Council
31 January 2018

BUDGET 2018/19 AND THE MEDIUM TERM FINANCIAL PLAN
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1 Purpose

This report covers two areas of budget determination for 2018-19. It presents the proposals for the budget, as recommended by Cabinet on 9 January 2018. It also contains the Chief Financial Officer's report on the robustness of the budget proposals and the adequacy of reserves.

2 Recommendations/for decision

Council is recommended to:

2.1 Note the contents of the statement of the Chief Financial Officer in Appendix A.

2.2 Agree a budget package which;

a. Increases the annual Council Tax by the maximum permissible, £5.00 (3.48%) at Band D for district councils

b. Includes a General Fund budget that results in net expenditure of £14,695,000 and a District precept of £10,807,500.

c. In arriving at that figure, contribute £240,000 to working balances in 2018-19, representing savings realised in advance of need, which will then be used in 2019-20 to balance the budget for that year.

d. Approves a 2% pay award for staff for 2018/19 being payable across all grades (the second year of the two year agreement), for which provision has been made in the draft budget proposals.

e. Includes the use of £1.53m of New Homes Bonus to meet the costs of the Connected Knowledge Programme in 2018-19

f. Has an expenditure total of £864,700 and a precept of £839,400 in respect of Aylesbury Special Expenses giving an unchanged band D Special Expense Council Tax of £45.00 for 2018-19.

g. Sets a proposed General Fund net expenditure for each of the following years as the basis of future budget planning is as follows:

2019-20:£14.63m 2020-21:£14.57m 2021-22: £14.53m 2022-23: £14.49m

3 Background

3.1 The report to Cabinet on 20 December 2017 presented a set of initial budget proposals for Cabinet's consideration.

3.2 On 9 January 2018, Cabinet reconsidered its initial budget proposals in light of the provisional Government Grant Settlement and the comments made by the Finance and Services Scrutiny Committee. Based upon this additional information it made minor amendments consistent with the approach proposed in its initial report.

4 The Cabinet's Budget Recommendation

4.1 Cabinet considered the development of the budget at 3 separate meetings in November, December and January. The latter meeting being informed by the views of Finance and Service Scrutiny Committee.

4.2 The budget process was similar to that adopted in the previous two years. This was necessary in order to adapt to the uncertainty resulting from the Government's late announcement of grant allocations.

4.3 As highlighted in previous years the Council Strategy for balancing the budget is an ongoing process and not an annual exercise purely undertaken once a year. The ongoing work across the Council in terms of its commercial and transformation agenda avoids the need to take lists of potential service reductions through scrutiny committees.

4.4 The report to Cabinet on 8 November 2017 set out the context for 2018/19 budget planning and outlined a series of issues facing the Council when developing budget proposals and updating the financial plans.

4.5 In setting a medium term financial plan and developing budget proposals for the future there will be uncertainties particularly in relation to levels of Government Grant, the financial impact from retained business rates, the levels of New Home Bonus, Brexit and general economic conditions.

4.6 The Budget proposal and Medium Term Financial Plan is attached as Appendix B1. An analysis of changes from the 2017-18 budget is provided in Appendix B2. Further detail on the plan is provided within the report.

4.7 The MTFP sets out both the service based operational income and expenditure expectations and the proposed financing arrangements. The position presented represents a best view of the known financial landscape now and for future years.

4.8 The main issue faced during budget development was the ongoing uncertainty surrounding the Government's proposed reforms to the local government finance system and the implications for the Council arising from them.

4.9 Despite the Government announcing a 4-year settlement, ongoing proposed changes, such as those to Business Rates and New Homes Bonus, reduce the Council's ability to plan with certainty in these areas.

4.10 The budget development process recognised the uncertainties and provisions are made, as appropriate, in the proposals for those factors that can be predicted with some certainty and proposes a strategy for dealing with those factors which reasonably cannot.

5 Government Grant

5.1 The Government announced the draft Grant settlement for councils in the Finance Settlement on 19 December 2017.

5.2 Despite some indications that there might be significant changes, to reflect ongoing pressures on the wider local government sector, the Government largely honoured its commitments contained within the 4-year settlement and left the pre-announced Grant numbers mostly unchanged.

5.3 The Government did however provide a 1% increase in the Council Tax referendum thresholds across all councils.

5.4 The important numbers of Revenue Support Grant and Baselined Business Rates were virtually the same as those announced for 2018/19 within the 4-year settlement. In the Settlement, 2018/19 represents year 3 of the 4-year settlement.

5.5 In his statement on funding for local authorities the Secretary of State for Communities and Local Government announced a formal consultation on a review of relative needs and resources (A Fair Funding Review). The current formula of budget allocations has been in place for a number of years, but the Government believes a revised distribution methodology is required to allow authorities to meet the challenges of the future.

5.6 A new system, based on its findings, will be introduced in 2020/21.

5.7 Alongside the new methodology, in 2020/21, a new phase the for business rates retention programme will also be introduced. The aim is for local authorities to retain 75% of business rates growth from 2020/21, and this is intended to be a lever and incentive for local authorities to grow their local economies.

5.8 From 2020-21 the business rates baseline will be redistributed according to the outcome of the new needs assessment, subject to suitable transitional measures.

5.9 In 2016/17, the Government introduced the concept of Negative Revenue Support Grant and this remains an issue for some Councils. As more councils are impacted by this change the Government has come under pressure to review this aspect of the Grant system. The Secretary of State announced that he will ask his team to relook at this element during the forthcoming year, but warned that any solution will need to be found from within the existing Local Government funding system.

5.10 Despite the proposed shake up of the Local Government Finance system, with no more funding in the system it seems likely that the historic downwards trend will continue.

5.11 For AVDC, reductions to grant funding have been the most significant factor underlying historic planning assumptions and the Council's strategy for balancing its budget was predicated on this continuing. In this respect, the Strategy around commercialism and efficiency is considered to remain the right strategy to deal with the financial challenges facing the Council.

5.12 The additional freedom around Council Tax increases will help to soften the challenges marginally, although emerging pressures, such as those associated with inflation, are likely to absorb any respite offered by it.

5.13 The final funding allocation for 2018-19 settlement will be laid before the House of Commons in February 2018.

6 New Homes Bonus

6.1 The major concern, in terms of potential changes to the 4-year settlement, was associated with New Homes Bonus (NHB).

6.2 In the draft budget settlement, it has been confirmed that there will be no new changes to the way New Homes Bonus operates. The Government said it has listened to the comments received and decided, for the sake of continuity, not to make any of the proposed changes.

6.3 The New Homes Bonus baseline growth requirement will remain fixed at 0.4%, with NHB only paid on growth above this.

6.4 The draft budget settlement also confirmed that local authorities will be able to increase planning fees by 20% where they commit to investing the additional income in planning services. This is as outlined in the housing White Paper.

6.5 Ultimately, the Finance Settlement announced that the Government would make NHB bonus payments nationally of £946m in 2018-19. Of this AVDC will receive £6.3m in 2018/19, which includes previous year's delivery.

6.6 Actual numbers for future years will still depend upon actual housing growth in those years. However, the decision not to make changes does provide sufficient certainty to validate the revenue contribution assumption included within the Medium Term Financial Plan.

7 Retained Business Rates

7.1 The revaluation of all properties for business rates took effect from 1 April 2017. Revaluation was completed to maintain the accuracy in the rating system by reflecting changes in the property market since the last revaluation in 2010.

7.2 The Business Rates Revaluation clouded the position on the amount of gain the Council might expect to achieve from Business Rates Growth in the Vale.

7.3 Based on the trends which sit below the revaluation, previous year's outturn income and in-year financial performance, an initial target of £476,000 has been included in the Budget for 2018-19 as the AVDC retained share of the Business Rates Growth.

7.4 By way of mitigation, the Council holds a Business Rates revaluation Reserve. This mitigating action was created alongside the introduction of Business Rates Retention to meet any significant year on year fluctuations caused by the volatility inherent in the Business Rates system. It is expected that this will enable the Council to achieve the budgeted gains from Business Rates Retention system in 2017/18 and 2018/19.

8 Business Rates Pooling

8.1 In 2016/17, Aylesbury Vale entered into a Business Rates Pooling arrangement with Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council.

8.2 This arrangement allows these councils to retain a greater proportion of Business Rates growth, by reducing the amount the Government would ordinarily capture.

8.3 For 2018/19 planning purposes, no account has been taken of any anticipated gain from this pooling arrangement. This presents a prudent position given risks in terms of e.g. valuation appeals. Any gain achieved will therefore be placed in the Business Rates Equalisation Reserve and decisions on how to apply it will be brought forward once the actual gain is known.

8.4 In its first year of operation, the gains from the Pool across the whole Pooling area amount to approximately £1.25 million, of which circa £357,000 related to Aylesbury Vale. The Pool created will continue to operate until any of the organisations that are party to it notify the Government that they wish to exit the arrangement.

8.5 There are no proposed changes for 2018/19 and all parties have agreed to continue on the same basis.

9 Pressures

9.1 A list of the significant budgetary pressures included in the financial plan for 2018-19 are set out within Appendix C to this report.

9.2 A total of £2.60m of budgetary pressures have been identified and include

- Additional budget pressures of £1.65m for 2018-19 in relation to service delivery
- Cost pressures in relation to inflation of £0.68m
- Revenue consequences of capital decisions made of £0.27m

9.3 A number of new spending pressures have materialised in discussions with budget managers as part of the budget setting process. The Council, will note, in particular, the pressures in relation to the following areas:

- For waste services, increased costs of loan repayments (£560,000) in relation to the purchase of new vehicles but this has been offset by savings on lease payments in previous years. The purchase of the new vehicles has realised an overall annual saving of £304,000
- A budget provision of £200,000 has been made to meet the likely outcomes of the service review and staff contract negotiations within the waste service.
- Due to global factors, income recovery from recycling is anticipated to reduce materially in 2018-19. In anticipation of the likely changes to the current contract and forecast income, the risk of reduced income has been recognised as a budgetary pressure (£350,000)

- In recognition of current pressures on maintenance and repair budgets, an increased budget has been provided for 2018-19. Contract reviews will also be undertaken to minimise costs and maximise service delivery.
- A known consequence of the Exchange Street project is a loss of car parking revenue. The financial impact of this lost income (£150,000) has now been reflected in revenue plans for next year.
- Some marginal changes have been made to staffing where it has been recognised that current arrangements did not fully reflect service needs. Budgetary provision has been made for an additional post in finance and legal services, although the latter is offset by savings in the legal contract.
- Provision has been made (£100,000) for additional revenues costs as a result of implementing the Connected Knowledge programme. Specifically, the additional cost is mainly associated with the new data handling requirements of GDPR legislation.
- The impact of the Homelessness Reduction Act will have a cost to all local authorities, however the Council has been awarded New Burdens Funding by the Government and this will provide funding through 2018/19. Beyond this, once the impacts are better understood, an additional budgetary provision may need to be made.

9.4 The cost pressures include a general provision for inflation and pay related costs of £0.68m.

9.5 The budget reflects the 2% pay increase agreed by Staff Side and Unions as part of a two year pay settlement. Allowance has also been made for payment of annual increments to staff.

9.6 A more general inflationary increase of 2% for non-pay related expenditure and 2.5% in relation to spend on contracts has been included in the budgets for 2018/19.

9.7 Elsewhere on the agenda is a Capital Programme update report that includes all the recent schemes that have been agreed. The revenue consequences of these schemes in the form of financing costs have been included within the budget proposals (£275,000). These are shown in Appendix B2 under the title of Major Projects and include the costs for Pembroke Road Depot and Waterside North Development. Whilst these represent additional revenue costs, other financial and efficiency benefits will accrue from the investment made.

9.8 At a meeting on 13 September 2017, Council agreed a Commercial Property scheme of £100m. No revenue implications for this overall scheme have been included in the revenue budget for 2018-19 and future years. This is based on the premise that any business cases arising from the plan will be required to be revenue generating with no call on existing revenue resources.

9.9 The pressures represented in the budget reflect the outcomes of discussions with budget managers across the Organisation.

10 Savings and Income Identification Options

10.1 As set out in the report to Cabinet in November the approach adopted for setting the budget for 2018/19 is similar to that followed in recent years and relies primarily on capitalisation of the savings delivered via reorganisation, income generation and restructuring in previous years in anticipation of the Government Grant reductions.

10.2 Since the prospect of greatly reduced Government Grant was first mooted in 2010/11 the Council has devoted considerable effort and resources to identifying and delivering a smaller net budget requirement. This has been achieved by reconsidering what it does, what it could do and who should pay for the services provided. This work is now badged as Commercial AVDC and members of the Council will be familiar with the term.

10.3 As has been emphasised, thus far this has not specifically been about income generation but has instead been a review of what customers want and need, who is best placed to provide these services, the most efficient and effective way of delivery, who should pay for the service and how much and potentially for some services, whether they need to be provided at all.

10.4 The work undertaken over the past 12 months in recognition of the forecast financial pressures has delivered significant savings and many of these are already accruing in the current financial year. This work has been carried out with the expectation that these transformational and efficiency measures will replace the need for a crude annual cuts exercise. This planned response to budget reductions represents a cornerstone of the budget development process.

10.5 In addition to the significant savings realised from the major transformation exercise, budget holders continue to be engaged in identification of other measures to increase efficiencies and to increase income potential. Managers have been empowered to manage within agreed financial parameters, to identify where things can be done more efficiently and to take advantage of in year productivity and non-recurrent opportunities to identify savings.

10.6 A list of the significant savings to be incorporated into budget planning is set out in Appendix D to this report.

10.7 A total of £2.63m of savings have been identified and include:

a) Further savings opportunities arising from continued review of staffing requirements, (£0.78m)
b) Savings arising from identification of improved income opportunities (£0.85m)
c) Proposed improvements in efficiencies with savings budgeted at £1.00m

10.8 The Council, will note, in particular, the efficiency savings and income opportunities arising from:

- Savings of £864,000 realised from the leasing of waste vehicles, although this is offset by additional financing costs of £560,000 (an overall net saving of £304,000
- Proposals include increased income streams in relation to planning applications (£150,000), Pre Planning Agreements and Building Control fees (£150,000), rating enforcement recovery (£50,000) and general commercial and business strategy (£100,000). In addition, a service review of the Garden and Commercial waste service is anticipated to deliver additional in-year income of £250,000 which will include some increased pricing.
- Proactive and effective management of contracts generally through effective procurement processes (£100,000) and specifically for some property contract arrangements. Service charges for properties are anticipated to increase by £80,000 and the previously re-negotiated Waterside Theatre contract is expected to realise savings of £55,000.
- The HB law contract will be reduced by £100,000. This will be offset by the cost of appointing an in-house expert to support this work.

11 Fees and Charges

11.1 Fees and charges are reviewed as part of the annual budget setting review process and these were agreed by Cabinet at its meeting on 9th January 2018.

11.2 A significant review is planned during the forthcoming financial year of the car parking charges and season ticket prices. Any proposed changes to income levels may potentially be implemented in year. This additional income is not currently factored into the financial plan.

11.3 The fees and charges in relation to Taxi Licensing are subject to the review of the Licensing Committee.

12 Reserves and Balances

12.1 Earmarked reserves represent the prudent saving of sums against the recognition of future financial events which, if not prepared for, would be difficult to deal with at the point they occur. In short, earmarked reserves are an essential part of sound financial planning.

12.2 The reserves are held for legitimate reasons and the balances are reasonable given a fair assessment of the budgetary pressures that they are held against.

12.3 It is expected that the total balance held in reserves will dip significantly over the next 2 years as the pressures against which they are held materialise and the infrastructure schemes, for which the New Homes Bonus is held, are delivered.

12.4 The Council also holds general working balances as insurance against unexpected financial events. This includes failure to generate expected income as well as financial claims against the Council.

12.5 The current minimum assessed level of balances is £2.0 million which has been arrived at based upon a risk and probability assessment of potential budgetary factors during 2018/19.

12.6 In reviewing the MTFP and setting the budget for 2018/19, it has been possible to realise savings in 2018/19 in advance of need, and therefore these have been added back to balances for use in 2019/20. The ability to do this is prudent and reflects an early return on investments made to date. The MTFP details a requirement to call on these balances in future years.

12.7 The contribution to General balances included in the budget proposals for 2018-19 is £240,000 and this will bring Working balances back above their minimum assessed level for 2019/20.

12.8 Appendix E provides detail on forecast General Reserve balances.

13 Capital Planning and the Impact of Spending Decisions

13.1 The Capital Programme for 2018/19 onwards is also being presented to Council for consideration and approval.

13.2 The revenue financing implications arising from the Capital programme have been factored into the budget for 2018/19 and beyond.

14 Investments / Net Borrowing

14.1 The Council has been using its cash balances over the past few years in lieu of long-term borrowing. This delivers an advantage over lending returns whilst base rates remain low. The financial advantage in terms of lower borrowing costs has been factored into the initial budget proposal.

14.2 For 2018/19, and future years, additional income from Investment interest has been included. This is based on actual financial performance for 2016/17, forecast outturn for 2017/18 and a forecast for future years. The Council takes a proactive approach to managing cash balances, with the bulk of the income being derived from short-term money market lending.

14.3 Decisions to borrow against agreed business cases are made on a case by case risk assessed basis and may vary from original financing plans. All decisions to borrow are made against a background of existing resource availability and minimising costs and maximising returns. Where possible decisions to borrow are avoided with the use of the Council's capital receipts being a preferred methodology to fund capital development. The reduced borrowing costs for 2018/19 are a direct result of decisions to borrow less against agreed plans.

14.4 In previous years, shortfalls in investment earnings, which have arisen from the record low base rate, have been smoothed via the use of the Interest Rate Equalisation Reserve. The Reserve has been used effectively over the past few years to smooth the budget pressure created by the lower interest rates in the realistic expectation that rates would recover. There is no planned usage of the

Reserve in 2018/19 and any variation in year will continue to be treated in the same manner.

14.5 The plan reflects reduces income from AVE interest payments (reduction of £82,000) due to their ongoing repayment of debt and no change to Dividends payable. The plan has been adjusted to reflect actual and known interest repayments from AVE.

15 Aylesbury Vale Estates

15.1 An AVE Business Plan for 2018/19 has been developed and was presented to both Economy Scrutiny and Cabinet in November 2017 and January 2018 respectively.

15.2 Dividend payments are forecast within the developing central version of the AVE Business plan. A prudent assessment of the dividend payable has been included in the budget proposal. This has been set at £200,000. Any increase or decrease from the forecast dividend will be reflected in the accounts for 2018/19.

15.3 The AVE Business Plan also includes a downside Business Case, as part of their scenario planning, which does not include a dividend payment. This is recognised as a budgetary risk and account is taken of this in determining the appropriate level of Working Balances to be held this year.

16 Connected Knowledge

16.1 The Organisation continues to progress its digital agenda, promoting innovation in the way services and IT solutions are delivered for Customers and staff.

16.2 The connected knowledge programme will underpin many of the components of future service delivery set out within Commercial AVDC strategy and is therefore crucial to the Council in meeting the financial agenda over the coming years.

16.3 A detailed update on the programme was provided to the Cabinet at its meeting on 9th January 2018. Funding of £1.53m is being requested for the 2nd tranche of works in 2018/19. This is in line with funding made available in 2017/18.

16.4 As this programme of works is about delivering a modern, sustainable, Council which responds to the needs of its growing customer base, it is proposed that the funding for the scheme is met from unallocated balances of New Homes Bonus.

16.5 The use of reserves is justified in that the work of Connected Knowledge will result in sustainable infrastructure for the Council, it will also support the delivery of efficiencies.

16.6 Over time, funding arrangements for Connected Knowledge will be reviewed, with the aim of achieving a level of funding which can be met from continuing efficiencies.

17 Commercial AVDC

17.1 The Council's approach to balancing its finances over the Medium Term Financial Plan is contained within the Commercial AVDC Programme. Members will be aware of the content of this Programme through briefings, but in summary;

- The Commercial AVDC programme was initiated in late 2015 to manage the process of balancing the budget in the run up to the predicted total loss of government grant in 2020.
- Members will recall that the programme is adopting a many-pronged approach of achieving savings by consolidation of services, use of Digital and reducing or eliminating duplication while at the same time generating income through commercial activities.

17.2 The overall programme is based on a risk management approach. Whilst it is anticipated that the level of profit on the income generated by commercial activities will ultimately exceed the level of savings that can be made in the Council's core operation, the actual future level of profits is, nevertheless, a prediction and not yet bankable.

17.3 While activities are underway to continue to explore and develop our commercial service offerings, this is recognised as a long term undertaking. So, in parallel, the Council has also focused on major internal change programmes to deliver the savings which will ensure it can deliver a balanced MTFP. Ultimately, however, the Council will need new forms of external income to balance its budgets and to protect and enhance core services and so will need to maintain its focus on developing commercial income streams.

17.4 Savings of £2m have been realised as a result of the organisational redesign underpinning the Commercial AVDC agenda in 2017/18. Although there was a considerable cost of restructure in terms of redundancy costs, the recurrent savings and revised staffing structure ensure an organisation fit for purpose.

17.5 It is anticipated that the pay-back of costs of the restructuring will be circa 1.5 years from realised savings.

17.6 The fundamental restructure of the Council has delivered many of these savings well ahead of when they are required. This enables the Council to 'bank' them ahead of requirement and this is the main reason for the planned contribution to balances in 2018/19.

17.7 In the last year the Council has significantly grown its council to council sales, through activity such as implementing the Vale Lottery concept, behavioural assessments/culture change and digital work.

17.8 Aylesbury Vale Commerce was a company set up to explore and develop the delivery of services that could create new future income streams for the Council and has to date succeeded in demonstrating proof of concept and generating valuable customer insight.

17.9 During 2016 and 2017 the business developed products and services that were taken to market and refined accordingly with customer feedback. Unfortunately, it has been unable to date to scale the activity in accordance with initial targets.

17.10 At the Cabinet meeting on 9th January 2018, it was recommended that the company be moved into a state of dormancy and transfer assets and appropriate Intellectual Property such as brands, website etc back to AVDC as the Shareholder.

17.11. The Council will continue to develop its commercial endeavours to address budget pressures over coming years but should recognise that not every venture is guaranteed to succeed and so varying degrees of success and failure should be expected and risk managed accordingly.

17.12 The draft budget proposals indicated that £50,000 would be made available from reserves in 2018/19. The final budget proposals indicate that this potential funding will be earmarked for ideas generation and development of future commercial activities for the Council.

17.13 Members will be aware of the sale of AVB. The sale receipt, net of residual costs, will be returned to the NHB pot ring-fenced for the delivery of high speed broadband and then can potentially be reused for further Broadband schemes within the Vale. As such, its sale will have no direct impact on the revenue budget.

17.14 At this stage of the MTFP, contributions from new operations in later years are still incremental and not considered sufficiently certain to build into future year's planning.

18 Implications for Council Tax Strategy

18.1 The Budget Proposals proposed by Cabinet recommended increasing Council Tax by the assumed maximum expected amount of £5.00 (3.48%).

18.2 The finance settlement gives councils the ability to increase their Core Council Tax requirement by an additional 1% without the need for a local referendum.

18.3 Therefore, for District councils, the maximum increase is now changed to 2.99% or £5, whichever is the greatest.

18.4 The Finance Settlement confirmed the Council's ability to increase its Tax by this amount and so, for the reasons justified by Cabinet in December (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 is proposed that this maximum increase be implemented from 1 April 2018.

18.5 A Council Tax increase of £5.00 would generate £362,400 per annum and would represent an increase equivalent to 10 pence per week at Band D and will increase the Band D Council Tax for Aylesbury Vale District Council to £149.06.

18.6 In the finance settlement announcement, Government also confirmed they intend to defer the setting of referendum principles for town and parish councils for 3 years.

18.7 It is important to note that in allocating grant reductions in the 4-year settlement, the Government has assumed that each qualifying council will take maximum advantage of this additional council tax increase threshold and has reduced grant by an additional amount equivalent to the extra Council Tax it expects councils to generate. Implicit within this, is a Government assumption that more of the burden of funding council services will be transferred to the taxpayer.

18..8 Any council not wishing to pass this on to the taxpayer will consequently be worse off, as the Government will have reduced their Grant, assuming that they had.

18.9 Given this, the budget proposal includes the assumed maximum £5 increase in order to ensure that the Council is no worse off than the Government assumed.

18.10 Since the Government's austerity programme began, the reduction in Government Grant support has been equal to £114 per resident.

18.11 Against this backdrop, it would be unreasonable for residents to continue to expect to receive the same services without something changing, such as the level of tax paid or the ability of the Council to generate new income through other means.

19 Council Tax Collection Rates

19.1 The MTFP also reflects the finances arising from collection of Council Tax. For the purposes of planning, collection rates are assumed at 98.5%.

19.2 In reality, collection rates can vary, either above the 98.5% or below with the former resulting in a collection fund surplus and the latter a deficit.

19.3 In recent years the Council has experienced a very gentle decline in actual collection rates. It is difficult to attribute this reduction to any specific event, but it is considered that it is a reflection of wider economic factors.

19.4 An allowance has been made in the MTFP for a reduction in the collection rates and a lower surplus as a consequence.

20 Medium Term Financial Plan (2018/19 and After)

20.1 Whilst some of the uncertainty surrounding the Government Settlement and the future of News Homes Bonus has now diminished following the publication of the draft Settlement in December, there are still multiple uncertainties and risk factors which will need to be managed beyond 2020.

20.2 The single biggest issue that is likely to remain is the ongoing and severe impact of the reductions in Government Grant and how public-sector austerity continues to impact upon local government, as a whole, and the demands of the communities it serves and the services it provides.

20.3 The reality of continued public-sector austerity through this Parliamentary term has been confirmed within the 4 Year Funding Settlement. Further, the Chancellor announced within his Autumn Statement that he expects the austerity agenda to continue into the next Parliamentary term, thereby potentially spanning 6 further years from now.

20.4 Brexit is also likely to feature as a budget planning issue within the life of this MTFP but the impacts, positive or negative, are likely to be far reaching and much harder to predict at this stage. No direct financial implications of the change have been incorporated into the current MTFP.

20.5 The implications for the Council will be wide ranging with likely impacts on value of the pound and spending power, possible impact on local business and business rates and impacts on the availability of workforce.

20.6 During the period of the MTFP, a decision on unitary may be made. The current financial modelling to 2022/23 does not include any financial provision relating to outcomes arising from any future decisions.

20.7 Any developments and costs relating to HS2 during the period of the MTFP are assumed to be cost neutral to the Council with all costs being reimbursed by developers.

20.8 The Council Strategy around commercialism and efficiency is considered to remain the right strategy to deal with the financial challenges facing the Council, although work needs to continue around commercialism to identify the right governance, solutions and risk profiles.

20.9 The key elements of the budget strategy are: commercially minded, financially fit, customer and innovation and commercially focused. This is consistent with the "Connected Vision" of the organisation.

20.10 Connected Vision aims to clarify the framework from which the Council vision can be delivered. This will ensure the Organisation is aligned in its organisational objectives as well as being clear to its customers why it is developing the way it is.

21 Special Expenses

21.1 Special Expenses are those services provided by the District Council which might be provided by a parish council. As such these services are charged as a special charge only to the residents who live in the area to which the services relate.

21.2 The budgets for Special Expenses have been reviewed as part of the normal budget development process to ensure that costs are correctly allocated.

21.3 Therefore, it is recommended that in 2018/19 the equivalent Band D charge is again frozen at the current level of £45.

21.4 The Special Expense Budget is set out within Appendix F.

21.5 Finance and Services Scrutiny requested that the transfer of assets held within the Special Expense again be reconsidered and Cabinet agreed at is meeting of 9 January 2018 to receive further information on the subject.

22 Budget Management

22.1 The MTFP and the proposed budget set the Plan against which budget monitoring will be reviewed during the financial year 2018-19.

22.2 As with the current year and previous years, the financial environment will be challenging. The focus of the Council must be to deliver the plan as set out in this paper.

22.3 In managing budgets, budget holders will need to manage any in-year pressure including in built staff savings to be managed through e.g. turnover.

22.4 The level of savings realised will be monitored on a regular basis and any variance to plan escalated, with alternative plans being sought if necessary.

22.5 The last few years have been a time of transition as staff changes have been made in line with the cultural change environment. Having largely completed this, 2018/19 represents a time for consolidation as revised staffing establishments will be in place. The dependency on high cost agency staff is being targeted to reduce the risk of in–year overspends.

22.6 Escalation processes will be in place to monitor performance in year against the agreed plan.

22.7 Once the 2018/19 plan has been agreed, the key issues and messages will be shared with the organisation. A number of specific messages will be highlighted including:

- Reduce agency spend
- Identify where things could be done more efficiently, and at reduced cost
- Maximise all opportunities to increase income to the Council
- Reduce spend on non-pay items where possible

23 Risk Assessment and Scrutiny on Budget Proposals

23.1 In accordance with good practice, the Council records and considers the significant risks it believes are facing it as an organisation which might hamper, or even prevent it, from delivering its statutory duties or core objectives.

23.2 These risks are captured within its Risk Register together with the actions or mitigating factors which it relies upon to reduce or minimise these risks as far as possible. Cabinet considered the Risk Register in developing these proposals.

23.3 Finance and Services Scrutiny Committee considered the draft Final proposals at its meeting 9th January 2018.

23.4 The Scrutiny made a number of comments but were broadly supportive of the proposals.

23.5 The Finance and Services Scrutiny meeting sought assurance on the savings being presented and the mitigating risks to delivery of services, they requested that the potential in-year cost pressure arising from recycling be considered by the Environment Committee during the financial year and it was noted that an amendment was required to the list of fees and charges for car parking.

23.6 The Finance and Services Scrutiny Committee also recommended to Cabinet that a review of the Special Expenses administration processed be undertaken. This was subsequently accepted by Cabinet at its meeting on 9 January 2018 and plans will be made to address this in 2018/19

23.7 The comments made by Scrutiny were considered and noted by Cabinet in determining their final proposals

24 Options Considered

24.1 These are set out within the budget proposals and have been considered by Finance and Services Scrutiny Committee.

25 Reasons for Recommendations

25.1 The Council is required to set a budget in advance of each financial year as the basis for determination of Council Tax and to be used as a key element of proper financial management of the Council's affairs.

25.2 The Council's Chief Financial Officer is required to submit an advisory statement for all members to take into account when considering the budget proposals.

25.3 Proper financial management and planning should extend beyond the next financial year and agreeing draft budgets for the subsequent four years is good management.

26 Resource Implications

26.1 These are covered within the body of the report.

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APPENDIX A

Report of the Chief Financial Officer on the robustness of the estimates made for the purpose of the budget and tax setting calculations and the adequacy of the proposed financial reserves.

Budget Proposals

I am satisfied that the process employed for identification, evaluation and inclusion of the items forming the budget proposal package has been properly conducted and has arrived at a set of robust estimates.

In arriving at this opinion I have taken due account of the following matters:

1. Budget Process

   a) Budget planning has been undertaken over an appropriate period of time and has allowed full understanding of the issues in an operational and financial context.
   b) Every effort has been made to include all Members in the financial planning process through the circulation of reports and associated information. Finance and Services Scrutiny has been invited to comment on initial proposals put forward for consideration by Cabinet and separately have had the opportunity to review the process for identifying savings. In addition, two Members' seminars dealing with budget planning issues were held. The views expressed during the scrutiny process have been fully considered by Cabinet.
   c) Where material changes are proposed to service delivery in 2018/19, these have been presented in separate reports, have been subjected to scrutiny, where required, and the views of those impacted by those savings proposal have been taken into account.
   d) Consideration has been given to corporate priorities, residents' views and the Council's Risk Register in formulating the budget proposals
   e) The budget formulation process at officer level has been subject to on-going review which has tested the validity of pressures and deliverability of savings options in order to ensure that Members have been made aware of all aspects and implications of actions when formulating the budget proposals.
   f) As in recent years, most savings included within the budget proposals have already been delivered as part of ongoing efficiency work and organisational reviews thereby minimising the necessity for scrutiny during the budget development process.

2. Key Assumptions

   In formulating budget proposals it is necessary to make certain key assumptions; these are as follows:

   a) Government Grant - In theory, with 4 year Government Grant settlements now in place, much of the assumptions and uncertainty surrounding potential future loss of Grant is removed. However, key elements of the former Grant regime remain subject to an annual consultation process and the outcomes of these could have significant impact on budget planning. The numbers used in budget planning are the indicative allocations supplied within the draft Finance Settlement published in December 2017. Beyond 2019/20 the Government needs to determine a new funding mechanism and this creates inherent uncertainty in the later years of the MTFP.
   b) Income from Business Rate Retention – The new Government Grant system introduced from the 1st April 2013 links councils' finances in part to the success of local businesses. Councils are likely to gain from a proportion of real business rate growth and lose a proportion of income associated with business rate losses. The

value derived by the Council from this system remains highly volatile and difficult to predict with any certainty as factors such as national policy changes, the revaluation of all Business Rates payable from the 1st April 2017, Business Rates Pooling, local economic performance and the ongoing issue of outstanding appeals all weigh heavily on the numbers retained. The Council has provided against large reductions in respect of these appeals and the key budgetary assumption is that the actual settlements will be within the sums provided. Appeals aside, the budget proposal takes a balanced view on the prospects for growth versus the risk of losses and assumes there is no new gain over that already built into the 2017/18 budget. To mitigate the risk of variations against the central assumption, an Equalisation Reserve has been established in order to manage the risk.

c) Pay and Prices – the proposals include provision for inflation, this being the summary of a set of detailed individual calculations and assumptions. A figure has been built into the budget for pay, based upon the 2 year offer accepted by staff last year.

d) The proposals reflect the best assessments of expected changes in demand caused by normal events.

e) Fees and Charges – as part of the budget development process, Cabinet considered a consolidated list of proposed changes to the Council's fees and charges. Whilst it is intended to review all fees annually at the same time, the level of individual fees will be further reviewed should the impact of any legislative change make this necessary.

f) Council Tax Base and Collection Rate – the assumption of growth in the tax base reflects the long term average. The collection yield for Council Tax remains unchanged at 98.5%. Collection performance has shown a gradual reduction following the introduction of Localised Council Tax Support and so continues to be closely monitored in order to assess the ongoing impact.

g) Interest on Investments – the outlook for interest rates remains depressed. The best estimate is that they will remain low for the immediate budgetary period but now with a gradually increasing trend. An assumption of probable interest rate yields has been made on this basis. The interest equalisation account is maintained in order to stabilise the sums available to the General Fund but this has been drawn upon heavily over the past few years because of the longer than expected suppression of Base Rates. This budget places no significant reliance on Interest Equalisation and the MTFP includes an amount which is consistent with likely receipts over that timeframe. The cash flow implications of the Capital Programme have been taken into account in calculating the interest earnings available for budget planning.

h) Contingency Budgets – the financial pressures facing the Council requires budget planning to progress on the basis of absorbing cost pressures through efficiencies and savings. A contingency provision allows for some flexibility in the timing of the delivery of these. The consolidation of contingency budget allows for sums to be released by bringing contingency provisions held within individual services into a central pot and thereby reducing the overall provision held.

i) New Homes Bonus Scheme – the draft Finance Settlement has clarified the Government's position on New Homes Bonus. The Government appears committed to the continuation of the Bonus, but with reduced sums payable for housing growth. This represents a reduction to the sums derived from the original scheme, but indicative amounts are still greater than the reductions feared arising from the Government review. The Government has signalled that it does not intend to introduce penalties within this regime for poor Planning performance in the forthcoming year. As the budget proposals only rely on a small proportion of the Bonus payment, the introduction of any potential penalties are considered a factor but not a risk.

j) Revenue Implications of Capital Schemes - The revenue implications of those capital investments approved by Council have been reflected in the budget based around central case assumptions.

k) BREXIT – The budget development process acknowledged the considerable uncertainty around the impacts of leaving the EU. The conclusion was that most impacts would be indirect, for example higher prices from currency instability, workforce supply issues and the impact on Business Rates income. No specific amount has therefore been included to allow for this issue, but it has been a consideration in the calculation of individual assumptions, i.e. inflation, unallocated working balances, etc.

l) Any decision around the future shape of local government in Buckinghamshire has been disregarded for the purposes of formulating the Medium Term Financial Plan. If a decision is made on the future of Buckinghamshire then this will necessitate a revision to all of the Council's plans and any budgetary strategy revision will be considered as part of this.

3. Monitoring

3.1 The performance against budget for 2017-18 has been monitored throughout the year. The latest outturn assessment (a predicted overspend of nearly £496,000 after the application of reserves), is mainly as a result of the restructuring exercise carried out in year. This has been reflected in budget planning when estimating the level of balances available for 2018-19 and subsequent years.

3.2 The majority of the volatility and pressure within the budgetary position has been masked by underspends resulting from the early delivery of significant budget savings for 2018/19. Efforts continue to reduce the in-year overspending, where possible, without impacting service delivery.

3.3 The radical restructuring was central to creating an organisation which is financially fit for the future and it was acknowledged that the full cost of the exercise could not be accurately assessed ahead of the exercise without prejudicing either its outcomes or its fairness. It was, however, anticipated that it would have a net cost to balances which would be recouped from a reduced cost base in subsequent years. The Council held higher Working Balances in anticipation of this. The delivery of a balanced budget has validated the financial objectives of this exercise.

3.4 The budgetary pressure facing the Council is widely understood and budget holders and managers are working hard towards delivering savings through efficiency and slimmer structures. The umbrella name for this initiative is Commercial AVDC and this is a wider, whole Authority, change programme which includes Connected Knowledge.

3.5 The Council undertakes regular monitoring and reports to members and officers.

4. Financial Risks in the Budget Proposals

4.1 The budget always contains areas of uncertainty and whilst every effort is made to understand, recognise and manage risk adequate financial provisions are held in the event they cannot be contained. This provision is in the form of Revenue Balances.

4.2 To understand the high level and operational risks faced by the organisation the Council maintains a Risk Register. The Risk Register is reviewed regularly by Officers, Cabinet and through presentation to Audit Committee for oversight and challenge.

4.3 The Council has been presented with a balanced budget proposal for 2018/19 and much of the MTFP, but despite this, the financial risks remaining are still significant.

Government Grants

4.4 The financial pressure created by the ongoing reductions in Grant represents the greatest and most profound financial challenge faced by the Council since its creation and how it reacts will shape the organisation, its services and the way in which it provides them for many years to come.

4.5 The Government had committed to reducing public sector spending beyond the end of the current spending review period ending in 2019/20. Whilst each council's funding reduction is now contained within the 4 year Government Grant settlement, the MTFP extends beyond this timeframe and so the central planning assumption is that further reductions in funding will continue at least at the same rate.

4.6 Beyond this, the Government is committed to a Fair Funding Review which will determine each council's relative entitlement to Grant support. It is not expected that there will be any new resources arising from this review and hard to predict where the existing, diminishing, resources will be prioritised. However, it is expected that this Council will not gain from the review and may lose further resources.

4.7 The risk to the budget proposal continues to be whether the Council can make the decisions necessary to balance the budget with considerably fewer resources than at present and whether it can continue to provide statutory provision to residents in the face of this reduction.

4.8 However, having now completed the radical organisational review of 2017 and being able to now understand the extent to which this contributes towards the MTFP challenge, it is fair to say that the Council is in a relatively good place compared to many other comparable organisations facing the same challenges.

4.9 The Council's strategy of planning for and delivering transformational review ahead of the expected budgetary pressures over the past 8 budget cycles has proven to be central in achieving this. Further, the ongoing programme of activities, including Connected Knowledge, provides reassurance that there is continued ambition and opportunities to achieve ongoing savings over the remainder of the MFTP and beyond.

4.10 It is essential to the Medium Term Financial Plan, and the Council's desire to protect those core services valued by the residents, that the Commercial AVDC approach (being the entirety of all of its transformational strands) works. To ensure this the Council has prioritised and invested in this initiative appropriately.

4.11 Having higher working balances at the Council's disposal provides a cushion to enable it to manage the process of reducing the size of the budget, but balances should only be used where there is sufficient confidence that the change programme will be successful.

4.12 The organisational changes exercise used, in part, some of the excess balances the Council was holding. However, with the exercise complete and the MTFP essentially balanced, the requirement to hold higher levels of working balances has reduced and a more appropriate lower level has been included within the budget proposals.

Business Rate Retention

4.13 The system of Business Rates has always proved to be an unpredictable and uncertain element of the Grant system. However, the Vale is a growing area, and so generally welcomes the opportunity to benefit from business rate growth.

4.14 As part of the Finance Settlement announced in December 2018, the Government has announced that it intends to extend the Growth Retention element of the Business Rates system, linked in part to the Fair Funding review discussed above. We will watch and participate in the development of these proposals accordingly. However, whilst there are undoubtedly business rate growth opportunities within the Vale, the wider national economic position and unequal weighting of appeals within the system will continue to present significant risks. Overlaying this is the potential impact on the economy of BREXIT and the unknown implications for Business Rate income.

4.15 The establishment of an Appeals Provision and the Business Rate Equalisation Reserve means that the Council can continue to manage its exposure to the risks inherent within this system and should provide short term financial security against them.

4.16 The Council's decision to participate in a Business Rate Pool increases the Council's exposure risk to business rates losses, as it now shares in the losses of the wider Pool membership. However, similarly, it benefits from upside gains. The Pool's performance is being closely monitored and the respective Chief Financial Officers are content, for now, that it is producing benefit which warrants continued membership.

New Homes Bonus

4.17 The Council will receive £6.3 million of New Homes Bonus in 2018/19. This again makes its award the largest for any district in England and reflects the fact that it has witnessed more housing growth than other districts over the past 4 years.

4.18 The Government consulted on sharpening the Bonus; partly to use it as a tool to deliver its housing growth aspirations, but mainly to redirect some of the resources towards Adult Social Care. Under sustained lobbying the Government chose not to implement the proposals for 2018/19.

4.19 In recognition of the belief that the New Homes Bonus's future was uncertain, the Council decided to continue with its policy where only a relatively small amount of the Bonus, judged to be equal to Grant loss associated with the introduction of NHB, was taken into its revenue budget. This reduced the Council's risk exposure significantly, should the Government decide to remove the Bonus completely.

4.20 There remains an ongoing risk that the Government will revisit its proposed 'sharpening' proposals and that the Bonus may be reduced further in future years or potentially completely. For this reason a higher dependency on the Bonus has not been advocated.

Interest Rate and Capital Investment Decisions

4.21 The Council has largely ended its recent reliance on the Interest Equalisation Reserve as part of this budget proposal. Therefore, whilst low interest rates are considered to be unfavourable for the Council, any budgetary risk associated with them has now, essentially, been removed.

4.22 The future direction for interest rates now seems to be a gradually increasing landscape and as a net investor this is considered beneficial. Any borrowing risks arising from interest rates increasing will be managed through the Treasury Management Strategy.

4.23 The Minimum Revenue provision (MRP) charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as provision for this debt.

4.24 Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

4.25 The Government has launched Consultation on current Minimum Revenue Guidance (MRP), suggesting four key changes to the current MRP Guidance. These are definition of Prudent Provision, Meaning of a charge to the revenue account, the impact of changing methods of calculation MRP and introduction of a maximum economic life of assets.

4.26 As a result the government proposes to update the guidance as part of the more general update of the statutory codes comprising the prudential framework.

4.27 The outcome of the Consultation will need to be modelled once known and the impact on the Council budget assessed for 2018-19 and future years.

4.28 It is anticipated that the revised guidance will come into force on or after 1 April 2018.

Demand Growth

4.29 Housing growth within the Vale is a constant pressure on finances. In practice, cost pressures do not increase uniformly. Instead, these tend to step up when certain threshold points are hit. Provision have been made in this year's budget proposal for growth in the Waste service associated with housing growth and this budget allows for the capital repayment costs associated with the depot expansion project which was also necessitated, largely, due to housing growth.

Balances

4.30 In formulating this budget, the recommended level of General Fund revenue balance has been reduced to £2.0 million. This level of reserve has been determined following the completion of the annual review exercise to update the budget risk register and the resolution of key risk elements identified last year.

4.31 Balances above this level will be useful in delivering change and it is these that continue to give the confidence to say that the budget proposal is robust.

4.32 The Government and the media remain focused, on what they perceive to be, the issue of councils hoarding balances. There remains a risk that the Government may try to raid what it perceives to be excess balances. However, it is considered that the Government would find it difficult to do this because of the complexity of local situations and circumstances, but it is possible that the Government may try to further influence councils to reduce balances.

4.33 Because of their ‘one-off’ nature they cannot be used as a substitute for either a savings or council tax strategy, but they are entirely appropriate for upfront and one off investment initiatives. This represents a sensible and appropriate use of excess balances.

5. Reserves and Provisions

5.1 The Council maintains a range of funds for specific purposes. These receive contributions from revenue and are used to defray expenditure, often on an irregular basis. This represents a prudent and essential part of financial planning and probity.

5.2 A review of the adequacy of reserves is carried out annually at an officer level (the results of which are reported to the Cabinet member) and bi-annually involving the Cabinet member.

5.3 At a headline level, Reserves are increasing and this is being blurred by the media into the Government debate on the level of balances.

5.4 It should be stated that the overall position is distorted through the holding of committed allocations in the New Homes Bonus and Commuted Sums reserves. If these are discounted then the overall position on the Council’s reserves is either static or reducing. They are considered adequate in the majority of instances.

5.5 Balances are invested and provide valuable income for the benefit of taxpayers and the revenue budget via investment interest.

6. Council Tax

6.1 The Government is actively encouraging councils to increase Council Tax by the maximum permissible, within the limits imposed by its wider national Council Tax strategy.

6.2 In response to a rise in inflation the Government increased the referendum threshold to 3% or £5 (whichever is the greater). The maximum increase threshold and the benefit derived from such an increase is still considerably less than the impact created by Grant reduction and growth pressures.

6.3 The gap must therefore be filled by the Council through its strategic approach (Commercial AVDC) to balancing the Medium Term Financial Plan. The Council’s continued provision of core statutory services is fundamentally dependent upon the success of this strategy.

6.4 Council Tax increases are not the solution in themselves, because they simply cannot match the scale of grant reduction, but still do have an important part to play in at least mitigating some of the impacts of inflation and Grant loss.

7. Medium Term Financial Strategy

7.1 Considerable effort at Member and officer level has been directed at establishing a budget framework that covers future years and that marries the need to identify efficiency savings and new income streams with corporate priorities. This work has delivered a balanced budget proposal for 2018/19 and a balanced MTFP up to 2021/22.

7.2 Beyond 2018/19 there is now greater certainty on the scale of the challenge and a clear strategy exists for dealing with it. However, given the debate around local government structures, the future of local government funding, BREXIT and the extent of growth within the Vale the financial future for Aylesbury Vale remains as complex as ever.

7.3 The one issue which is not disputed is that continued Government savings will need to be made and that local government, as a whole, will continue to bear the brunt of these.

7.4 Historically, in facing uncertainty, this Council has always faced up to its financial challenges and created bold and innovative solutions. These are not without risks, and the Council's risk appetite has needed to change and expand in the face of the greater challenges facing the sector. I believe against the backdrop of preserving core services this strategy is both warranted and justified, accepting that not all initiatives will succeed.

7.5 The Council's assumptions around negative grant have been proved true and therefore, the Council's strategy thus far has been vindicated. Having the confidence that its projections were correct, it is therefore now imperative that the Council continues to stay focused on balancing its budget, as per the financial plan, and considers the difficult decisions, or investment opportunities, that will need to be taken.

7.6 As highlighted within this report, this will continue to require significant business transformation and a radical rethinking about what services the Council provides and the way in which they are provided. It is evident, via the Commercial AVDC programme, that considerable importance is being attached to this at both member and senior officer level.

7.7 General Fund revenue reserves and balances have been determined with full consideration of the risks identified within this report. They are, therefore, deemed to represent a sufficient level of provision against the potential financial risk inherent within the Medium Term Financial Plan, provided the Council stays focused on delivering its targets.

Given the actions taken and the level of reserves and balances, I am of the opinion that the budget proposals for the General Fund have been properly prepared and are realistic in the assumptions made. The proposals have been arrived at after taking appropriate officer advice and have the ownership of the Cabinet.

Andrew Small
Director
January 2018

APPENDIX B1

Medium Term Financial Plan – 2018/19 to 2022/23

Classification	2017/18 Base	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£	£
Civic Amenities	740,400					
Commercialisation & Business Transformati	971,100					
Communities	3,430,400					
Economic Development & Regeneration	(1,447,300)					
Environment & Waste	6,297,800					
Growth Strategy	885,000					
Leader	3,339,000					
Resources, Governance & Compliance	3,308,700					
Plus: Inflation and known Savings / Growth	0	(26,600)	166,700	(345,500)	234,300	955,000
Less: Unidentified Savings Still Required	0	0	0	0	0	(1,006,800)
Service Spend Total	17,525,100	17,498,500	17,665,200	17,319,700	17,554,000	17,502,200
Contingency Items	104,900	104,900	104,900	104,900	104,900	104,900
Financing & Asset Charges	(1,048,800)	(1,048,800)	(1,048,800)	(1,048,800)	(1,048,800)	(1,048,800)
Transfer to Reserves	713,400	713,400	713,400	713,400	713,400	713,400
Transfer from Reserves	(357,000)	(357,000)	(357,000)	(357,000)	(357,000)	(357,000)
Net Transfers to Reserves	356,400	356,400	356,400	356,400	356,400	356,400
Investment Interest	(165,000)	(330,000)	(364,100)	(364,100)	(404,900)	(404,900)
Interest on Long Term Borrowing	2,655,500	2,447,300	2,429,800	2,421,500	2,412,800	2,404,100
AVE Receivables	(2,136,000)	(2,053,900)	(1,971,800)	(1,929,500)	(1,885,600)	(1,839,800)
Contribution to/(Use of) Balances	0	240,000	0	278,800	25,400	25,400
Less: Special Expenses	(866,100)	(864,700)	(886,300)	(908,500)	(931,200)	(954,500)
New Homes Bonus	(1,178,000)	(1,178,000)	(1,178,000)	(1,178,000)	(1,178,000)	(1,178,000)
Retained Business Rate Growth	(476,700)	(476,700)	(476,700)	(476,700)	(476,700)	(476,700)
Funding Requirement	14,771,300	14,695,000	14,630,600	14,575,700	14,528,300	14,490,300
Funded By:						
Government Grant	(4,300,000)	(3,826,500)	(3,288,400)	(2,750,300)	(2,212,200)	(1,674,100)
Collection Fund Transfer	(228,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)
AVDC Council Tax	10,243,300	10,807,500	11,281,200	11,764,400	12,255,100	12,755,200
Council Tax Base	71,106	72,507	73,232	73,964	74,704	75,451
Council Tax	**£ 144.06**	**£ 149.06**	**£ 154.05**	**£ 159.05**	**£ 164.05**	**£ 169.05**
Percentage Increase	3.59%	3.48%	3.34%	3.25%	3.14%	3.05%

APPENDIX B2

Medium Term Financial Plan – 2018/19 to 2022/23

SUMMARY OF CHANGES

Classification	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£	£
Plus:						
Unavoidable Pressure		1,655,000	200,000	0	0	0
Inflation, Pay and Increments		676,000	786,000	805,000	928,000	955,000
Major Projects		275,000	275,000	(57,900)	(57,900)	0
Total	0	2,606,000	1,261,000	747,100	870,100	955,000
Less:						
New Income and Efficiency Proposals		(2,632,600)	(1,094,300)	(1,092,600)	(635,800)	0
Major Projects						
Total	0	(2,632,600)	(1,094,300)	(1,092,600)	(635,800)	0
Total Budgetary Pressure & Efficiencies Identified	**0**	**(26,600)**	**166,700**	**(345,500)**	**234,300**	**955,000**
Change in Available Resources						
(Increase)/Decrease in Investment Interest		(165,000)	(34,100)	0	(40,800)	0
Decrease in Contribution From Reserves		0				
Decrease in Capital Financing		0				
Decrease in Borrowing Costs		(208,200)	(17,500)	(8,300)	(8,700)	(8,700)
Decrease in AVE Interest Payment		82,100	82,100	42,300	43,900	45,800
Increase in AVE Dividends		0	0	0	0	0
Decrease/(Increase) in Use of Balances		240,000	(240,000)	278,800	(253,400)	0
Decrease in Contingency Provision		0	0	0	0	0
Decrease in Collection Fund Surplus		167,000	0	0	0	0
Lower Government Grant - RSG		473,500	538,100	538,100	538,100	538,100
Lower Government Grant - NNDR		0	0	0	0	0
Tax Base Growth		(201,800)	(108,100)	(112,800)	(117,600)	(122,600)
Additional Council Tax		(362,400)	(365,600)	(370,400)	(373,100)	(377,500)
Decrease/(Increase) in Special Expenses		1,400	(21,600)	(22,200)	(22,700)	(23,300)
Total Decrease/(Increase) in Resources	**0**	**26,600**	**(166,700)**	**345,500**	**(234,300)**	**51,800**
Savings (Required)/Achieved	**0**	**0**	**0**	**0**	**0**	**(1,006,800)**
Net Change in Resources	**0**	**0**	**0**	**0**	**0**	**0**

Budget Pressures Identified in 2018/19 Budget Planning **APPENDIX C**

Service Area	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Proposal
Waste Services		560,000				Loan Repayment for Vehicle Leases - 7 Years
Waste Services		200,000				Round Review & Staff Contract Renegotiations
Waste Services		350,000	200,000			UPM Contract - Recycling Credits
Strategic Finance		70,000				Strategic Finance Review - Corporate Accountant
Parking Strategy		150,000				Exchange St - Loss Of Income - Exchange Street North Development
M&E Contract		150,000				M&E Contract Renewal
Legal Services		75,000				Funding Requirement for Lawyer Specialist Projects
Connected Knowledge		100,000				Additional costs associated with GDPR
		1,655,000	**200,000**			

Budget Savings Identified in 2018/19 Budget Planning **APPENDIX D**

Service Area	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Proposal
Green Spaces	46,700	0	0	0		Delete post of Green Spaces Officer (Bio-Div)
Development Management	250,000	150,000	125,000	0	82,900	Increase estimate of income received through volume of planning applications received. Removal of DM Reserve 21/22
Operational Parking	55,400	0	0	0		Reduction In Various Running Expenses and part removal of post
Operational Housing	52,700	0	0	0		Removal of posts
Building Control	37,300	0	0	0		Delete post of Engineering Technician
Revenues & Benefits	130,700	0	0	0		Delete post of System Supervisors & Project Officer
Staying Put	200,000	0	0	0		Amend AVDC funding structure to a "contingency fund" arrangement
Refuse	85,900	0	0	0		Delete 3 vacant Driver posts
Shop Mobility	24,200	0	0	0		Delete post of Admin/Support Officer
Admin Review	48,400	0	0	0		Delete two further posts of Admin/Support officer
Open Spaces	0	0	23,400	0		Delete 0.5 post of Green Spaces Officer (Trees)
Contact Review	98,700	98,700	30,100	0		Staff review and deletion of no of posts
CF overall	132,600	73,500	53,200	240,000		Rolling programme of CF staff changes
Benefits - Universal Credit			30,100	60,200		Delete 3 SG2 Posts
Casework Review		210,400				Removal of number of posts
Waste Services	99,000	20,000	20,000	25,000		Increase Garden Waste Charge
Commercial Services		150,000				PPA & BC Fees - Business Opportunities & Fees Increase
Commercial Services		250,000	150,000	150,000	43,900	Garden & Commercial Waste - Service Reviews
Waste Services		864,000				Removal Of Vehicle Leasing Budgets - Now Purchased
Data Security	25,700		0	0		removal of substantive CCP Post
Finance Services	56,000					2% surcharge on credit card transactions. Debit cards not included.
Commercial Solutions		100,000				Commercial & Business Strategy Income Streams
Contract Management		100,000	100,000	100,000	100,000	contract management procurement and delivery efficiencies 18-19 - Insurance Reduction
Housing Strategy	60,000	7,500				Preferred Development Partner
Communities	301,600	35,000				Review of staff budgets and non pay expenditure
Strategy & Partnership		50,000				Reduction In Employee Costs Following Review
Democratic Services				54,900	25,000	Removal of Democratic Service Manager Post
Forward Plans		103,500			164,000	Reduction In Employee Costs Following Review and removal of FP reserve in 21/22
Economic Development		50,000				Reduction In Employee Costs Following Review
Payroll	38,300					Removal of posts
Rating & Recovery		50,000	50,000	50,000	50,000	Enforcement Recovery - Local Authority Training, Cost Income
Sale of Transactional Services			20,000	20,000	20,000	Sale of Payroll, Finance, (Any Transactional Service)
Finance, Recoveries & HR			37,500	37,500		Reduction Of 2 Posts - Different Grades - Increasing Efficient Processes & Automation
Legal Services		100,000				Reduction In HB Law Contract Hours
IT Team		50,000	50,000			Removal Of Roles - Different Grades - Increasing Efficient Processes & Automation
Waterside Theatre	108,500	55,000	25,000	25,000		ATG Contract Review - Reduction Management Fee
Offices	20,000	0	30,000	30,000		Conference Centre Lettings - Increase To Current Income Stream & Review Future Charges
Properties	50,000	80,000				Service Charges For Waitrose & Travelodge - Increase To Charge Level
Strategic Parking					50,000	Gateway Parking - P&D Income One Level
Properties	67,000		100,000	200,000	50,000	Review of Visitor Centre/ Exchange North - Potential Rental Income
Rentals and service charges	171,300					Increase income generation
Residential Assets Management Income		35,000	50,000	50,000	50,000	
Crematorium			150,000			Partner Dividend
M&E Contract			50,000	50,000		Reduction In Reactive Maintenance
Leadership Review	40,000					Net saving in Post reduction
Total	**2,200,000**	**2,632,600**	**1,094,300**	**1,092,600**	**635,800**	

Budget Proposals – 2018/19 to 2022/23 **APPENDIX E**

General Fund Revenue Balances

Classification	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£	£
Balance Brought Forward	2,873,000	1,924,000	2,114,000	2,114,000	2,392,800	2,418,200
Windfall Gains & Special Applications of Balances						
- HS2	(2,000)	0	0	0	0	0
- Website and E-Commerce Programme	0	0	0	0	0	0
- Commercial AVDC Change Project	(450,000)	0	0	0	0	0
- Commercial Activities	0	(50,000)	0	0	0	0
Restated Balance Position	2,421,000	1,874,000	2,114,000	2,114,000	2,392,800	2,418,200
Forecast (Overspend)/Underspend Assumption	(497,000)	0	0	0	0	0
Planned Addition to/(Use of) Balances	0	240,000	0	278,800	25,400	25,400
Net (Use of)/Contribution to Balances	(497,000)	240,000	0	278,800	25,400	25,400
Balance Carried Forward	1,924,000	2,114,000	2,114,000	2,392,800	2,418,200	2,443,600

Aylesbury Town Special Expenses

APPENDIX F

	2016/17 Actual £	2017/18 Original Budget £	2017/18 Forecast £	2018/19 Estimate Budget £
Aylesbury Market	16,814	(1,800)	4,200	(400)
Parks and Recreation Grounds				
Parks Administration	162,514	236,800	265,900	238,100
Alfred Rose Park	34,186	41,500	41,500	42,400
Bedgrove Park	54,649	63,200	63,200	64,700
Edinburgh Playing Fields	43,855	50,500	50,500	51,500
Meadowcroft Playing Fields	43,153	65,800	65,800	67,000
Vale Ground	27,293	15,200	15,200	15,900
Walton Court Sports Ground	28,741	44,500	44,500	45,300
Fairford Leys Sports Ground	60,381	83,700	83,700	85,200
	454,772	601,200	630,300	610,100
Community Centres				
Management	73,859	74,200	74,800	75,200
Bedgrove	71,407	54,500	45,800	55,600
Southcourt	55,940	46,900	40,300	48,400
Alfred Rose	52,692	49,400	49,800	50,400
Prebendal Farm	51,780	41,600	42,000	42,400
Quarrendon & Meadowcroft	76,206	60,000	60,000	60,200
Elmhurst	6,316	-	-	-
Haydon Hill	6,536	14,600	14,600	14,600
	394,735	341,200	327,300	346,800
Asset Rental Adjustment	(96,063)	(72,300)	(72,300)	(91,800)
Total Net Expenditure	770,258	868,300	889,500	864,700
General Reserve				
Balance Brought Forward	(504,347)	(453,801)	(552,189)	(493,389)
Expenditure in Year	770,258	868,300	889,500	864,700
Precept - Band D	(815,500)	(828,100)	(828,100)	(839,400)
Balance Carried Forward	(549,589)	(413,601)	(490,789)	(468,089)
Interest on Balances	(2,600)	(2,200)	(2,600)	(2,400)
Balance Carried Forward	**(552,189)**	**(415,801)**	**(493,389)**	**(470,489)**
Precept - Band D	£45.00	£45.00	£45.00	£45.00
Tax Base	18,122.50	18,403.02	18,403.02	18,653.03