CABINET

16 JANUARY 2019

PRESENT: Councillors S Bowles (Deputy Leader, in the Chair), P Irwin, H Mordue, C Paternoster, Sir Beville Stanier Bt, J Ward and M Winn.

IN ATTENDANCE: Councillors P Fealey, R King, S Morgan, W Raja, M Rand, S Renshell and R Stuchbury.

APOLOGIES: Councillors A Macpherson and P Strachan.

1. FINAL BUDGET PROPOSALS FOR 2019/20

The report to Cabinet on 18 December, 2018, had presented a set of initial budget proposals. That report had highlighted uncertainty around a number of issues, particularly further reductions in Government Grant, retained business rates and New Homes Bonus. Since the December meeting, work had continued to refine the budget assumptions. In practice, little had changed materially at a service level. The significant elements of the final budget proposals were around the impact of the Government Grant numbers and changes to other centrally funded support.

As set out previously, it was intended to support the Connected Knowledge Programme through the use of NHB reserves. The Programme underpinned many of the components of service delivery and commercial AVDC, and therefore the ability to meet the financial agenda of the Council over the coming years. The final recommended budget had been attached to the Cabinet report as Appendix A1. A summary of the changes, savings and pressures which had been used to arrive at the summary position had been attached as Appendices A2, C and D.

The Government had announced the draft Grant settlement for councils on 13 December, 2018. Despite some indications that there might be significant changes to reflect on-going pressures on the wider local government sector, the Government had largely honoured its commitments contained within the four year settlement and had left the pre-announced Grant numbers mostly unchanged. The important numbers of Revenue Support Grant and Baselined Business Rates were virtually the same as those that had been announced for 2019/20 last year, within the four year settlement. As had been anticipated, the Government had also provided extra resources in 2019/20 to cancel the negative RSG adjustment to tariffs and top-up. the confirmed impact of the change would benefit the Council by £687,000. This would be a non-recurrent re-aligning of funding.

Cabinet had previously agreed that the funding should be ring fenced to support likely and known pressures during 2019/20, to include £0.3m to support the on-going housing growth agenda in Aylesbury Vale and the associated infrastructure schemes, such as HS2, East-West Rail and the Oxford/Cambridge Expressway. Cabinet felt that the remaining £0.4m should be allocated to meet the costs of the car park changes (replacement equipment) detailed in the Car Park Strategy.

The Government had also announced consultations on the further progression of the Fair Funding Review in advance of the provisional 2019/20 settlement, and the redesign of business rates retention by the end of the year. A new system (Fair Funding), based on the Government consultation, would be introduced in 2020/21 alongside a Government wide Comprehensive Funding review.

The Fair Funding review would affect how funding was allocated and redistributed between local authorities from 2020 onwards. It was expected to use three main cost drivers: population, deprivation and sparsity, together with additional cost drivers related to specific local authority services.

Alongside the new methodology, in 2020/21, a new phase for the business rates retention programme would also be introduced. The aim was for local authorities to retain 75% of business rates growth from 2020/21, and this was intended to be a lever and incentive for local authorities to grow their own economies. As part of the Finance Settlement, the Government had confirmed that a third phase of business rates retention pilots would go ahead from April, 2019, with a 75% retention scheme.

Buckinghamshire had been awarded Pilot Status for 75% business rates retention in 2019/20. New 75% pilots in 2019/20 would not only increase the level of retained rates to the Council but would also provide the opportunity to test and gather information on the design of the new business rates retention system in preparation for 2020/21. The pilots would test the authorities' administration, technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT systems would work. The actual gain from the revised rates initiative would not be known with any certainty until after the financial year had finished but it had been estimated that the financial benefit to AVDC would be circa £1.6m.

The initial budget proposals for 2019/20 and for the period of the Medium term Financial Plan (MTFP) did not propose any changes to the contribution from New Homes Bonus into the revenue budget, which remained at £1.178m. The Government had decided not to increase the New Homes Bonus threshold further next year, and had provided an extra £18m to fund this.

£5.99m would be received in 2019/20 for AVDC for new Homes Bonus, which included previous years' delivery. For New Homes Bonus, 2019/20 represented the final year of funding agreed through the Spending Review. The final funding allocation for the 2019 to 2020 settlement would be laid before the House of Commons in February, 2019.

The initial budget proposals agreed by Cabinet had recommended increasing Council tax by the assumed maximum expected amount of £5 (3.35%). The Finance Settlement did not provide any more spending power, as councils could already increase Council tax by 3% or more due to the £5 flexibility. The Finance Settlement had confirmed the Council's ability to increase its tax by this amount and therefore, for the reasons justified by Cabinet in December, 2018, (i.e. as a means of partially mitigating the reductions in Government Grant and thereby protecting services valued by residents and businesses in the Vale), it was proposed that this maximum increase be implemented from 1 April, 2019.

A Council Tax increase of £5 would generate £366,700 pa and would represent an increase equivalent to 10 pence per week and would increase the Band D Council Tax for AVDC to £154.06. In the Finance Settlement announcement, no changes had been proposed in terms of the referendum principles for Town and Parish Councils. Government had previously confirmed that they were deferring setting referendum principles for Town and Parish Councils for three years.

Council Tax harmonisation would be something that the Shadow Council would need to consider as part of its preparation for the new council. To the best of officers' knowledge, all councils in Buckinghamshire were continuing to exercise their current Council Tax strategies ahead of this work without specific reference to the potential decisions of the new council around harmonisation.

Earmarked reserves represented the prudent saving of sums against the recognition of future financial events which, if not prepared for, would be difficult to deal with at the point at which they occurred. In summary, earmarked reserves were an essential part of sound financial planning. The vast majority of reserves held were for legitimate reasons and the balances were considered to be reasonable given a fair assessment of the budgetary pressures that they were held against.

The size of the reserves and the different timespans over which they would be required presented an opportunity to mitigate some of the unforeseeable pressures. The total balance held in reserves was expected to reduce significantly over the next two years as the pressures against which they were being held materialised and the infrastructure schemes for which the New Homes Bonus was held, were delivered. Cabinet had previously agreed to re-purpose the Business Rates Equalisation Reserve and the Interest Rate Equalisation Reserve in order to provide the Council with initial financial capacity to respond to the costs of local government reorganisation.

The fees and charges were reviewed as part of the budget process each year and details of those proposed for 2019/20 had been attached as an Appendix to the Cabinet report.

The 2019/20 MTFP assumed a balanced budget with no use of balances. Although the focus was on 2019/20, consideration needed to be given to 2020 and beyond because of AVDC's obligation to hand over its affairs to the successor authority in a fit state. These efficiencies would contribute towards balancing the budgets in future years. Working balances for 2019/20 had been anticipated to be £1.927m, marginally below the minimum assessed level for the year of £2m. A schedule with details of the forecast General reserves balances position was submitted.

The Cabinet report set out those issues facing the Council in developing budget proposals for 2019/20 and in terms of updating the MTFP. The largest and most significant issue was the announcement of a unitary district council for Buckinghamshire.

This fundamentally changed what would happen during the period of the proposed MTFP. This clearly removed the need for medium term planning for Aylesbury Vale as a single entity organisation, although the Council remained obligated to hand over its affairs to the new organisation in the best possible state. This meant continuing to tackle known budgetary issues, generating income streams and balancing its finances. At this early stage, the financial implications of the unitary announcement were yet to be fully understood. It was noted that as things became clearer, the significant financial impacts would be reported to Members.

As mentioned earlier in this Minute, with the need to resource an implementation plan for the new council and the need to manage staffing costs across the transition period, Cabinet had previously agreed that the equalisation funds for business rates and interest rates be re-purposed and made available to offset the transition costs associated with local government reorganisation, subject to any demands being placed on these reserves in 2019/20. This would provide initial flexibility, but there was no certainty at this stage whether this would be sufficient (when pooled with the other councils) to see through the reorganisation.

The period of the MTFP would fall within the timescale for the UK to leave the European Union. No financial implications of the change had been incorporated into the current MTFP, although had been taken into account in the level of un-earmarked balances available. The implications for the Council would be wide ranging, with likely impacts on the value of sterling and spending powers, possible impact on local businesses and business rates and also impact on availability of workforce.

At its meeting in November, Cabinet had agreed that as part of the budget setting process for 2019/20, the Council should adopt a corporate strategy which was focused on:-

- Ensuring that AVDC was financially fit, including ensuring its commercial approaches of the past continued and the Council continued to grow and diversify income streams.

- Leading and shaping place, ensuring that VALP was adopted and that the District's towns, villages and other areas were cherished whilst managing planned growth and pursuing regeneration.

- Focusing on customers and innovation in customer delivery and digitisation.

- Ensuring that partners and communities continued to help with the delivery of Council goals and were included in the decision making process.

By embedding AVDC values in the new unitary council, the Council started to set out its legacy for the new authority. The AVDC mission was to ensure that in its last year, it delivered its aims and priorities and embedded its values in the new unitary council.

The Revenue Support Grant for 2019/20 had been provisionally set at £3,288,400 for 2019/20. This remained unchanged in the final budget for 2019/20. Although the core grant had been reduced by £56,700, this would be offset by an additional £56,700 from a funding redistribution of surplus business rate levy.

The Cabinet report also included details of the proposed Special Expenses budget. From an initial review of costs and service charge into this area, an increase in the budget of £38,200 was anticipated. This was mainly due to the new maintenance and equipment contract. It was however anticipated that the Band D Council Tax would remain the same in this area.

The Cabinet report had been considered by the Finance and Services Scrutiny Committee, whose Chairman attended the Cabinet meeting to elaborate upon his Committee's deliberations. The principal points raised by the Committee were as follows:-

- The provisions for car parking changes only related to changes in Aylesbury. Committee Members had been supportive, subject to relevant supporting information, of the car parking reserve being utilised in due course to make provisions for car parking changes at Wendover, Winslow and Buckingham.

- The Committee had been supportive of the monies from the Interest Equalisation Reserve and the Business Rates Equalisation Reserve being earmarked and used to offset the transition cost of local government reorganisation.

- Whilst the Committee had been supportive of the proposed additional £1.48m in funding for the Connected Knowledge Programme, Cabinet had been asked in due course, to try to ensure that the individual business cases within the Programme were assessed on the likelihood of the work/benefits that might be able to be carried forward into the new Council before investment decisions were made. This included looking at expenditure that could reasonably be deferred. Cabinet confirmed that the business case for each project was and would continue to be assessed by the Project Management Board having regard to the likely requirements of the new authority. It was agreed that the Cabinet Member for Finance and Resources should be invited to attend meetings of the Project management board.

- The Committee had been supportive of the £400k set aside for the car parking strategy and 300K for growth.

- The Committee had been supportive of another bidding round of NHB grants being made available to Parishes during 2019-20.

- The Committee had been advised by the Cabinet Member for Communities (Councillor Winn) that he intended to ask Cabinet to re-instate £10,759 in funding for a number of voluntary and community sector organisations including the Citizens' Advice Bureau. He had also stated that he would be exploring whether it would be possible to extend the grant funding arrangements with some of these organisations for 1-2 more years to provide them with some certainty while the new Council was being established. Members were supportive of these proposals. Cabinet agreed with the Cabinet Member for Communities and the funding would be re-instated for a two year period.

RESOLVED –

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

(2) That Council be recommended to approve the budget for 2019/20 and the Medium term Financial Plan as set out in summary form in the table at Appendix A of the Cabinet report, as amended to include the removal of reductions in core grant to voluntary bodies (as outlined above).

(3) That in relation to Council Tax, Council be recommended to approve an increase of £5 (3.35%) in respect of a Band D property for 2019/20, the maximum allowable for lower tier councils.

(4) That Council be recommended to approve the use of £1.48m of New Homes Bonus to meet the costs of the Connected Knowledge Programme (having regard to the commentary above).

(5) That Council be recommended to agree the fees and charges set out in Appendix E of the Cabinet report.

(6) That Council be recommended to agree the level of the Band D expenses charge for 2019/20 as set out in Appendix F of the Cabinet report.

NOTE: As a member of an organisation that provided some financial support to the CAB, Councillor Mordue declared a personal interest insofar as the above item referred to the funding of that organisation.

2. CAPITAL PROGRAMME UPDATE 2019/20 TO 2022/23

Cabinet received the updated Capital Programme for the period 2019/20 to 2022/23 onwards. An interim report had been submitted to Cabinet on 18 December,2018. As had been reported at that time, the focus of the Capital Programme was on the delivery of existing schemes already approved by the Council. The Programme reflected the Council's strategy of ensuring prudent use and maximisation of available capital resources. The earlier report had made reference to an additional request for funding from the Aylesbury Vale Enterprise Zone Board in relation to an investment proposal at Westcott. The report now before Cabinet could be viewed in full on the Council's web site.

It was reported that the Capital Programme for 2019/20 had now been updated to include provision for the Westcott investment proposal and the latest report (posted on the Council's web site) contained more detailed information. AVDC was the accountable body for the Aylesbury Vale enterprise Zone. The proposed funding of £1.2m would be recovered through a combination of loan repayment and the recoupment of business rates collected and retained from the Enterprise Zone.

The CIPFA revised 2017 Prudential and Treasury management Codes required, for 2019/20, that all local authorities prepare an additional report setting out the Council's capital strategy. To comply with the statutory requirements, an expanded, but still abridged (because of the unitary proposal) would be presented in the Treasury management Strategy. The Cabinet report set out the key principles of the capital strategy.

The creation of a new unitary authority would occur during the period of the capital plan. This removed the need for medium term planning for Aylesbury Vale as a single entity organisation. However, the Council remained obligated to hand over its affairs to the new organisation in the best possible financial state. At this early stage, the financial implications of reorganisation were yet to be fully understood. However, future investment and borrowing decisions might be influenced by the outcome of the unitary arrangements.

The Cabinet report had been considered by the Finance and Services scrutiny Committee on 14 January, 2019. The Chairman of that Committee attended the meeting to elaborate upon the Committee's deliberations. The Scrutiny Committee had been supportive of the use of residual Right to Buy capital receipts and nominal sums from New Homes Bonus for affordable housing, to fund new affordable housing schemes. The Committee had also been supportive of the funding proposal for the Space Catapult Innovation Centre at the Westcott Enterprise Zone.

In addition, the Committee had been supportive of the remaining £341,000 from the sale of the Elmhurst Community Centre being used for the maintenance of community centres in the Aylesbury Special Expenses Area. The Committee had asked for, (and Cabinet confirmed), a breakdown in due course of how the £341,000 had been allocated.

RESOLVED –

(1) That the Finance and Services Scrutiny Committee be thanked for its feedback on the Capital Programme.

(2) That the Council be recommended to approve the updated Capital Programme for the period 2019/20 to 2022/23 onwards, as set out in Appendix A of the Cabinet report.

3. PUBLIC SECTOR EQUALITY DUTY

Cabinet considered a report, also submitted to the Finance and Services Scrutiny Committee on 14 January, 2019, 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.

The Chairman of the Scrutiny Committee attended the Cabinet meeting and elaborated upon his Committee's deliberations. In particular, Committee Members had noted that a number of requests that they had made in 2018 on future reporting had been taken on board in the preparation of the latest report. It had been suggested that in future it would be helpful to include some information on why there were generally more females in the SG4 and SG5 grades. The Committee had been particularly pleased to note that the pay equality position at AVDC was excellent.

RESOLVED –

That the content of the Equality report for 2018 be noted and the document be approved for publication in order to meet the Council's statutory duty.

4. AYLESBURY VALE ESTATES (AVE) BUSINESS PLAN

Consideration was given to a report on the Aylesbury Vale Estates (AVE) draft business plan for 2019/2022, submitted also to the Economy and Business Development Scrutiny Committee on 10 December, 2018. The Scrutiny Committee had had an opportunity to question the asset managers on various aspects of the plan. (A copy of the draft business plan had been circulated in full as part of the confidential Cabinet agenda). Representatives of the asset managers also attended this meeting.

Whilst the Scrutiny Committee had been encouraged that AVE was effective at collecting rents, and that dividends were expected to be returned to the Council, concern had been expressed about proposed site disposals and the business plan's over reliance on these disposal receipts within the financial model. Members had also felt that disposals might be due to the demand for dividends to be paid, and that once a site had been sold, it was permanently off the portfolio. The Committee had hoped that there would be more ideas on how Hale Leys might adapt to the difficulties currently being experienced in the retail market.

Cabinet Members raised these issues with the asset managers who responded that disposals in the main were not strategic sites. The objective was to create a diversity of new development. The asset managers were fully cognative of the issues facing high streets across the country. and were doing all they could to address these.

RESOLVED –

That the draft Aylesbury Vale Estates business plan for 2019/2022 be approved.

NOTE: As a member of the AVE board, Councillor Mrs Ward declared a prejudicial interest in the above item and left the meeting whilst it was under discussion.