CABINET

20 DECEMBER 2017

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

1. MINUTES

RESOLVED –

That the Minutes of 8 November, 2017, be approved as a correct record.

2. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL

The delivery of the "Connected Knowledge" strategy was central to enabling AVDC to continue to make savings in the provision of services, to remain at the vanguard of innovative thinking and to the provision of excellent customer service. It also provided the opportunity to generate income by both supporting general commercial opportunities and providing consultancy services to other councils keen to emulate the approach being taken by AVDC.

As referred to in earlier reports, the strategy would be delivered over a five year period. The first phase of the strategy (approved by Council in February, 2017), was now coming to an end and Cabinet received a report on the achievements made so far and the proposed programme for phase 2 covering the period up to the end of the 2018 financial year. The Cabinet report and the investment proposal for phase 2 was available to read on the Council's website.

Phase 2 required investment across three key areas, namely:-

- Innovation – the introduction of innovative new solutions such as voice recognition and artificial intelligence for call handling and decision making.

- Transformational – the roll-out of internal process automation and customer self service.

- Legacy reduction – the removal of legacy technology and the introduction of more flexible systems that would further support integration of data to enable customer needs to be anticipated.

Experience of previous change programmes had indicated that strong governance processes were required both to ensure that the programme delivered on time and to budget, and that any variations to scope (and cost) were closely scrutinised and that benefits realisation was tracked. To this end, the release of funds during the programme (and benefits realisation) would be closely monitored by the governance board to ensure on-going value for money.

The Cabinet report (and accompanying investment proposal document) set out the resource implications and specifically the staff resource requirements which required specific skills sets. The total investment required had been estimated to be £1.53 million and subject to Cabinet approval, this would be built into the budget requirements for 2018/19 onwards. This element had been taken into account in the formulation of budget proposals for next year, as referred to elsewhere on the Cabinet agenda.

Part of the programme of works took into account the new data handling compliance requirements of the European General Data Protection Requirements (GDPR) Directive. The revenue cost of this had been estimated to be £100,000 p.a. and a pressure had been provided for within the draft budget proposals.

RESOLVED –

That £1.53 million be included within the budget proposals for 2018/19, to be funded from the unallocated balance of New Homes Bonus funding, to enable work to continue on delivering a leading edge, forward thinking platform to facilitate the development of customer first processes, a streamlined internal operation and a framework for increased opportunities for external commercial sales.

3. DRAFT BUDGET PROPOSALS FOR 2018/19

Cabinet received a report on the progress made with developing the five year financial plan (2018/19 to 2022/23. This report and its enclosures had been posted on the Council's web site. On the basis of the information contained in the report, Cabinet considered initial budget proposals for the purposes of scrutiny.

The report to Cabinet on 8 November had set out the context for 2018/19 budget planning and had outlined a series of high level issues facing the Council in developing budget proposals and updating its Medium Term Financial Plan (MTFP). The report now before Cabinet sought to bring together those factors that could be predicted with some certainty and proposed a strategy for dealing with those issues where some uncertainty still existed.

As had been highlighted in previous years, the Council's strategy for balancing the budget was an on-going process and not an annual exercise undertaken once a year. The on-going work across the Council in terms of its commercial aspirations avoided the need to take lists of potential service cuts through the scrutiny process. The tone of the budget setting process was primarily focussed around the delivery of efficiency savings and new income generation.

The MTFP set out the service based operational income and expenditure expectations and the financing arrangements. The Cabinet report divided the main elements of budget planning between service pressures, savings proposals and funding streams, including Government Grant, business rates and proposals for council tax. The net budget for service related expenditure available across the organisation for 2018/19 was £17.498m. This largely represented baseline funding of £17.525m carried forward from 2017/18, with additional provision made for service pressures for the 2018/19 year, offset by possible savings.

Given the dynamic national and local environments, it was appreciated that it might be necessary to amend the initial proposals in view of any emerging changes to financing. It was reported that the Grant Settlement for local authorities had recently been announced and its implications for this Council were currently being analysed. Work would continue on refining the elements of uncertainty between now and the time when Cabinet made the final budget proposal. This would be informed by the Finance and Services Scrutiny Committee's comments, the latest projected position on business rate growth and the initial grant numbers from Government.

As at the end of September, 2017, the Council was forecasting an overspend against last year's plan of £0.469m (after the application of reserves). Work was continuing in order to manage this overspend down during the last few months of the financial year. It was anticipated that the exceptional costs underlying the forecast deficit would be managed through the use of balances in 2017/18 and that there would be no major impact on the 2018/19 planning assumptions.

The Cabinet report covered the following factors:-

- **Savings and income identification options.** A total of £2.63m of savings had been identified and included further savings arising from continued review of staffing requirements (£0.78m), savings arising from improved income generating opportunities (£0.85m) and improvements in efficiencies, with savings budgeted at £1m. A schedule showing the most significant savings was circulated as part of the Cabinet report. Savings had been realised from the leasing of new waste freighters and improved income streams were anticipated from planning application fees, pre-planning agreements and building control fees, rating enforcement recovery and the general commercial and business strategy.

- **Pressures.** The Cabinet report also contained a list of significant budgetary pressures. These totalled £2.60m and included increased costs on loan repayments in relation to the new waste fleet, the continuing service reviews, reductions in income from recyclables, loss of car parking revenue, marginal changes to staffing structures and inflation.

- **Government Grant.** The 2016/17 Government Grant Settlement had been a multi-year settlement. 2018/19 represented year three of a four year agreement. The following table set out the elements of Grant covered by the four year agreement. Currently only the Revenue Support Grant element had been confirmed as the baseline funding level related to the retained benefit the Council received from business rates.

	2016-17 £M	**2017-18 £M**	**2018-19 £M**	**2019-20 £M**
Settlement Funding Assessment	**5.22**	**4.30**	**3.83**	**3.26**
of which:				
Revenue Support Grant	1.57	0.58	0.00	0.00
Baseline Funding Level	3.65	3.72	3.83	3.95
Tariff/Top-Up	-16.16	-16.47	-16.96	-17.50
Tariff/Top-Up adjustment				-0.69

  For the purposes of the draft budget proposals it had been assumed that there would be no change to the base line funding of £3.83m. Any deviation from this planning assumption would require additional modelling of the plan for future years and might impact on the final position recommended to Council. A new spending review would be required for 2020/21. The working assumption, based on trends to date, was that Government Grant funding would continue to decrease and provision had accordingly been made in the MTFP.

- **Retained Business Rates.** Based on the trends that sat below the recent revaluation, the previous year's outturn income and in-year financial performance, an initial target of £476,000 had been included in the budget for 2018/19 as the AVDC retained share of business rates growth. The position would continue to be kept under review. The Council held a business rates revaluation reserve to mitigate any year on year fluctuations caused by the volatility inherent in the business rates system.

- **Business Rates Pooling.** In 2016/17 the Council had entered into a business rates pooling arrangement with other authorities in Bucks. This had allowed them to retain a greater proportion of business rates growth. The gains achieved had been significant and it was therefore intended to continue on the same basis for 2018/19.

- **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 proposals. Decisions to borrow were predicated on a sound business case. In previous years, shortfalls in investment earnings, which had arisen because of record low base rates, had been smoothed out via the use of an interest rate equalisation reserve. As part of the budget planning exercise, it was proposed to make a contribution of £85,000 to the reserve in respect of 2018/19.

- **New Homes Bonus (NHB).** As a result of consultation, the Government had implemented a move to five year payments for both existing and Bonus allocations in 2017/18 and then to four years from 2018/19. It had introduced a national base line of 0.4% for 2017/18 below which allocations would not be made. The Government had also retained the option of making adjustments to the base line figure in future years to reflect significant and unexpected housing growth. As result, as this District received the greatest bonuses of all, the changes had had a proportionately greater impact on the Council. Payments to the Council had already reduced from £7,4m in 2017/18 to an anticipated £5.99m in 2018/19. Due to the uncertainty around such payments, the initial budget proposals did not include any changes in the contribution from NHB, which remained at £1.178m.

- **Aylesbury Vale Estates.** The business plan was currently being developed and had been reviewed by the Economy and Business Development Scrutiny Committee. This was due to be considered by Cabinet at its January meeting. A prudent assessment of a dividend payment of £200,000 had been included in the initial budget proposals.

- **Council Tax.** Last year's Government Grant settlement had assumed that Councils would increase council tax by the maximum permissible amount, i.e. 1.99% or £5 whichever was the greater. The four year settlement assumed that the same would apply for 2018/19. Any council deciding not to increase council tax by the maximum permissible would be worse off as the Grant would be reduced by an equivalent amount. Accordingly the initial budget proposals assumed a maximum increase of £5. Such an increase at band D would represent a 3.48% increase, equivalent to just under 10p per week.

- **Council Tax Collection Rates.** The MTFP reflected the finances arising from collection of council tax. For the purposes of budget planning, collection rates had been assumed at 98.5%, although allowance had been made for a slightly lower collection rate based on the experience of previous years.

- **Reserves.** Earmarked reserves represent the prudent saving of sums against future financial events. The Cabinet Member for Finance, Resources and Compliance would be undertaking the annual review of reserves. The Council's reserves were relatively high as a result of the large amount of New Homes Bonus received due to the high level of housing growth in the Vale. These reserves were being held for legitimate reasons and were considered to be reasonable given a fair assessment of the budgetary pressures they were held against.

- **Review of Fees and Charges.** These were reviewed annually as part of the budget setting process and a schedule showing the current and likely future position was circulated. It was noted that work was on-going in some areas and that income level changes might potentially be implemented in year.

- **Balances.** The current minimum assessed level of balances was £2m based upon a risk and probability assessment. The September Financial Digest projection showed a requirement to draw down from balances £0.949m in the current year to meet the anticipated and planned costs of the commercial AVDC project. Current projections indicated that working balances would total around £1.9m at the end of 2017/18. The contribution to General Balances provided for within the initial budget proposals was £252,700. A schedule containing a forecast of reserves was submitted.

- **Commercial AVDC.** The Cabinet report contained a summary of the actions taken under the auspices of the Commercial AVDC programme. Savings of £2m had been realised as a result of organisational redesign, although there had been redundancy costs. It was however anticipated that the pay back period would be in the region of 1.5 years. With regard to on-going work in this area, Cabinet felt that a sum of £50,000 should included within the budget and earmarked for continuing work on achieving the Council's commercial aspirations.

- **Connected Knowledge.** This had been summarised separately as referred to elsewhere in these Minutes.

- **Medium Term Financial Plan (MTFP).** The MTFP was predicated on a reduction in Government funding equivalent to or greater than had been implemented over the last five years. The key elements of the budget strategy were: commercially minded, financially fit, and customer, innovation and commercially minded. Any uncertainties had been taken into account in formulating the initial budget proposals. The general principles of reducing costs and increasing income would remain the fundamental streams for addressing financial issues going forward.

- **Budget Management.** Sufficient weight would be given to ensuring careful management of budgets. Once the 2018/19 plan had been agreed, the key issues and messages would include reducing agency spend, identify further efficiencies, maximising income generation opportunities and reducing spend on items with little or no return.

- **Special Expenses.** Work was continuing on this element of the budget but it was anticipated that the Band D council tax would remain unchanged.

RESOLVED –

That the following in respect of the financial year 2018/19 and the Medium Term Financial Plan be approved for the purposes of scrutiny:-

(a) That £2.63m of proposed savings be taken into budget planning.

(b) That £2.60m of forecast pressures be taken into budget planning.

(c) That council tax be increased by an annual amount equal to £5 (3.48%) for a Band D property (equivalent to 10p per week) with effect from 1 April, 2018.

(d) That work be continued on the development of the budget proposals and for any net variance resulting therefrom to be either added to, or deducted from General Balances.

(e) That the revised list of fees and charges be approved.

(f) That £1.53m from the New Homes Bonus Reserve be used to meet the costs of the Connected Knowledge programme in 2018/19.

(g) That the level of the Band D council tax arising from the Special Expenses charge for 2018/19 should remain unchanged.

4. CAPITAL PROGRAMME UPDATE 2018/19-2021/22

The Council maintained an integrated strategic Capital Programme divided into three elements:-

- Major projects - These being the largest and highest profile.
- Housing Schemes - These being the housing enabling and housing grant based schemes.
- Other Projects - These being all other schemes included within the Capital Programme.

The Programme was reviewed annually and Cabinet considered a report on the current position with capital resources. The report could be read in full on the Council's web site.

The following table set out the available resources as at the beginning of 2017/18 and the projected resources during 2017/18 and 2018/19 before any expenditure had been taken into account:-

	Current Resources April 2017 £'000s	**Resources Projection March 2018 £'000s**
Balance of Capital Resources	**9,752**	**9,374**
Share of Right to Buy Receipts	2,500	2,500
Asset Sales	910	410
Lottery, Grants and Section 106	0	3,300
Revenue Contributions (NHB)	5,466	327
Total End of Year	**18,628**	**15,911**

The Council had for some time been in a position where the generation of significant capital receipts was no longer likely as the asset base now comprised largely of small land holdings and operational property. Large capital resources were now dependant upon external funding sources and in particular, borrowing. The Capital resource position was the subject of an on-going review within the context of future demands and needs. A copy of the Capital Programme had been appended to the Cabinet report. The report contained a summary of the position in relation to various capital projects and other capital expenditure items.

Particular reference was made to the housing enabling element of the Programme. The Council had been successful in its delivery of affordable housing, the capital commitment to which was tied to the VAHT housing stock transfer. With the ending of the VAT shelter, beyond residual right to buy capital receipts and nominal sums from New Homes Bonus, the Council had no means to fund new schemes other than by way of borrowing. However, as borrowing for this purpose provided no return by which to recover the borrowing costs, funding an affordable housing programme though this means was not sustainable.

Housing Associations had been obliged to review their business plans in the light of a change in the level of rents they could charge and so demand for potential new schemes had been delayed. The Government had made it clear that housing provision was a priority and the recent Budget hadincluded a number of commitments to provide funding. However, the details had not yet been made available. The Council would continue to work with Housing Associations to deliver as many affordable homes as possible, but it had become clear that there was a need for a fundamental review of this funding element. Whilst this review was being undertaken, the Capital Programme made provision for all receipts from right to buy and the affordable housing element of New Homes Bonus to be ring fenced for affordable housing investment.

In relation to other projects, the most notable items were provision for the transfer of money to Coldharbour Farm Parish Council for maintenance of the Riverine Corridor, and the purchase of the new refuse fleet.

RESOLVED –

That the updated Capital Programme be approved for the purposes of scrutiny.