibilities in relation to health and safety.

- Demonstrate the Council's commitment to reducing accidents and incidents causing ill-health, as well as other environmental hazards and risks in the workplace.

- Set out clearly and unambiguously the organisation's arrangements for health and safety in accordance with the Health and Safety Executive's (HSE) Guidance – HSG65, Managing for Health and Safety.

- Set out the organisation's training requirements for health and safety.

The Policy identified the roles and responsibilities of Directors, Assistant Directors, Managers, Supervisors and Staff and reflected legislative changes that had occurred since it was last reviewed. The Policy would result in the following outcomes:-

- To ensure that there was a standardised approach to the Council's health and safety management system.

- To prevent foreseeable accidents or incidents so far as was reasonably practicable by undertaking suitable and sufficient risk assessments.

- To demonstrate how the Council complied with its statutory obligations against legislation, Regulations, Approved Codes of Practice (ACOPs) and best practice.

- The prevention of the reoccurrence of adverse events so far as was reasonably practicable.

The Council had a Corporate Health and Safety Board and in accordance with HSG65 – Managing for Health and Safety, the Board would review the Policy and performance against it annually.
The Health and Safety Strategy (Implementation Plan) set out the Council's approach to managing a positive health and safety culture. It would put in place a defined and co-ordinated process for health and safety performance. The Strategy had last been reviewed in 2015. A corporate health and safety action plan would be prepared to support the Strategy. This would be monitored by the Corporate Health and Safety Manager and the Corporate Health and Safety Board. The targets would be reviewed and updated annually by the latter. The aims and objectives of the Strategy were to:-

- Ensure that there was a standardised approach to the Council's health and safety management system.

- Regularly measure and monitor the Council's health and safety performance.

- Use accident, incident and near miss software for the Council to record and consolidate accurate reports and data.

- Ensure that there was an appropriate level of health and safety risk control throughout the Council.

- Ensure that all managers, supervisors and staff were engaged actively in the positive management of health and safety.

- Ensure that there was a standardised approach for event safety planning and resilience.

The following outcomes would be delivered:-

- Necessary key performance indicators would promote a positive health and safety culture within the Council.
- Appropriate means of co-operation and communication between sectors and roles would be would be secured.
- The Council would automatically audit, monitor and review all health and safety policies, guidance notes, safe systems of work and risk assessments.
- Health and safety management would be embedded as an integral part of the management approach to the achievement of objectives.
- Staff would be involved in health and safety performance within the Council.

The Finance and Services Scrutiny had also received a similar report and the Chairman of that Committee attended the Cabinet meeting and elaborated upon the Committee's deliberations. The Committee had made a number of observations, including:-

- **Stress at Work/Mental Health/Equalities/Disabilities -** It had been commented that the policy should demonstrate with more clarity the impacts of stress in the workplace. Cabinet appreciated however the need to avoid the blurring of policies. The Council did and would continue to have regard to all policies when making operational decisions, and as such it was considered unnecessary to duplicate responsibilities within the Council's policy structures. The streamlining that had taken place in relation to the Health and Safety Policy was intended to achieve that and references to disability, equalities and mental health would recreate that blurring. Health and Safety Policies should relate to health and safety responsibilities and the Equalities Strategy should deal with equalities etc.

  There was no obligation under Health and Safety at Work legislation for mental health first aid. However the Council was a responsible employer and would make sure that there was a clear statement of how it would respond to mental health issues within its HR policies.

  Equalities/disabilities issues would be dealt with in the Council's equalities strategy/policies. Due regard would however be had to equalities issues when undertaking risk assessments.

- **Working at Height** - The Committee had sought clarity around the wording used. Cabinet was advised that the refreshed Health and Safety policy used the statutory definition.
- **Roles and Responsibilities** – The Committee had felt that there should be greater clarity within the context of officer delegations. In particular it had been felt that the authority sought in the report should be to the Director rather than the Assistant Director. Cabinet accepted this point.
- **CCTV** – The Committee had commented on the need to preserve CCTV evidence within the context of violence against staff. Cabinet was advised that the Council's CCTV policies would be reviewed and that this would be reflected in any revisions.
- **Key Performance Indicators –** The Committee had felt that reference should be made high level performance indicators. Cabinet was advised that these would

be included within the Strategy and would be monitored accordingly. A health and safety monitoring report was normally brought to the Scrutiny Committee annually and this would include necessary statistics and details of performance against targets.

- **Corporate Health and Safety Board/ Health and Safety Committee** – The Committee had felt that the titles and responsibilities should be clearly defined. Cabinet concurred with this view.

Cabinet thanked the Committee for its input and confirmed that where necessary and/or appropriate the final documents would be amended to reflect the Committee's considerations.

RESOLVED –

That Council be recommended to:-

- Approve the updated Health and Safety Policy and Strategy for it's implementation and;

- Authorise the Director with responsibility for finance after consultation as necessary with the Corporate Health and Safety Board and/or Cabinet Member for Environment and Waste to make any changes to reflect the Scrutiny Committee's views and in particular to reflect:-

    - Changes in legislation and Statutory Requirements.
    - Changes in British Standards.
    - The introduction of 'new machinery or technology.
    - Changes in nominated responsible persons.
    - Changes in the responsibilities of nominated persons.
    - Changes in management policy and/or procedures.

5. HOUSING BENEFITS - RISK BASED VERIFICATION POLICY

The Housing Benefit and Council Tax Reduction Schemes were the cornerstones of the Welfare State. Nationally, nearly £25 billion was paid out in total per annum. As at November, 2011, the total number of housing benefit claimants was 4.94 million, with 5.87 million people claiming Council tax reduction.

In the early 1990s the Department of Work and Pensions (DWP) had introduced a "verification framework policy" for administering housing and council tax benefit claims. This was a voluntary policy that strongly recommended that local councils should obtain a substantial amount of documentary evidence, and carry out numerous pre-payment checks and visits before making any payment.

The verification framework had proved to be costly and had caused significant delays in processing. It had to be applied to all claims and there was little scope for local discretion. Although it had been abandoned in 2006 by the DWP, most authorities, including AVDC had continued to use at least some of the guidelines set out in the framework.

In 2011, the DWP had allowed a number of councils to pilot a different type of scheme to try to reduce fraud and error. This had been on risk based verification (RBV) principles. This concentrated on the risk profile of each claimant. Resources could then be targeted at the higher risk groups where most of the fraud and error would be. It was an approach used by many public services as well as businesses, the police and immigration authorities. The pilots had been a success and the DWP had confirmed that all councils could now adopt this approach. It was intended that RBV would apply to new housing benefit claims, council tax reduction and changes in circumstances. However once implemented, it could be used for reviews and overpayments.

The benefits Service had conducted a fundamental service review over the last year. The implementation of RBV was a recommendation from that process. This was to reduce the burden on customers to provide excessive evidence, and reduce the cost of administering claims by reducing the correspondence with customers in chasing evidence, and the scanning of that evidence. It was intended that RBV should be implemented for new claims by the Council from October, 2017. It was believed that this step would provide an improved service for customers and contribute to a significant reduction in costs.

AVDC had to adhere to housing benefit legislation. The Regulations within the legislation did not specify what information and evidence they should obtain from a benefit customer. However, it did require an authority to have information which allowed an accurate assessment of a claimant's entitlement, both when a claim was first made and when the claim was reviewed. The legislation was supplemented by detailed guidance from Government which had to be applied. Failure to do so would lead to an adverse inspection report, possible audit sanctions and loss of subsidy. Given those requirements, quality assurance and detection of fraud were key aspects of the assessment process. This had led over a period of time to a complex and demanding process of verification.

Risk based verification was a method of applying different levels of checks to different circumstances depending on a complex mathematical risk profile given to each customer. The associated risk matrix was based on many years of experience and statistical information about what type of claim represented what type of risk. The higher the deemed risk, the higher the amount of resources would be used to establish that the claim was genuine.

The pilots had demonstrated that this type of approach was very effective in both identifying higher levels of fraud and error and reducing overall cost of verifying claims. It had an immediate impact on work processes and resources were able to be better targeted. Overall timescales for processing new claims had improved dramatically in the pilots, including for those deemed to be higher risk.

RBV also allowed the Council more flexibility to take into account local issues and build in checks and balances. Improving the time taken to process claims would help those moving from benefits to work whilst reducing the level of overpayments for example.

It was intended to implement an IT solution for RBV following a service review which clearly highlighted a significantly high percentage of time was used in verifying and requesting documentation. This would be adopted for new claims only. Any change in circumstances would follow separate standards.

For the purpose of applying verification on a risk basis, each claim was ranked into one of three categories; these categories were low, medium and high risk. A schedule was submitted showing the requirement to be upheld dependent on the risk grouping. A National Insurance number and identity confirmation had to be made in all cases irrespective of the risk grouping, so as to comply with the legislation. Where photocopies had been supplied, originals could be requested if something on the photocopy did not look right or conflicted with information already held.

In respect of low risk, the only checks to be made were proof of identity, production of a National Insurance number; if they were a student, formal confirmation of status would be required and if they were persons from abroad, formal confirmation of immigration status would be required.

Medium risk cases would be subject to the same checks as outlined above plus, for every type of income or capital declared above the thresholds, documentary proof would be required. The documentation could be photocopies or electronic versions in this instance.

With regard to high risk, these cases must be subject to the same checks as low risk and documentation provided for each type of income or capital. However, preferably the documents would be original, although photocopies or electronic versions would be acceptable. Furthermore, all cases would be subject to a credit reference check (CRA) completed to determine if there were any discrepancies between the information provided by the customer on a claim form and the information available via CRA checks. The CRA checks would be carried out by assessment officers trained to analyse the information from these checks.

In line with the DWP guidance, it was expected that around 47% of cases would be low risk, 30% medium risk and 23% high risk. Detailed records of all risk scores would be maintained and reviewed to ensure compliance with the Regulations and that the Council was maintaining proper quality control and fraud interventions.

Cases could not be downgraded at any time by an assessment officer, but they could be increased though with approval from a team leader or senior officer. Reasons for upgrading a case might include previous fraud, previous late notification of changes in circumstances, or where there was good reason to doubt the veracity of information provided. All high risk claims would require access to credit reference details and access to the enhanced credit reference agency for 10% of all high risk cases.

To help monitor the effect of fraud and error detection the rates would be compared to the baseline rate. It was expected that the levels of fraud and error would be a small amount in low risk and increased for medium risk and increased further still for high risk. Furthermore the Council would undertake a minimum of 4% checks across all assessments to make sure that the guidance was adhered to correctly. Regular internal monitoring of cases would be carried out to check that requirements were met and improvements to assessment time were achieved.

Training would be provided for all officers using RBV to ensure that the agreed processes, procedures and guidelines were adhered to. Discussions would take place with all internal and external stakeholders, including investigation staff, housing staff, social landlords and voluntary sector employees so that they were fully aware of the change.

The DWP had confirmed that RBV properly applied would meet audit requirements. A dialogue would be maintained with the external auditors to ensure that the Council was not at risk through the adoption of the policy. Internal audit processes would have to be amended and the application of RBV would be a useful internal audit theme for the coming year. The external auditors had confirmed that they were satisfied that this policy met their requirements.

The business case for the RBV IT solution had been made as part of the benefits service review. The cost of obtaining a solution had been minimal set against the savings that the review had identified. It was anticipated that the cost of the RBV IT solution would be £3,000 pa and would contribute to overall savings of £50,000 pa. The

Cabinet report included an evaluation of the risks associated with the implementation of RBV.

RBV would apply to all new claims for housing benefit and council tax benefit. A mathematical model was used to determine the risk score for any claim. This model did not take into account any of the protected characteristics dealt with in the Equalities Act. The course of action to be taken in respect of the risk score was governed by this policy and as such there should be no equalities impact.

It was possible that people with certain protected characteristics may be over represented or under represented in any of the risk groups. As such monitoring would be carried out to ascertain whether this was the case. As this was a new approach to verifying benefit claims, there was no baseline monitoring that could be used as a comparison.

There were no direct financial implications of adopting this policy. The experience of other local authorities which had adopted RBV was that more fraud and error had been identified at the benefits gateway. This was fraud and error that would otherwise have entered the benefits system. This could then become the subject of investigative work and result in the need to collect overpayments. Alternatively it could remain unidentified at an on-going cost to the public purse. By identifying more fraud and error at the gateway, these costs would be reduced.

The RBV policy proposed complied with the recommendations of the DWP. This policy would be the basis on which the service would be audited in the future. The policy had been approved by the Section 151 Officer and required formal Member approval. The relevant legal framework was also included with the Cabinet report.

RESOLVED –

(1) That the process of Risk Based Verification (RBV) for verifying housing benefit and council tax reduction claims, as outlined in the Cabinet report be approved and adopted.

(2) That approval be given to the implementation of RBV in accordance with the policy also set out in the Cabinet report.

6. TREASURY MANAGEMENT 2016-17 YEAR END AND 2017-18 MID YEAR REVIEW

The Authority's Treasury Management Policy required that an annual report be brought to Council each year end and also a mid-year report for the current year. Cabinet received reports on both.

The objectives of the Treasury Management Team had been set out in the Action Plan agreed by Council in May, 2016. The main activities continued to be:-

- Foremost to maintain the security of the Council's deposits by only depositing with trusted financial institutions and limiting the size and length of deposit with each organisation.

- To directly manage a range of deposits in order to provide sufficient flexibility to meet day to day operational needs and with the aim of equalling the Local Authority Average 7 Day Rate for the rate of interest earned.

- To only undertake new long term borrowing where the business case justified it.

It was reported that actual performance had been in line with the plan. The Council had placed deposits in a decreasing market by spreading its deposits thinly across many trusted institutions in accordance with its policy. The Authority had not taken any new long term borrowing and the in-house team had achieved interest rates above the 7 day LIBOR rate.

The report contained charts showing the monthly balances deposited by the in-house team and the monthly interest rates achieved during the year compared with the 7 day LIBOR rate.

When managing the Council's deposits the primary consideration had been to protect capital rather than to maximise return. This reflected the fact that the deposited sums were public money and therefore, any loss of capital should be avoided at all costs. The Treasury Management Team continued to invest money in line with its list of approved (safe) institutions, varying the amounts and length of deposit according to the institution and cash flow requirements at the time.

Although a safe list of institutions was maintained, major unexpected events or sudden loss of confidence in the banking sector could not always be predicted. Historically, the majority of the Council's lending had been with building societies, but over the last year the Council had invested with some of the major banks in order to spread the risk of its portfolio. The lending list was monitored throughout the year to take account of any changes within the sector i.e. building society mergers/conversions to banks. During 2016/17 there had been no mergers that had affected the Council's lending list.

Within the constraints of the lending list the objective of the in-house team remained to at least equal the Local Authority 7 Day Rate of Interest (LIBOR), whilst ensuring that money was always available to meet the Council's day to day operational needs.

With interest rates still at their lowest level, the actual amount of deposit income generated had exceeded expectations by £84,763. This had been due to the high level of money available for deposit from unspent reserves and balances held to meet capital programme needs. The amount of interest received had been £344,763. With the prevailing low rates the likelihood of an increase in the interest generated remained low, especially if the Capital Programme started to pick up.

The Council continued to operate two money market funds to give the in-house team easy access to surplus funds. Whilst money market funds had the highest credit ratings, the interest rates offered during the year had reduced and this had meant that the returns had been lower than had been expected. Although the returns had reduced the money market funds were required to manage the daily cash flow as they offered daily access without any loss of interest.

No new borrowing had been taken out during the year. Any borrowing that the Council undertook had to be within the Authority's authorised limit and operational boundary. It was a requirement of the code that any deviations from these limits, approved or otherwise, should be reported to Council. The Council did not use fund managers to assist with its investment decisions.

At the time of writing the Cabinet report, no new borrowing had been taken out, leaving the balance outstanding at £23.5 million. Members considered later during the meeting a proposal to create a Property Investment Strategy, financed by up to £100 million of prudential borrowing. If approved by Council, the borrowing limits would need to be revised. In practice, it was likely that the need to borrow this sum would be phased over a number of years, as the acquisition of suitable property was likely to take some time. However so as not to prevent opportunities being taken to acquire suitable property earlier, should they present themselves, it was proposed that the limits be increased to their maximum amounts as soon as the policy was agreed in order to provide maximum flexibility. The Council's current authorised and operational limits were set out for Cabinet as explained below. Should the Property and Investment Strategy be approved, then these amounts would both need to be increased by £100 million:-

Authorised limit - £70 million – the combined maximum amount the Authority could take in borrowing to finance its capital expenditure plans and its day to day cash flow purposes.

Operational limit - £50 million – the amount the Authority realistically expected to borrow and represented the figure that the Authority would not expect to exceed on a day to day basis.

The amount of money deposited with banks and building societies at the end of July was £50 million, with another £8.8 million held in the two money market funds.

The Council still had the option to place some deposits with foreign banks and during the year it had reviewed its accounts with Handelsbanken, the Swedish bank, so that money had been transferred from a 90 day notice account to a 30 day notice account, the balance currently on deposit being £2 million. Apart from Handelsbanken, the Council had deposited funds with the Sumitomo Mitsui Bank of Japan. This had been done after consultation with the Council's treasury management advisors, Capita Asset Services. The balance currently on deposit was £1 million.

Property funds still offered some of the best returns on capital and investing in a property fund was within the strategy but as yet the Council had decided not to invest. Current returns on investment were between 4.5% and 5%. However as investments in property were tied to property value, there remained the risk that investing in this sector could result in reductions in property value. For this reason any investment would have to be for a minimum of 5 years in order to smooth out fluctuations in the property sector and maximise the return. If there was any change in investment strategy and an investment was being considered, then a report would be brought to Council for consideration. The Finance and Services Scrutiny Committee had also received a copy of the Cabinet report. The Chairman of that Committee attended Cabinet and advised that the Committee had noted the report without the need to make any substantive comments.

The Authority continued to operate an interest equalisation reserve to smooth out fluctuations in interest rates. As a result of the increase in the level of sums managed by the Council during 2016/17, and despite the reduced interest rates available, the interest generated, although low compared with the previous year, had exceeded expectations. This had meant that at the end of 2016/17, the interest equalisation reserve stood at £2.897 million. The phased use of the balance on the reserve formed part of the annual budget setting exercise. Following the last budget round, it had been agreed that the current balance on the reserve was a prudent amount to hold in the light of there being no expected change in interest rates in the medium term.

The Medium Term Financial Plan also recognised the Council's use of capital and other balances in delivering its plans and the impact that this would have on interest earnings. The plan was therefore gradually reducing the Council's reliance on interest earnings over time, so as to manage the remaining balance on the interest equalisation reserve.

RESOLVED –

That Council be recommended to note:-

- the performance against the Treasury Management Action Plan for 2016/17, and
- the performance against the Treasury Management Acton Plan for 2017/18.

7. BUSINESS RATES - DISCRETIONARY RELIEF SCHEME 2017

In the Spring of this year the Chancellor of the Exchequer had announced three types of business rates relief to help businesses most affected by the revaluation that had taken effect on 1 April, 2017. These were:-

- Supporting small businesses – ensuring that no business losing small business rate relief or rural rate relief as a result of the revaluation, faced excessive increases in bills.
- Local discretionary fund – a £300 million pot to be distributed to the hardest hit businesses under locally designated criteria.
- Relief for pubs – a £1,000 rebate for all pubs with a rateable value of under £100,000.

Under the second point, the Government had announced the establishment of a £300 million discretionary fund over four years from 2017/18 to support those businesses that faced the steepest increases in their business rates bills as a result of the 2017 revaluation. The Cabinet report dealt mainly with this particular element.

Revaluations were a normal part of the business rates system and usually took place over five years. The revaluation process was not designated to generate more tax revenue but was intended to take account of regional and sector variations in the value of rated property. The revaluation had taken effect on 1 April, 2017 and had been the first for seven years, having been delayed by the introduction of Business Rates Retention into the Local Government Finance system. As a consequence, many businesses had seen significant changes in the amount business rates they were required to pay. To mitigate the most severe impacts the Government had committed to a transitional funding mechanism.

The relief scheme for pubs and small businesses had already been applied, but delays in Central Government caused by the General Election and the need to get software suppliers to effect the changes, had meant that it had not been possible, until now, to bring forward the design of the discretionary scheme element. The Government's intention was that every billing authority in England would be provided with a share of the £300, million made available nationally to support their local businesses. Billing authorities would be expected to use their share of this funding to develop their own discretionary rate relief schemes in order to deliver targeted support to the most hard pressed ratepayers.

The £300 million would cover four years from 2017/18 and AVDC's allocation was as follows:-

- £431,000 in 2017/18
- £209,000 in 2018/19
- £86,000 in 2019/20
- £209,000 in 2020/21

Officers of AVDC had been working with their counterparts in the other Districts in Bucks and the County Council to agree the basis of a common scheme within Buckinghamshire. The draft scheme was appended to the Cabinet report and would be adjusted as necessary to take account of the variations specific to Aylesbury Vale. The scheme had been largely framed within the existing discretionary relief scheme, but had been amended to reflect the higher values available to the Council as awarded by the Government through the Spring Budget announcement. The focus of the scheme was on supporting small and local businesses and not chains, multi-nationals or utility suppliers. The following was a summary of the proposed eligibility criteria:-

- Relief was aimed at local businesses.

- The business must see a significant increase in business rates between 2016 and 2017.

- Awards would be made as a 30% reduction. It was however reported that subsequent to writing the report, it had been calculated that it would be possible to increase this percentage rate to 35% and still remain within the limit of the Government funding made available. The Finance and Services Scrutiny Committee had asked specifically that the percentage rate be increased and Cabinet concurred with this view.

- The scheme would normally apply to businesses with a rateable value below £200,000.

- Awards in year two would be a proportion of the year one relief.

- There would be a de-minimus award of £60 pa.

- The following types of occupiers/properties would not qualify for relief:-

    a. Unoccupied properties.
    b. Ratepayers that occupied more than two properties.
    c. Government buildings.
    d. Betting and gambling premises.
    e. Financial institutions, including cash machies/ATMs.
    f. Pawnbrokers and pay day lenders.
    g. Sex shops.
    h. Education establishments.
    i. NHS premises.
    j. Premises occupied by a precepting authority (legislative restriction).
    k. Ratepayers already in receipt of mandatory/discretionary relief.

The Government had awarded Aylesbury Vale £431,000 in 2017/18 and had been explicit that if not allocated it could not be carried forward to future years. As the funding reduced in future years, the relief awarded would need to reflect the funding available. Even allocating full support, to offset the total impact of the 2017 revaluation to all those classes of businesses which qualified in the local area, it would mean that approximately only 0% of the sum available would be allocated in 2017/18. It was therefore proposed, that in accordance with the existing scheme, decisions on allocating the remaining balance be delegated to officers. These would be considered on a case by case basis. Awards would be made to mitigate instances of hardship and consider the local impact.

The value of the awards would be up to the maximum level set by Government. It was possible for the Council to grant more relief than that allocated by grant. However, once the maximum grant level had been reached, any additional award would be borne 40% by the Council, 9% by the County Council, 1% by the Fire and Rescue Authority and 50% by Central Government.

In the intervening time between the Government's announcement of its intention to provide this funding and the Council's ability to produce and get the scheme approved, officers of the Council had exercised discretion and judgement on enforcement action where they believed businesses might be covered by the scope of the proposed policy.

As mentioned earlier in this Minute, the Finance and Services Scrutiny Committee had considered a similar report at its meeting on 5 September and the Chairman, who was present at the Cabinet meeting elaborated upon the Committee's deliberations. The Committee had been supportive of the proposal.

RESOLVED –

That subject to the level of the awards being increased from 30% to 35%, the revised discretionary business rate scheme appended to the Cabinet report (amended as necessary to reflect local variations as specifically set out in the Cabinet report), be approved and adopted as the mechanism for distributing the revaluation support awarded by Government.

8. COMMERCIAL PROPERTY INVESTMENT STRATEGY

Cabinet received a report proposing the introduction of a commercial property investment strategy to support the Council's commercial agenda and generate new income streams to offset significant cuts in Central Government funding and finance the continued delivery of and investment in local services.

The overall aim of the strategy was to acquire and build a commercial property portfolio that generated income for the Council using a strong, stable financial model with an acceptable level of risk. Commercial income generated from property acquisitions would be used to help fund the delivery and enhancement of services to the local community and support the delivery of the District's growth. The primary objectives of the strategy were to:-

- Create a diverse portfolio with a range of risk, returns and property uses.
- Provide security of income by the strength of covenant and length of lease.
- Have a focus on high growth prospects of the District with some development risk.
- Meet the commercial aim and if possible utilize and lever the knowledge, existing assets base and expertise of the Council to invest in ways which support the strategic growth of the Vale.

The above objectives had enabled a number of parameters and guidelines to be developed to ensure that proposed acquisitions met one or more of the aims. These parameters and guidelines were submitted, as referred to in the confidential part of the Cabinet agenda.

The proposal was for a property acquisition capital fund of £100 million sourced from a loan from the Public Works Loans Board (PWLB). An additional revenue sum of £100k was also required to support the fees needed as part of the acquisition process, e.g.

agents, legal and stamp duty. These fees would be deducted from the purchase price and recovered from the income over time.

Depending on the number of assets acquired, the in-house asset management capacity needed to manage the asset after acquisition would be reviewed. Each acquired asset would require an asset management plan and any additional capacity needed to deliver this would be factored into the business case for acquisition and recovered from the income over a period.

Strong governance was needed coupled with agile decision making to ensure that suitable opportunities which came onto the market could be effectively bid for. It was therefore proposed to establish a Commercial Property Investment Panel to consider the business cases, with delegated authority being given to the Chief Executive in conjunction with the Director with responsibility for finance and after consultation with the Panel to approve acquisitions/disposals.

The strategy and performance against the objectives would be reviewed annually by the Finance and Services Scrutiny Committee, Cabinet and Council, with a high level summary report being included in the Quarterly Financial Digest.

Town centre developments or other developments which had a stronger orientation towards regeneration/place would not be included within the strategy, which would be purely commercially driven. The Council already owned a number of commercial assets and the intention would be that these assets and their performance would be measured against the strategy and objectives to inform decisions about their future.

The specific supporting information used to shape and develop the strategy was appended to the Cabinet report (in the confidential section of the agenda).

The Council had an established interest in property and currently owned and managed a range of properties, from industrial units to offices. These properties generated an income offset by the asset management costs and any capital repayment. AVDC was also a 50% owner of Aylesbury Vale Estates (AVE) which had been set up as a joint venture with Akerman LLP in 2009. Whilst the recession during that period had proved to be challenging, the value of the portfolio had grown and both the Council and the private investor had now received a dividend payment. Further dividends were forecast alongside the investment of capital receipts in new properties to generate further revenue.

AVDC had also in recent years built a number of properties in Aylesbury Town Centre. These included Waitrose, Travelodge and the University Campus Aylesbury Vale. The Council would receive rental income from the commercial space which formed part of phase one of The Exchange (formerly known as Waterside North), currently under construction. These assets as opposed to those described previously in this minute, were orientated towards the Council's leading role in place shaping and town centre regeneration. They generated an income through rental, but the results of their provision and therefore the reason for AVDC investment, was wider than purely commercial. By helping to generate footfall and confidence in the town, these new services had acted as a catalyst for investment in the Friars Square Shopping Centre and had attracted new restaurant operators and had encouraged the conversion of long term empty offices to homes.

Property was increasingly proving to be an attractive way to generate income due to the ways that risk could be managed, its long term nature and stable cash flow characteristics. The Council's ability to access the PWLB to borrow at favourable rates additionally provided the opportunity to maximise its return on capital investment. Whilst AVDC intended to continue its partnership in AVE, the strategy would provide an opportunity to enhance the Council's existing portfolio and have direct control over the financial benefits it could deliver. The strategy contained in the confidential part of the Cabinet agenda had been formulated with the support of Monagu Evans, leading experts in the property sector.

Many councils had recently turned to property investment to support their budgets. Some had made investments without going through the rigorous process of understanding what the objectives of the strategy were and setting clear parameters to make sure that acquisitions met those objectives. The input of Montagu Evans, with their experience in the market both in the private and public sector community had helped shape a strategy which avoided the mistakes which other councils had made and had clarity, strong governance and a clear delivery plan.

As referred to elsewhere in these minutes, the implementation of the strategy would require changes to the Treasury Management Borrowing Limits. The Finance and Services Scrutiny Committee had received a similar report at its meeting on 5 September and where a presentation had been given, to which all Members of the Council had been invited. The Committee Chairman attended the Cabinet meeting and elaborated upon the Committee's deliberations.

The Committee had made a number of observations, including:-

- The need to ensure strong governance arrangements which also provide sufficient flexibility for the Council to react quickly to investment opportunities.
- The need for careful due diligence within the context of the investment opportunities that presented themselves.
- The need to look at a wide range of investment opportunities and for strong criteria for selection The need for the Council to ensure that it was protected adequately from wide fluctuations in the rates of return.
- The impact, if any on the activities of AVE.

Overall, however, the Committee had been fully supportive of the proposal.

RESOLVED –

That Council be recommended to:-

(1) Approve the proposed Commercial Property Strategy described in the Cabinet report, including a capital fund of £100m to be met from borrowing from the Public Works Loans Board, and a revenue budget of £100k from the New Homes Bonus (NHB) Fund, both to be reimbursed, together with the objectives, investment criteria and governance arrangements set out in Appendix 2 (contained in the confidential section of the Cabinet agenda).

(2) Approve the necessary changes required to the current approved and operational borrowing limits as set out in the Treasury Management Strategy, in order to accommodate the increased prudential borrowing requirement as set out in the Cabinet report.

(3) Authorise the Chief Executive in conjunction with the Director with responsibility for finance, and after consultation with a Panel comprising the Leader and Deputy Leader of the Council, the Cabinet Member for Finance, Compliance and Resources and one Member to be nominated by the opposition groups represented on the Council, to approve expenditure within the overall limit of the Strategy, subject to them being satisfied with the business case (s) and risk assessment.

(4) Require the officers to bring annual reports to Cabinet, the Finance and Resources Scrutiny Committee and Council on the progress of the Strategy and also to provide whatever high level information might appropriately be included in the Quarterly Financial Digest.

9. AYLESBURY VALE ESTATES - REVIEW OF PERFORMANCE AGAINST 2016/17 BUSINESS PLAN

Each year Aylesbury Vale Estates (AVE) prepared a business plan which was considered by the Economy and Business Development Scrutiny Committee and Cabinet. The business plan included a review of performance during the previous financial year. In order to reflect AVE's business plan and any financial benefits that might impact on AVDC's budget, e.g. dividend payment, the business plan was now reviewed during the Autumn Committee cycle. A report similar to that now before Cabinet had been considered by the Scrutiny Committee at its meeting on 4 September.

Representatives form the AVE Board had attended the Scrutiny Committee meeting and were present at this meting to respond to Members' questions. The detail of the report on performance had been summarised in the Minutes of the Scrutiny Committee.

A review document was submitted as referred to in the confidential part of the Cabinet agenda.

RESOLVED –

That the report be noted.

NOTE: Councillor Mrs Ward declared a personal interest in the above item as one of the Council's representatives on the AVE Board and did not vote.

10. EXCLUSION OF THE PUBLIC

RESOLVED –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the Paragraph(s) indicated in Part 1 of Schedule 12A of the Act:-

Commercial Property Investment Strategy (Paragraph 3)

Aylesbury vale Estates – Review of performance against 2016/17 Business Plan (Paragraph 3)

The public interest in maintaining the exemptions outweighed the public interest in disclosing the information because the reports contained information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

11. COMMERCIAL PROPERTY INVESTMENT STRATEGY

In connection with the decisions reached earlier during the meeting, Cabinet received copies of the proposed strategy.

12. AYLESBURY VALE ESTATES - REVIEW OF PERFORMANCE AGAINST 2016/17 BUSINESS PLAN

With reference to the consideration given to this matter earlier during the meeting, Cabinet received an update on AVE's performance against its business plan for 2016/17.