FINANCE AND SERVICES SCRUTINY COMMITTEE

1 DECEMBER 2016

PRESENT: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), C Adams (in place of A Huxley), J Bloom, A Christensen (in place of M Smith), S Lambert and M Stamp. Councillor Mordue attended also.

APOLOGIES: Councillors J Chilver, B Everitt, E Sims and M Winn.

1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 4 October, 2016, be approved as a correct record.

2. TECHNOLOGY STRATEGY

The Committee received a report and presentation on the Connected Knowledge – Technology Strategy 2017-2022 which set out the vision and strategic aims Aylesbury Vale District Council had for its future use of technology and data.

The document was a robust technology strategy and was designed to be the catalyst for technological innovation and change, propelling the Council into the future. It would provide support and the necessary tools, policies and people, within an environment to help enhance the commercial mind-set and company culture.

The advances we made with our previous five year cloud strategy have created a strong foundation for the next five years. Enabling us to think bigger and more creatively about the challenges and opportunities and how we are best positioned to benefit from them. Primarily we are working to ensure the future happens for us, not to us.

The strategy and its accompanying roadmap set out the necessary detail, the guiding principles and objectives. It contained the key achievements to meet to ensure that critically important and interdependent milestones were managed to completion. These included:

- The creation of the Connected Knowledge platform, a platform data and intelligent systems enabling properly integrated and automated transactions for all customers.

- The introduction of artificial intelligence (AI) and AI powered voice control, which over time would serve increasingly complex customer demands.

- Being 100% cloud software based, it would provide a simplified, lower maintenance Information Communication and Technology (ICT) landscape.

- Providing a more strategic approach to what the Council did, including on services provided, who was worked with and what was purchased.

In year 1, the strategy would aim to move more key systems to cloud based software-as-a-service (SaaS), publish new policies and guidance on the use of ICT at the council, have selected partners for the running of the network and telephony, establish strong governance for the execution of the strategy and roadmap.

In year 2, it was the aim to have; a single payroll, Human Resources (HR) and finance system, phased-out desk based telephony with a more mobile solution, create a data and information hub and our staff were consuming all council systems via an Internet browser instead of being dependant on software installed on their computers. It was also planned to have replaced the current Citrix user computing environment with a lower cost, lower maintenance alternative.

In year 3, the Council would have decommissioned remaining ICT assets in favour of more agile cloud consumption models, used AI and digital voice-control for multiple scenarios, provide commercial services to peers and private sector organisations and considerably reduced the number of software applications used and have successfully integrated the remaining ones.

In year 4 and beyond the aim was to have made home working and remote working the 'new normal' for the majority of staff the majority of the time, become one of the smallest tenants of The Gateway Centre. Staff would deal with high-complexity-high-value demand while AI solutions would meet all other demand. It was also anticipated that other as yet unforeseen opportunities would be created because of the preparatory work done on the better management and exploitation of our data.

The Committee was informed that extensive work had been done with the Council's senior team to understand future direction and requirements, which had helped to shape the full strategy document.

Members expressed concerns on a number of issues that would need to be considered further in finalising the Strategy, including:-

- on occupational and health issues associated with home working and remote working.
- on ensuring there wasn't a loss of collective knowledge caused when teams were disaggregated and people worked from home for the majority of the time.
- that staff should be provided with the equipment they needed to do their job, rather than being required to use their own equipment.
- that the security of data held in the cloud was of utmost importance.
- that the Strategy contained a number of buzz words/phrases that needed to be spelt out in plain English to make the Strategy more understandable.
- that while they were supportive of the strategic approach for Years 1 and 2 of the Strategy, it would be important to ensure that staff and the unions were fully cognisant of the impacts from Years 3 and 4.

Members requested further information and were informed:-

(i) that the Strategy covered 5 years and aimed to provide a direction of travel for the Council and enable people to work properly from home, should they wish. It was acknowledged that a policy on people using their own devices for work would need to be agreed, including covering issues such as using it for work and private use.

(ii) that data security and compliance was of paramount importance to the Council, and no digital aims would be pursued without first gaining assurance of the security controls in place.

(iii) that it would be possible to put together a plainer English summary of the Strategy.

(iv) that while the Council was committed to ensuring that staff were properly trained, it was anticipated that the experience for customers and Councillors accessing

Council services on-line would be as easy as accessing services such as Amazon.

(v) that all Council data would be held in the cloud, which would make dealing with freedom of information requests a relatively straightforward task.

(vi) that the Strategy was aiming to move to simpler solutions in the future, which would include replacing the current Citrix user computing environment with a lower cost, lower maintenance alternative.

RESOLVED –

(1) That the Computer Services Manager be thanked for attending the meeting and explaining the Strategy.

(2) That Cabinet and Council be recommended to consider the concerns and feedback from the Scrutiny Committee in finalising the Connected Knowledge – Technology Strategy 2017-2022 for the future use of technology and data by Aylesbury Vale District Council.

(3) That the Scrutiny Committee would like to receive update reports on the Strategy as it was further developed and implemented.

3. DRAFT BUDGET PROPOSALS FOR 2017/2018

The Committee received a report that had been submitted to Cabinet on 8 November and which set out the high level issues facing the Council in developing budget proposals for 2017/2018 within the context of the Medium Term Financial Plan (MTFP).

The current MTFP for 2017/2018 had been agreed by Council in February, 2016. This had predicted the need to identify £1.6 million of savings in order to balance the budget for 2017/2018, based upon the information available at that time and a set of assumptions around key variables within the budget. These key assumptions would be revisited and reviewed as part of the budget planning process for 2017/2018 and for the four years thereafter, which made up the MTFP period.

Local government and most of the public sector had been managing the consequences of the Government's balancing of the public sector funding equation over the last 6 years, whilst at the same time managing the expectations of Vale residents. With the recent change in Prime Minister and the European Referendum result, there were indications that the Government might soften its stance on austerity. However, it was currently considered unlikely that this would have any material impact on the targets local government had already been set for the period up to 2019/2020.

Whilst the Government worked to determine its position on Brexit and the implications for austerity longer term, there was likely to be a hiatus. The New Chancellor's Autumn Statement on 23 November had again confirmed that the need to reduce Government borrowing was unlikely to diminish significantly in the short term and that the Government would not be deviating from the 4 year spending settlement previously announced.

The tone of the report to Cabinet had primarily focussed around the delivery of savings and new income generating targets identified last year. Members were informed that the budget planning process would follow broadly the same as in previous years and a timetable was submitted.

The on-going work of officers and Cabinet Members under the commercialisation programme to deliver efficiencies, savings and new income again should mean that the process could be condensed. This was achievable because any strategic choices relating to the level or means of service delivery had already been debated and scrutinised throughout the year and therefore, were not required to be agreed as part of the budget planning process.

The commercialisation programme was being delivered as a 4 year programme of co-ordinated works and services reviews and not as 4 separate annual decision making rounds which presented Members with multiple, equally unpalatable choices around service cuts. This minimised the amount of decision making required as part of this annual refresh and update of the MTFP.

Members recalled that last year the Government had offered a multi year financial settlement to those councils who wanted it. Along with the majority of councils across the country, AVDC had opted to accept the offer because of the certainty this afforded. The Council was awaiting a response to its submission.
With some caveats around New Homes Bonus and the impact of the business rate revaluation, due to be effected on 1 April, 2017, the Council would know the level of Government support it could expect to receive in each of the years 2017/2018, 2018/2019 and 2019/2020. Whilst the reductions contained within these numbers still represented a significant challenge, for this, and all councils, it did at least allow the Council to plan ahead. This was preferable compared to the annual, invariably late, announcement from the Government in December which left little or no opportunity to react to unexpected variations. The figures contained within the settlement were as set out below:-

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

The MTFP period, once extended as part of this planning process, would now run beyond 2019/2020 and therefore the end of the current Parliament. The Government had set a target date for balancing its budget, and therefore the end of austerity, as 2019. What the Government's policy might be thereafter, particularly given the uncertainty surrounding Brexit and the softening of the date for balancing the budget, was uncertain. Whilst a long way into the future, some consideration would need to be given to this as part of budget planning.

The Government had announced its intention to review New Homes Bonus (NHB) as part of last year's settlement and had issued a consultation paper seeking views. The Council had responded but the Government had not yet published its conclusions. Consequently it remained uncertain as to whether the scheme would continue into 2017/2018 and if so, to what extent.

Like many councils, AVDC used a proportion of NHB in its revenue budget to replace the grant which the Government had top sliced in order to create the NHB scheme. This amount was equal to £1.178 million, compared to the £8.3 million received in total during 2016/2017.

The Council's use of NHB in its revenue budget had always been deliberately minimised because of concerns over the scheme's longevity. The amount had therefore been limited to that hypothecated as being equal to the grant the Council had lost when the scheme had been created, and therefore the amount it would receive in additional grant if NHB was unwound.

Assuming any changes to the scheme only reduced the amount awarded, then there should be no immediate implications for the MTFP. If the Government decided to end the scheme immediately, what would become crucial would be how it reintroduced the funding released back to local government. No announcement had been hade as part of the Autumn Statement.

From 1 April, 2013, Government grant had been made up of two elements, namely Revenue Support Grant and Retained Business Rates. The system of business rate retention allowed councils to benefit or lose from changes in the amount of business rates collected in their area and thus each council would be incentivised to promote economic expansion. The Council's ability to gain from business rates growth was limited in practice, but it had still generated some gains over the 4 years during which the current system had been in place.

Appeals against the amount of business rates payable continued to present an issue. Thus far, these appeals had been successfully managed through an appeals provision. However, appeals against a number of the largest properties in the Vale were still unresolved and therefore presented a potential risk. The current assumption was that these could be managed within the existing appeals provision but this would need to be kept under review.

All business premises were revalued in a 5 year cycle. The current cycle had been extended to 7 years because of the introduction of the business rates retention system in 2013 and the first review under this system was now due to be implemented on 1 April, 2017.

Whilst the Government managed the impact to ensure that the amount of business rates collected nationally remained the same, there were regional variations and the baseline funding, which all councils received, would need to be adjusted from the numbers in the earlier table so as to ensure that individual councils were not adversely affected by the introduction of the revaluation data. The Government was currently consulting on its proposed mechanism for doing this.

In 2016/2017, AVDC had entered into a business rates pooling arrangement with Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council. This arrangement, if successful, would allow these authorities to retain a greater proportion of business rates growth by reducing the amount that the Government would ordinarily capture.

Thus far the arrangement appeared to be working successfully but because of the inherent volatility caused largely by appeals, whether the current gains would continue to the year end remained difficult to predict at this juncture. The pool would continue with its current membership into 2017/2018, unless one of the authorities chose to dissolve it and reconstitute it with a different membership.

The Government was currently consulting on proposals to allow local government to retain all of the business rates collected nationally. These proposals were potentially more challenging and more far reaching than the changes that had been introduced in 2013. Thus far, the Government had issued an initial high level consultation paper seeking views which would enable it to shape a more detailed consultation later this year.

Once agreed, the Government intended to roll out the new system in either 2019/2020 or 2020/2021. Because of the uncertainties over the exact form of the system, it was unlikely that any significant assessment of the implications could be made in this budget development cycle.

The MTFP agreed in February had made assumptions around inflation and pay based upon a gradual improvement in the economic outlook. In practice, the relatively stable outlook for the economy had now been replaced by a period of uncertainty caused by the largely unpredictable implications of Brexit. Much of this would be determined by the Government's approach to the exit from the European Union and this would only be understood over time.

For now it appeared that the weakening pound would push inflation higher in the short term, potentially hastening higher interest rates. However, the situation was volatile and provided an uncertain environment in which to plan. This would need to be kept under review, but it seemed unlikely that any great clarity would emerge during the budget planning period. It therefore seemed probable that this would become one of those issues that would necessitate a higher level of contingency in the form of higher balances.

The Government's Apprenticeship Levy would come into effect on 1 April, 2017, which imposed a tariff on all larger employers based upon their total wage bill. The tariff could be mitigated by employing apprentices and the Council was actively engaging to ensure the best financial outcome. However, it seemed likely that the Levy would result in some degree of higher cost which would need to be accommodated as part of budget planning.

The Local Government Pension Scheme was a national scheme which all local government employees were entitled to join. Periodically (every 3 years), the Pension Fund was revalued in order to fully understand expected future calls on the fund, the amount likely to be contributed to it over time and its investment performance. This determined the annual amount each employer needed to contribute to the scheme to ensure that it remained fully funded and was able to meet all of its current and future obligations.

Currently the scheme was underfunded but the Council had a recovery plan in place to address this. Initial indications were that whilst the deficit had reduced since the last valuation, a predicted deterioration in future investment performance might require the contribution rate to be reviewed. A clearer understanding of the position would be available in the next few weeks, once the Actuary had prepared the numbers for each individual organisation in the Bucks County Council scheme.

An opportunity existed, prior to the end of March, to make a lump sum payment to the Pension Fund, thereby reducing the deficit. As the early introduction of funding enabled the Pension Fund to generate its investment returns earlier, this could have a significant financially beneficial result.

As part of the budget development process, options would be explored to use some of the Council's earmarked reserves, held for longer term obligations, to pay down a proportion of the Pension Fund deficit. The saving this created, in terms of lower employer contributions, could then be used to replenish the earmarked reserves.

Members were aware that the Council now had a number of commercial interest holdings, each at different stages of maturity. In line with the overarching governance approach adopted by the Council earlier this year, each of these interests would present an annual business plan for consideration and scrutiny alongside the budget development process. The financial implications of the agreed business plans would be reflected in the developing budget.

The Council's approach to balancing its finances over the MTFP was contained within the Commercial AVDC programme. This could be summarised as follows:-

- The Commercial AVDC programme had been initiated in late 2015 to manage the process of balancing the budget in the run up to the predicted total loss of Government grant.

- The programme comprised a two pronged approach of achieving savings by the consolidation of services, use of digital technology and reducing/eliminating duplication, whilst at the same time generating income through commercial activities. These activities were oriented around the customer, fulfilling their demands and delivering what they wanted. Services would be delivered speedily in response to demands and when the customer wanted them. Services would also be delivered in a cost effective manner at a price customers would pay.

The overall programme was based on a risk management approach. Whilst it was anticipated that the level of profit on the income generated by commercial activities would ultimately exceed the level of savings that could be made in the Council's core operations, the actual future level of profit was nevertheless a prediction and not yet bankable. While activities were underway to establish likely customer demands for commercial services and the best way in which to fulfil them, in parallel, the Council was undertaking a major internal change programme to deliver the savings which would ensure that it had the breathing space to develop the required level of profit from the commercial ventures.

The programme had received widespread recognition outside the Council, with requests for officers and Members to present at conferences worldwide. In addition the programme, or elements of it, had won numerous awards. The Council was also promoting the work that it was doing in transforming itself through the "Surviving to Thriving" conferences. Two successful conferences had been held at The Gateway earlier in the year with a third scheduled for 22 November.

To date, the programme had achieved a number of key milestones:-

- "Lifting and Shifting" the organisation into the sector model, enabling savings to be realised through rationalisation and the removal of duplication of effort as well as allowing the Council to focus on developing its commercial services.

- Development of a commercial behaviour framework, and working with external providers to develop an assessment approach to enable the Council to recruit staff on the basis of their knowledge and application of the behaviours and to develop staff to enable them to operate in a more commercial way.

- Development of "Business Reviews" of services within the organisation looking at how they could be both more efficiently operated and more commercially focussed on customer needs.

- Working through a formal collective consultation process with Union and Staff Representatives to develop a methodology to enable staff to be recruited into a new organisational structure.

Over the coming months staff would be recruited into the new organisation structure defined by the outcome of the business reviews. This process would be completed by July, 2017, enabling the Council to achieve savings on-going. The programme had an overall target to bridge the funding gap of £5.6 million by 2020. To date, for those services analysed, savings of £4.2 million had been identified, with £1.8 million of those savings forecast by managers for achievement in 2017/2018. It was anticipated that the balance of the funding gap could, if necessary, be met following the review of the remaining services. A schedule illustrating the business review programme was submitted.

Much of the proposed savings were dependent on the implementation of the Council's digital programme. The 5 year IT cloud strategy approved by Council in 2011/2012 was now coming to an end having achieved its objectives. A new strategy to enable the Council to offer better, more flexible services online was being developed for approval in early 2017.

The commercial services arm of the programme comprised 3 key elements:-

- Creating new services for residents and businesses that they would value and be prepared to pay for. These services were being developed by AV Broadband and Vale Commerce.

- Commercial Property Development and exploitation of the Council's existing built assets.

- Developing the commercial opportunities offered by the packaging and selling of Council expertise and services, e.g. assisting other councils to implement a lottery, payroll services, development of IT and transformation strategies.

Through the brand of Vale Commerce the focus was on delivering subscription based services to residents (Limecart) which was now at the stage of signing up the first residents to a pilot scheme, and services to businesses (Incgen), which had also started to sign up businesses to those services. The emphasis was on getting an understanding of what customers wanted before expanding to a wider market.

The development of commercial opportunities for selling Council services to other organisations was based on identifying which packaged services such organisations might need and basing the pricing strategy on the value of the overall package to the customer, rather than simply trying to sell the services of staff to other organisations on a straight consultancy basis.

Whilst it was too early to give firm predictions of the levels of income that might be generated by commercial activities, early indications were good and it was encouraging that the strategy of offering high value services was receiving good feedback from potential customers, whether they be residents, businesses or other councils. It was noted that further reports would be submitted on the progress being made.

The Government had exercised tight control over the level of council tax increases in each of the last 6 years in order to ensure that reductions in Government Grant were not simply replaced by increases in the tax burden. The Government had imposed a referendum requirement on any council wishing to increase its council tax by 2% or above. A freeze grant had also been made available in some years to incentivise councils to hold their council tax at the same level.

Over those 6 years only one referendum had been held (by a police authority) and this had been heavily defeated. Given the costs of holding a referendum and the difficulty in persuading a community to accept a higher increase, the threshold in all but name, effectively represented a cap on council tax increases.

National policy had however now shifted away from the desire to see council tax levels frozen, to an acceptance of minimal increases. In fact, contained within last year's settlement had been an assumption that each council would increase its council tax by the maximum permitted – just short of requiring a referendum. The Government had assumed that each council would do this and had reduced the amount of grant it intended to award each council by an equivalent amount. Therefore, any council not increasing their council tax by the assumed amount would effectively be worse off than the Government intended.

The maximum allowable increase had also been fixed last year for certain types of council, with an additional 2% above the existing 1.99% being made available to those councils with responsibility for adult social care. Further flexibility had also been given to district councils, thereby acknowledging the huge disparity in individual levels of council tax and consequently the maximum gain achievable by a percentage increase.

For district councils, the maximum increase had been changed to 1.99% or £5, whichever was the greater. Initially, the Government had intended that this would apply only to those district councils with lower quartile council tax levels, but this had subsequently been changed in the final settlement to allow all district councils to qualify. This change had occurred too late in this Council's budget setting process for any account to be taken of the additional freedom. Members confirmed that this would form a key factor in determining Council Tax levels for future years.

It was noted that in allocating grant reductions in the 4 year settlement, the Government had assumed that each qualifying council would take maximum advantage of this additional council tax increase threshold and had reduced grant by an additional amount equivalent to the extra council tax it expected councils to generate. Implicit within this was a new Government assumption that more of the burden of funding council services would be transferred to the taxpayer. Any council not wishing to pass this on to the taxpayer would consequently be worse off, as the Government would have reduced their grant, assuming that the increase had been applied. As mentioned above, it was therefore important for the Council in its budget planning for 2017/2018 and beyond, to consider carefully the position in relation to assumed council tax increases.

The one exception to council tax capping in recent years had been Parish/Town Councils, who were still able to increase their tax by any agreed amount. With the squeeze on County and District Council funding, there had been a gradual transfer of services to Parish/Town Councils to take advantage of their freedoms. Parish/Town Council tax charges had, on average, risen well above the rate of inflation as a consequence, with no proportionate reduction in the tax charged by those authorities transferring the services. Therefore the burden on the taxpayer had increased, despite Government's attempts to limit this to a maximum of 2%.

The Government was aware of this and had threatened in recent years to apply the referendum principles to some Parish/Town Councils. If anything, this policy had resulted in the opposite effect and many Parishes/Town Councils had sought to increase their tax by even greater amounts in order to beat any impending controls. This year the Government had moved a step closer to the imposition of some control and was consulting on extending referendum principles to some parish/Town Councils in 2017/2018. At face value, this was only a partial solution and would not solve the problem the Government had identified. Members would be kept appraised of future developments.

The council tax base was a measure of the number of households which were liable to pay council tax in an area in a given year. The tax base also took into account the banding (size) of the property and the entitlement to discounts.

With the growth of the Vale over recent years, the tax base had increased significantly above its historic growth trends, resulting in more council tax being payable. Whilst useful, in terms of the additional council tax generated, the reality was that the housing growth which had resulted in the tax base growth often contributed more cost by way of the demand for infrastructure and services, than the increased council tax income. It was estimated that the combination of these factors would result in actual council tax base growth of around 2.4% in 2017/2018, compared to the existing 1% assumed in the MTFP.

The revenue financing implications arising from the decision taken by Council to construct a new depot facility and replace the waste collection fleet would now need to be factored into the budget for 2017/2018.

The Capital Programme would be considered in a broadly parallel process to that of the revenue budget and the revenue impacts of any funding decisions taken would need to be considered and built into revenue planning as part of the overall approval process. Where the Council had accumulated spare cash balances, it had used these in lieu of borrowing. This had reduced the need to take long term borrowing and also the Council received the lender's return which was financially advantageous.

Using spare cash in this way was especially advantageous during periods of low interest rates. It was generally predicted that the Bank of England would begin to increase base rates during 2017, but this was still heavily dependent on external and global factors, and any increase, when it occurred, was likely to be small and gradual. The impact on investment income, the costs of borrowing and the returns on savings from investment decisions had to be considered in the round in order to understand fully the actual impacts of these decisions. The final impact of completed and planned investment decisions were still being modelled and it was noted that this would be the subject of subsequent reports.

As indicated previously, it was hoped that the budget for 2017/2018 could be resolved using the reorganisation and income generating strategies already put in place or planned and without the need for a crude or simplistic cuts exercise. It was believed that this should be possible but there were still some key uncertainties which would need to be better understood through the budget development process. It was therefore proposed to continue to work on refining the budget, making assumptions about the range of outcomes and aiming for the worst case scenario where appropriate.

The Council had working balances in excess of its stated minimum and these were invaluable in allowing the Council to proceed with new invest to save initiatives or to flex savings targets from one year to the next in the event of unexpected funding pressures or new windfalls. Balances (adding to, or use of) were therefore likely to form part of the strategy for concluding the balancing of the budget for 2017/2018.

As identified, the focus remained on restructuring and new income generation and not upon lists of potential cuts. If a specific proposal required a Cabinet decision and/or scrutiny, it would already have been taken through the democratic process at the appropriate time, or separately identified for debate as part of the budget development process. This would again make the budget process lighter touch and should avoid the need to take lists of potential service reductions through the scrutiny process. It was noted that an initial budget position would be presented to Cabinet in December and would be the subject of scrutiny by the Finance and Services Scrutiny Committee on 9 January 2017.

Members sought further information and were informed:-

(i) that a Council tax increase by an annual amount of £5 p.a. would equate to a 3.59% increase for a Band D property. The Government would publish core spending power information with the financial settlement in December which would assume that Councils took maximum advantage of all means available to maximise income, including to generate extra Council tax and would reduce grant by an equivalent amount.

(ii) that the amount of business rates payable related to the rateable value of business premises, not to the number of people employed by the organisation. While there was complexity in the adjustment calculation relating to business rates relief which could impact on some businesses, the overall assumption within the initial budget proposals was that any impact would be neutral for the Council.

(iii) that Cabinet would be recommended in December to hold the level of Band D Special Expenses charge for 2017/18.

(iv) that the Council would get more news on the New Homes Bonus allocation for 2017/18 in mid December with the local Government financial settlement announcement. However, as detailed in the report, it was likely that the amount of NHB paid in future years would be reduced or possibly removed.

(v) on the likelihood and complexity regarding negative grant funding from 2020.

(vi) that £50,000 of the £80,000 approved by Council to fund the development of a unitary business case had been spent. Should the whole sum be spent then any further expenditure would need to be approved by full Council.

Members also commented on their concerns that Council tax might be increased as the same time as the Council was looking to stop providing some services.

RESOLVED –

That the current approach being taken to develop the budget proposals for 2017/18 and in terms of updating the Medium Term Financial Plan be noted.

4. QUARTERLY FINANCE DIGEST: APRIL TO SEPTEMBER 2016

The Committee received the report on the Council's financial performance for the period 1 April 2016 to 30 September 2016. The current position at the half way point of the year was that the year-end position was showing a contribution from balances of £329,200, which was £238,000 higher than the June position. The latest Quarterly Finance Digest had been included as an appendix to the Committee report and Members referred to this document whilst considering the report.

The Council had spent £625,795 less on the provision of services than allowed in the budget. At the same time the contributions from balances had increased due to a few reasons, the main two that were the decision to create a reserve for the Commercial AVDC costs that were being incurred rather than show it against balances and an increase in income. In the reserves section of the digest (page 14) there was an entry of £1.106m representing the agreed funding of the Commercial AVDC project. This contribution to reserves has been partly offset by an anticipated increase in planning and building control income of around £472,000.

There were a few areas where spend was more than currently budgeted, namely:-

- Information Technology, where the cost of agency staff and IT licenses were higher than anticipated.
- Industrial / Town Centre Properties, where it was anticipated that income from rents and service charges would be less than expected due to a review of the actual costs for 2014/15 and 2015/16 that were charged and a change in the basis of how the costs are apportioned.
- Legal Services, where the contract costs with HB Law continued to be higher than budgeted, particularly around planning advice.
- Strategic Finance, which had higher costs as from agency staff and consultants working on the finance staffing review and a working practices review.
- Chief Executive's section, relating to the LGA Conference, training and consultants.

Areas that were currently under budget mostly related to increased income in the areas of Development Management and Building Control plus savings in maintenance costs of the refuse vehicles and the Kingsbury water feature. Other areas with forecast additional income or reduced costs were Car Parking and Strategic Housing, both of which were expecting increased parking fee income and advertising income, respectively, whereas domestic refuse was expecting reduced costs from a combination of staff and vehicle cost savings.

Budget holders' were continually asked during the year to review all of their areas and to reforecast their budgets both positively and negatively in order to have as accurate a year end position as possible for the December Digest.

Members were informed that, as already mentioned, it had been decided to move the agreed use of balances for Commercial AVDC Change project to its own earmarked reserve. The amount of £1,106,000 had been taken from general balances to earmarked reserves to help make the funding of the Change project more transparent and shows a more accurate figure for the level of balances going forward.

As well as the revenue budget the digest reported information on the level of reserves and provisions and any movements that have been made during the quarter. During this quarter the only movement in reserves has been the creation of the Commercial AVDC reserve. Balance now stood at £33.2m. As in most years reserve movements tend to be in the last quarter so the position was not unexpected.

No new borrowing had been taken out during the quarter and remained at £23.5m. The next repayment was not due until May 2018. The council had £54.0m invested at the end of the quarter, in a combination of banks, building societies and money market funds.

The Committee was informed that it had been hoped that this Digest would include summary information relating to the commercial companies, Vale Commerce and AV Broadband. However, this had not proved possible as we are currently working with our partners to agree an appropriate reporting format. It was anticipated that the position would be reported with the December Digest.

Members sought further information and were informed:-

(i) that the Council had £54m invested at the end of the quarter, and borrowings of £23.5m.

(ii) that the Council would always welcome any ideas Members had on generating additional income or could assist in making further savings.

(iii) that it was anticipated that financial information relating to the commercial companies Vale Commerce and AV Broadband would be provided with future Financial Digests.

RESOLVED –

That the content of the Quarterly Finance Digest for the period April to September 2016, be noted.

5. WORK PROGRAMME

The Committee considered their work programme for the period up until April 2017.

The agenda items for future meetings would be:-

(i) 9 January 2017 – Budget scrutiny, Public Sector Equality Duty

(ii) 6 February 2017 – Quarterly Finance Digest, Vale Commerce Business Plan, Capital Programme.

(iii) 4 April 2017 – Treasury Management Strategy.

RESOLVED –

That the work programme be agreed, as discussed at the meeting.