

BUDGET PLANNING 2017/18 AND BEYOND - INITIAL PROPOSALS
Councillor Mordue
Cabinet Member for Finance, Resources and Compliance

1 Purpose

- 1.1 The report presents the initial budget proposals for 2017/18 for Cabinet's consideration (Appendix A).
- 1.2 The recommendations of Cabinet will then be considered by Finance and Services Scrutiny Committee on the 9 January, 2017.

2 Recommendations/for decision

- 2.1 Cabinet are requested to consider the report and the initial set of budget proposals for 2017/18 together with the Medium Term Financial Plan and then agree;
 - a. To take into budget planning the £2.200 million of savings as set out within paragraph 4.6 to this report;
 - b. To increase Council Tax by an annual amount equal to £5.00 (3.59%) for a Band D property (equivalent to less than 10 pence per week), from 1st April 2017;
 - c. To agree for work to continue on the development of the budget proposals and for any net variance resulting to be either added to, or deducted from General Balances;
 - d. To agree the revised list of Fees and Charges attached as Appendix E to this report;
 - e. To recommend the initial budget proposals to Finance and Services Scrutiny Committee for consideration and comment.
- 2.2 Cabinet are also advised to recommend holding the level of the Band D Special Expenses charge for 2017/18 as part of their initial budget proposals.

3 Background

- 3.1 The report to Cabinet on 8 November 2016 set out the context for 2017/18 budget planning and explained the significant difficulty created by a variety of high value factors. The greatest of which being those associated with retained business rates, further reductions in Government Grant and New Homes Bonus.
- 3.2 This report therefore seeks to bring together an indication of those factors which can be predicted with some certainty and proposes a strategy for dealing with those factors which reasonably cannot.
- 3.3 This report has been written just after the Chancellor's Spending Review Statement (23rd November) but prior to the announcement of detailed grant allocations for councils (expected mid December).

- 3.4 The report divides the main elements of budget planning between pressures, savings, Government Grant, Business Rates and then discusses the proposals for Council Tax.
- 3.5 Work will continue on refining the elements of uncertainty between now and the Cabinet's final budget proposal. This will be informed by Finance and Services Scrutiny Committee's comments, the latest projected position on Business Rate Growth and the initial proposed grant numbers from Government expected mid to late December 2016.
- 3.6 Because of the greater than usual number of uncertain factors that exist within these initial proposals, it is anticipated that there is a greater prospect of amendments being required to the final proposals to be presented to Cabinet in January. It is intended that Scrutiny will be briefed on these potential amendments at their Budget Scrutiny meeting.

4 Savings and Income Identification Options

- 4.1 As set out in the report to Cabinet in November the approach adopted for setting the budget for 2017/18 is similar to that followed in recent years and relies primarily on capitalising on the savings delivered via reorganisation, income generation and restructuring during 2015/16 and 2016/17 in anticipation of the Government Grant reductions.
- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 Members will be aware that the Council is currently undertaking a full structural review and assessment centre process in order to shape the future organisation. It is expected that the rationalisation of the Council involving the removal of duplication, the breaking down of departmental silos and the reductions in unnecessary layers will deliver significant savings across the Medium Term Planning period.
- 4.6 As some of these revisions are currently subject to a statutory consultation processes it is not possible to say specifically what roles or functions these savings represent. Being specific at this stage would prejudice the outcome of

the consultation exercise. Therefore, in some areas it has been necessary to give an indication of the savings likely to accrue from rationalisation in these areas based upon the initial work undertaken. Because of the added uncertainty created by this approach a higher contingent provision has been included in the budget proposals for 2017/18.

- 4.7 In addition to the major transformation exercises, a number of other savings have been generated as a result of service managers reviewing budgets for efficiencies and taking the chance to restructure as and when the opportunities present themselves through natural staff turnover.
- 4.8 A list of the significant savings to be incorporated into budget planning is set out in Appendix C to this report.

5 Pressures

- 5.1 Some expected pressures relating to 2017/18 were identified in the MTFP back in February. The assumptions which determined the sums to be provided have been reconsidered and new pressures have been identified. The revised sums to be included are set out within Appendix D to this report.
- 5.2 A number of new spending pressures have materialised since February, the main one being an expected increase in the Employers pension cost contribution. Based upon indicative numbers provided by the Pension Fund Actuaries it is believed that AVDC will be required to pay an additional 2%, which equates to £280,000.
- 5.3 Whilst the overall scheme deficit has reduced over the previous 3 years, expectations over future investment performance, taking into account the uncertainty surrounding the UK economy, has lead the Actuary to conclude that the employer contribution will need to increase.
- 5.4 At the date of writing this report, the Council is still waiting on the specific numbers for this Council and the financial model which calculates the impact of making lump sum contributions towards the scheme deficit.
- 5.5 There is a possibility that this sum could be reduced by the Council making a lump sum payment towards its overall deficit. The advanced payment is invested by the fund thereby generating income, which again reduces the deficit. However, the impact of this cannot be modelled until the Council receives the necessary information from the Actuary.
- 5.6 The lump sum payment would be made from the New Homes Bonus reserve, which would be repaid annually from the savings made by not making the lower contribution into the Pension Fund.
- 5.7 For now, the budget proposals have been prepared ignoring this opportunity, but this will be modelled and presented to Cabinet as part of the final proposals if a valid case can be made for doing so.
- 5.8 Other pressures are: increased costs relating to the HB Law (Legal) contract, where demand on the service has been higher than anticipated in the areas of Environmental Health and Property; An allowance for an additional post following the Strategic Finance review; Payment of the new Apprenticeship

Levy plus additional costs hosting new IT servers and systems; The business rates paid on our properties, particularly car parks, has added additional costs.

- 5.9 The total service based pressures within this report sum to £1.483 million of which (£463,000) represents a general provision for inflation and pay.
- 5.10 At the point of writing, negotiations on any pay award are yet to commence. Members will be updated during the budget development process if a conclusion is reached.
- 5.11 There is also a potential pressure that has not been included within these proposals for reasons of uncertainty. The pressure relates to the Council's asbestos liability on ex-council houses transferred to VAHT. VAHT is reaching the threshold where its liability ends and AVDC becomes responsible for the future costs of removal. Current indications are that the cost could potentially be as high as £300,000 per annum. Officers are currently working closely with VAHT to assess the position and to ensure all expenditure since the date of transfer has been properly incurred and recorded. If, ultimately, there is a call on the Council then the amount will be met from General Fund balances.
- 5.12 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. These are shown in Appendix B under the title of Major Projects.
- 5.13 Finance and Services Scrutiny of 1 December 2016 received a report on the Technology Strategy. Once the strategy has been agreed by Council the revenue consequences will be fully scoped and built in to the MTRP.

6 Government Grant

- 6.1 Members will recall that last year the Government offered a multi year financial settlement to those councils who chose to accept it. Along with the majority of councils, Aylesbury Vale District Council chose to accept the offer for the certainty that this offered. The Government has now confirmed that we qualify for this offer.
- 6.2 The table below sets out the elements of Grant covered by the 4 year Settlement. Currently only the Revenue Support Grant element is confirmed as the Baseline Funding Level relates to the retained benefit the Council receives from the Business Rates it collects.

	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

- 6.3 The amount of Business Rates collectable from 1st April 2017 is presently uncertain as the first national revaluation of Business Rates system comes into effect on that date. The revaluation exercise is intended to be neutral across the Country as a whole and in order to achieve this the Government will need to redistribute the gains and losses experienced at a local level. It will achieve this by adjusting the Baseline Funding Level.
- 6.4 The Autumn Statement is the precursor to the Government making detailed announcements in relation to Local Government Funding, but the exact timing of its announcement of the Finance Settlement has yet to be made public.
- 6.5 The Government has indicated that it intends to make this announcement as soon as possible after the Autumn Statement and hoped to make the announcement before the end of November. At the point of writing this report, the announcement has yet to be made and it is understood the it might be expected mid December and, therefore, detailed numbers can not be incorporated into the initial budget plans.
- 6.6 However, the Government's intention is that the impact should be neutral and any reduction in the Base Line should be matched by an increase in the Business Rates collectable. Therefore, for the purposes of this draft budget proposal it has been assumed that there is no impact and the existing numbers have been used.
- 6.7 Whilst this assumption has been made, and in practice there is little else that could be assumed, there is complexity in the adjustment calculation which might still have an impact. Namely, the eligibility of businesses, which have experienced a change in their Rates payable, to mandatory relief from Business Rates.
- 6.8 For now, the assumption used in the initial budget proposals is that any impact will be neutral, but this area is flagged as one where a higher degree of risk exists which might impact upon the final position recommended to Council.

7 Retained Business Rates

- 7.1 As with the Grant position described above, the Business Rates Revaluation also clouds the position on the amount of Gain the Council might expect to achieve from Business Rates Growth in the Vale. However, the trends which sit below the revaluation are largely expected to continue through 2017/18.
- 7.2 The Council is gaining from its retained share of the Business Rates Growth being achieved in the Vale and is on-target to deliver the £476,000 figure included in the Budget for 2016/17.
- 7.3 Monitoring information available at the point of writing this report only covers the first 7 months of the year (up to and including October) and much can still impact during the remaining 5 months which might undermine this position.
- 7.4 The position will continue to be kept under review as the detailed budget continues to develop so that the final budget report can be informed by the latest information available at that time.

- 7.5 By way of mitigation, the Council created a Business Rates revaluation Reserve alongside the introduction of Business Rates Retention, in order to smooth any significant year on year fluctuation 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 2016/17 and 2017/18.

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, if successful, allows these councils to retain a greater proportion of Business Rates growth, by reducing the amount the Government would ordinarily capture.
- 8.3 At the halfway point through the first year of operation, the gains from the Pool across the whole Pooling area amount to approximately £1.4 million. It is expected that this will decrease, as gains tend to across the year, but there should still be tangible gain for the Council at the end of the year.
- 8.4 For indicative purposes, if the current position was replicated at the year end then the gain for Aylesbury Vale would be slightly in excess of £300,000.
- 8.5 No account has been taken of any anticipated gain in this budget proposal, but given the uncertainty which exists in other parts of this report, it is considered that not to do so represents a prudent position for now.
- 8.6 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.
- 8.7 For 2017/18 all parties have agreed to continue on the same basis, subject to seeing the final Government numbers contained in the Finance Settlement.
- 8.8 Should any council be unhappy with the position contained within the Settlement they would have a window of 28 days to withdraw from the Pooling arrangement from the date that the Finance Settlement is published. Such a decision, by any of the parties, would result in the Pool being disbanded.

9 Investments / Net Borrowing

- 9.1 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.
- 9.2 As identified last year, the on-going low Bank Base Rate is creating financial pressure. Since 2010 the shortfall in investment earnings, which has arisen from the record low base rate, have been smoothed via the use of the Interest Rate Equalisation Reserve. This Reserve was created from excess interest earnings in times when the Base Rate was considerably higher than its present level.
- 9.3 This 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.

- 9.4 In August the Bank Base Rate was cut to 0.25%, the first cut since 2009, which has increased the pressure on the investment return. It was envisaged that rates would potentially start to increase, gradually, but this has now been reviewed and rates are not expected to rise until 2018 at the earliest.
- 9.5 Last year the MTRP included a reduction in the expected investment income to a more sustainable level, but following the recent base rate decrease and the expected outlook, the Council will need to make use of the Interest Equalisation Reserve once again.
- 9.6 So this year, as part of that budget planning exercise, it was proposed that a contribution of £80,000 be made from the Reserve in 2017/18.

10 New Homes Bonus

- 10.1 In last year's Spending Review the Chancellor signalled his intention to review the operation and distribution of New Homes Bonus. This was followed by a Consultation paper.
- 10.2 The consultation proposed both a reduction in the benefit, by reducing the time that it is payable and a sharpening of the scheme's focus. Notably, it sought views on;
- Limiting the benefit from 6 to 4, or even 2 years
 - Reducing or removing the bonus on developments initially rejected by councils
 - Reducing or removing the bonus from those councils without a local plan
 - Setting an element of targeted growth
 - Transitional protection for those councils impacted by the greatest amounts
- 10.3 The Government's stated its intention is to reduce the amount of Bonus payable and so, as the district receiving the greatest bonus, all of the proposals had a proportionately greater impact on this Council. The modelling accompanying the consultation projects allocations to this Council dropping away significantly from current levels.
- 10.4 Given the uncertainty surrounding its future, the Council agreed to not increasing the contribution from New Homes Bonus into the revenue budget.
- 10.5 The Consultation closed on 10th March 2016 and as at the date of writing this report, the Government has still yet to publish its response to the consultation exercise.
- 10.6 Because of its significance to many councils, in terms of their budget planning, it is expected that the Government will include its response within the Finance Settlement expected shortly.
- 10.7 Many councils rely heavily on New Homes Bonus to balance their Revenue Budgets and so it is expected that the Government is unlikely to make any significant changes to the modelled allocations contained within the consultation document and the Spending Power measures included within last year's Finance Settlement data.
- 10.8 Reflecting this, the initial budget proposals use unaltered assumptions in terms of NHB usage within the MTFP period. Once the Finance Settlement data is released the assumptions will be re-tested and any changes required

will be reported back to Cabinet (and Scrutiny if timing permits) as part of the Final Budget Proposals.

- 10.9 Following the publication of the Government's Consultation response the Cabinet will need to review the ongoing policy in relation to how it uses the amounts it receives, e.g. should it continue to take the same amounts into revenue and should it allocate the same proportion to parishes. However, Cabinet cannot reasonably do this until the Government publishes its final consultation response.
- 10.10 The parish scheme is currently in abeyance pending the outcome of the Government's review.

11 Aylesbury Vale Estates

- 11.1 An AVE Business Plan for 2017/18 is currently being developed and it is expected that this will be presented to both Economy Scrutiny in early December and Cabinet in January 2017, alongside the Final Budget proposals.
- 11.2 Dividend payments are forecast within the developing central version of the AVE Business Plan for 2017/18 and these have been reflected within the budget proposal presented here for consistency. 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.

12 Council Tax

- 12.1 The Government has yet to announce its policy on Council Tax increases (this will be contained within the Finance Settlement), but has signalled, through consultation, that a threshold is still likely to exist at the same level as introduced last year.
- 12.2 As report to Cabinet in the high level budget issues report in November 2016, national policy has now shifted away from the desire to see Council Tax levels frozen to an acceptance of minimal tax increases. In fact, contained within last year's 4 year settlement is an assumption that each council will increase its Council Tax by the maximum permissible amount, short of requiring a referendum.
- 12.3 The Government has assumed that each council will do this and has reduced the amount of Grant it intends to award each council by an equivalent amount. Therefore, any Council not increasing their Council Tax by the assumed amount will effectively be worse off than the Government intended.
- 12.4 The maximum allowable increase was also flexed last year for certain types of councils, with an additional 2%, above the existing 1.99% being made available to councils with responsibility for Adult Social Care. Further flexibility was also 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.
- 12.5 For district councils, the maximum increase was changed to 1.99% or £5, whichever is the greater.

- 12.6 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 new Government assumption that more of the burden of funding council services will be transferred to the taxpayer.
- 12.7 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.
- 12.8 Given this, the initial budget proposal include the assumed maximum £5 increase is adopted in order to ensure that the Council is no worse off than the Government assumed.
- 12.9 A £5 increase at Band D will represent a 3.59% increase, equivalent to just under 10 pence per week, and will increase the Band D Council Tax for Aylesbury Vale District Council to £144.06.
- 12.10 Since the Government's austerity programme began the reduction in Government Grant support has been equal to £105 per resident.
- 12.11 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.

13 Reserves

- 13.1 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.
- 13.2 As part of the development process for 2017/18, the Cabinet member for Finance, Resources and Compliance is undertaking the annual full review of the Council's Reserves and Provisions.
- 13.3 With the national focus on the reduction in resources and continuing media interest it is unfortunate that the Council's earmarked reserves position has shown a considerable jump as this belies the reality of the situation that the Council is facing.
- 13.4 The principal explanation behind the increase is the sizeable amounts of New Homes Bonus still being received by the Council on the back of the significant housing growth in the Vale and the difficulty in delivering infrastructure schemes in a short timeframe. The consequence of this is the ring fencing of these sums in Reserves pending the delivery of the schemes.
- 13.5 The vast majority of reserves held are for legitimate reasons and that the balances are reasonable given a fair assessment of the budgetary pressures that they are held against.
- 13.6 The size of the Reserves and the different timespans over which they will be required present an opportunity to mitigate some of the increase in Pension Fund contributions and, as explained in an earlier section, this will be explored as soon as the detailed modelling are made available.

- 13.7 The total balance held in reserves is expected to 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.
- 13.8 Where the revenue budget is dependent upon the use of funding from reserves, reliance is being reduced to the point where the budget is deemed to be sustainable.

14 Review of Fees and Charges

- 14.1 Last year Cabinet received a comprehensive list of all the Council's Fees and Charges as a core part of the budget process.
- 14.2 This was introduced in accordance with the wider transparency agenda to enable any proposed changes to be debated and discussed in an open forum.
- 14.3 Prior to that, Fees and Charges were reviewed at various times during the year.
- 14.4 Appendix E to this report includes those fees and charges that have been reviewed and where it was felt that they needed to be changed. Where the fees and charges remain the same these have not been included in the appendix for the purposes of brevity.

15 Balances

- 15.1 The Council 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.
- 15.2 The current minimum assessed level of balances is £2.5 million which has been arrived at based upon a risk and probability assessment of potential budgetary factors during 2017/18.
- 15.3 Whilst the Government's 4 year settlement is a factor would justify a reduction in this level of Balances, it remains unchanged on the previous year and this is a reflection of the considerable uncertainty surrounding the impact of the Government's changes to the Grant numbers and the impacts of Business Rates revaluation together with the numerous other issues identified within this report.
- 15.4 The September Quarterly Digest projected showed a net contribution from balances of £238,000. This was made up of additional income / savings of £868,000 offset by a contribution to a new reserve of £1,106,000 to meet the costs of the Commercial AVDC project.
- 15.5 Current projections indicate that working balances might end 2016/17 at around £3.6 million. This is above the assessed minimum level.
- 15.6 The holding of excess balances presents the Council with opportunities to offset the upfront costs of change initiatives (such as redundancy) that will payback and deliver ongoing savings in later years.

- 15.7 One such example was the funding during the current year of the Commercial AVDC change programme. It is expected that the change programme will continue to deliver considerable efficiencies in the organisation. These efficiencies, some that are already included within this report will contribute towards balancing the budgets in future years.

16 Risk Register

- 16.1 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.
- 16.2 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.
- 16.3 This register is reviewed regularly by officers in order to ensure that decisions are taken and resources deployed effectively with regards to the risks that the organisation faces.
- 16.4 The Risk Register is also reviewed regularly by the Audit Committee. At its last meeting the Audit Committee commented on the value of this document and recommended that the Cabinet should consider its contents whilst considering its budget proposals, so as to ensure that the Council's strategic allocation of resources is consistent with the risks facing the Council.
- 16.5 In compliance with this recommendation, the current Risk Register is reproduced as Appendix F and in the confidential appendix.

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 regular 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 two 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. The Commercial activities are developing to provide services that are -
 - Orientated around the customer, fulfilling their demands, delivering what the customer wants
 - Speedy response to customer demands, delivering services when the customers want it
 - Delivering within a cost effective delivery model at a cost the customers will pay.

- 17.2 The overall programme is based on a risk management approach. While 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, prediction and not yet bankable. While activities are underway to establish likely customer demands for commercial services and the best way to fulfil them, in parallel, the Council is undertaking a major internal change programme to deliver the savings which will ensure we have the breathing space to develop the required level of profit from the commercial ventures.
- 17.3 It is the delivery of the major internal change programme which makes up the majority of the savings and efficiencies within the appendices to this report.
- 17.4 Whilst new income streams from the Council's new operations are expected to make significant contributions in later years, at this stage they are developing and it is not considered sufficiently certain to build these into future year's planning just yet.

18 Medium Term Financial Plan (2017/18 and After)

- 18.1 The report to Cabinet in November set out the rationale for the core assumptions used in the Medium Term Financial Plan. In summary, the single biggest issue remains the ongoing and severe reductions in Government Grant, and the uncertainty (notably around Business Rates and New Homes Bonus) as to how these will be applied to individual councils.
- 18.2 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 more years.
- 18.3 The Medium Term Financial Plan set out here is predicated on reductions at the same rate as experienced over the last 5 years through to 2021.
- 18.4 Last year the Government introduced the concept of Negative Grant and it is expected that this will become a feature of local government financing over the planning period.
- 18.5 This is consistent with the historic planning assumption that the Council has been using over the past 6 years 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.
- 18.6 The additional freedom around Council Tax increases will help soften the challenges marginally, although new pressures, such as those associated with inflation, are likely to absorb any respite offered by them.
- 18.7 Because of the various factors identified within this report as uncertain, it is expected that there may need to be material changes in the Final Proposals presented to Cabinet in January 2017. Where uncertainty exists it has been identified within this report along with the assumptions used and any mitigation strategy which exists.
- 18.8 Because of the narrow gap between Cabinet's meeting in January 2017 and the review of these draft proposals by Finance and Services Scrutiny

Committee, also in January, it is hoped that an update may be provided to the Scrutiny Committee on the developing proposals.

19 Special Expenses

- 19.1 This report normally seeks to include a recommendation on the Special Expenses budget for Aylesbury Town.
- 19.2 Work is progressing to develop this budget and initial indications are that a review of costs and service charged into this area are likely to result in the Tax in Aylesbury remaining frozen at its current level.

20 Options Considered

- 20.1 The report provides a commentary on the key elements of choice within the budget proposals and outlines the reasons for the recommendations.

21 Recommendations

- 21.1 These are set out within the report and summarised in paragraph 2.

22 Resource Implications

These are covered within the body of the report.

Contact Officer

Andrew Small Tel: 01296 585507

APPENDIX A1

Medium Term Financial Plan – 2016/17 to 2020/21 – Final Proposals

Classification	2016/17 Base	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£	£
Business Transformation	256,800					
Economic Development Delivery	-1,472,000					
Environment & Waste	5,410,900					
Finance, Resources & Compliance	714,000					
Growth Strategy	1,329,100					
Leader	5,898,200					
Leisure, Communities & Civic Amnts	6,473,600					
Plus: Inflation, Savings / Growth	0	-717,500	-225,200	185,800	-8,100	870,100
Less: Savings Still Required	0	0	242,500	-214,600	-39,000	-909,000
Service Spend Total	18,610,600	17,893,100	17,910,400	17,881,600	17,834,500	17,795,600
Contingency Items	63,500	137,700	137,700	137,700	137,700	137,700
Financing & Asset Charges	-1,346,400	-1,048,800	-1,048,800	-1,048,800	-1,048,800	-1,048,800
Transfers to / (from) Reserves	135,600	70,100	70,100	70,100	70,100	70,100
Investment Interest	-245,000	-165,000	-165,000	-165,000	-165,000	-165,000
Cost of Borrowing	2,365,700	2,532,000	2,494,000	2,456,000	2,456,000	2,456,000
AVE Interest	-1,983,000	-2,136,000	-2,123,000	-2,113,000	-2,113,000	-2,113,000
Use of Balances	-90,900	0	0	0	0	0
Plus: Special Expenses	-844,400	-857,100	-878,500	-900,500	-923,000	-946,100
New Homes Bonus	-1,178,000	-1,178,000	-1,178,000	-1,178,000	-1,178,000	-1,178,000
Retained Business Rates	-476,700	-476,700	-476,700	-476,700	-476,700	-476,700
Council Tax Freeze Grant	0	0	0	0	0	0
Less: Parish LCTS Payment	70,600					
Funding Requirement	15,081,600	14,771,300	14,742,200	14,663,400	14,593,800	14,531,800
Funded By						
Government Grant	-5,219,300	-4,300,000	-3,809,500	-3,261,400	-2,713,300	-2,165,200
Collection Fund Transfer	-210,000	-228,000	-228,000	-228,000	-228,000	-228,000
AVDC Council Tax	9,652,300	10,243,300	10,704,700	11,174,000	11,652,500	12,138,600
Council Tax Base	69,409	71,107	71,818	72,536	73,261	73,994
Council Tax	£ 139.06	£ 144.06	£ 149.05	£ 154.05	£ 159.05	£ 164.05
Percentage Increase	1.99%	3.59%	3.47%	3.35%	3.25%	3.14%

SUMMARY OF CHANGES

Classification	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£	£
Plus:		0	0	0	0	0
<i>Unavoidable Pressure</i>		848,000	200,000	0	0	0
<i>Inflation, Pay and Increments</i>		463,000	676,000	786,000	805,000	928,000
<i>Impact of Major Projects</i>		171,500	275,000	275,000	-57,900	-57,900
Total	0	1,482,500	1,151,000	1,061,000	747,100	870,100
Less:						
<i>New Income and Efficiency Proposals(17/18)</i>		-2,200,000	-1,376,200	-875,200	-755,200	0
<i>Major Projects</i>						
Total	0	-2,200,000	-1,376,200	-875,200	-755,200	0
Total Pressures & Efficiencies Identified	0	-717,500	-225,200	185,800	-8,100	870,100
Change in Available Resources						
Reduction / (Increase) in Investment Interest		80,000	0	0	0	0
Reduction / (Increase) in Contribution From Reserves		-65,500	0	0	0	0
Reduction / (Increase) in Capital Financing		297,600	0	0	0	0
(Reduction) / Increase in Borrowing Costs		166,300	-38,000	-38,000	0	0
(Growth) / Reduction in AVE Interest Payment		-153,000	13,000	10,000	0	0
(Growth) / Reduction in AVE Dividends		0	0	0	0	0
(Increased) / Reduced Use of Balances		90,900	0	0	0	0
(Reduction) in Contingency Provision		74,200	0	0	0	0
Reduction in Collection Fund Surplus		-18,000	0	0	0	0
(Additional) / Lower Government Grant - RSG		919,300	490,500	548,100	548,100	548,100
Additional / Lower Business Rate Growth		0	0	0	0	0
New Homes Bonus		0	0	0	0	0
Tax Base Growth		-236,000	-98,900	-103,500	-108,100	-112,900
Additional Council Tax		-355,000	-362,500	-365,800	-370,400	-373,200
Government Funding for Council Tax Freeze		0	0	0	0	0
(Increase) / Decrease in Special Expenses		-12,700	-21,400	-22,000	-22,500	-23,100
Decrease in Parish Grant		-70,600	0	0		
Total Increase in Resources	0	717,500	-17,300	28,800	47,100	38,900
Savings Required	0	0	242,500	-214,600	-39,000	-909,000
Net Change in Resources	0	0	0	0	0	0

APPENDIX B

Budget Proposals – 2016/17 to 2020/21 General Fund Revenue Balances

Classification	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s
Balance brought forward	3,765,000	3,975,000	3,646,100	3,646,100	3,646,100	3,646,100
Windfall Gains & Special Applications of Balances						
- HS2	0	0	0	0	0	0
- Website and E-Commerce Programme	0	0	0	0	0	0
- Commercial AVDC Change Project	0	(1,106,000)	0	0	0	0
Restated Balance Position	3,765,000	2,869,000	3,646,100	3,646,100	3,646,100	3,646,100
Forecast (Overspend) / underspend assumption	210,000	868,000	0	0	0	0
Planned (Use) / Addition to Balances	0	(90,900)	0	0	0	0
Net (Use) of Balances	210,000	777,100	0	0	0	0
Balance carried forward	3,975,000	3,646,100	3,646,100	3,646,100	3,646,100	3,646,100

APPENDIX C

Budget Savings Identified in 2017/18 Budget Planning

Service Area	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Proposal
Green Spaces	46,700	0	23,400	0	Deletion of Vacant Green Spaces Officer Post
Development Management	250,000	150,000	125,000	0	Increase of income from planning applications received.
Operational Parking	55,400	0	0	0	Deletion of Parking Services Manager Post
Operational Housing	52,700	0	0	0	Deletion of Senior Housing Options Officer Post
Building Control	37,300	0	0	0	Deletion of Vacant Engineering Technician Post
Staying Put	200,000	50,000	0	0	Funding structure to be a "Contingency Fund" arrangement
Contract Services	85,900	0	0	0	Delete 3 Vacant Driver posts
Revenues & Benefits	130,700	0	30,100	60,200	Deletion of Supervisor Post
Contact Review	98,700	98,700	30,100	0	Deletion of Supervisor Posts
CF overall	132,600	73,500	53,200	240,000	Customer Fulfilment Sector Review
Casework / Other Reviews	72,600	240,400			Casework Review
Waste Services	99,000	19,000	19,000	20,000	Increase Garden Waste Charge
Development Management			82,900		Removal Of Development Management Reserve
Business Strategy	25,700		0	0	IT Review
Business Strategy	56,000				Surcharge on Credit Card Payments
Business Strategy		64,900	25,000		Democratic Services Review
Business Strategy		44,000			Business Assurance Review
Business Strategy		100,000	200,000	300,000	Procurement and Contract Management Review
Housing Strategy	60,000				Fees From Preferred Development Partners
Communities	64,600				Communities Review of Budgets
Communities	237,000				Communities Review
Communities		290,000			Community Fulfilment Review
Communities			164,000		Community Fulfilment Review
Payroll	38,300	43,200			Deletion of Vacant Posts
Finance, Recoveries & HR		37,500	37,500		Finance, Recoveries and Human Resources Review
IT Team		100,000			IT Review
Property Services	349,800	65,000	85,000	135,000	Review of Income From AVDC Properties.
Property Services	67,000				Review of Visitors Information Centre
Commercial AVDC	40,000				Savings in Management Roles
	2,200,000	1,376,200	875,200	755,200	

APPENDIX D

Budget Pressures Identified in 2017/18 Budget Planning

Portfolio	Service Area	2017/18 £	2018/19 £	Pressure	Assessment
Finance & Resources	Information Technology	60,000		Server Hosting and Licence Fees	
Finance & Resources	Legal Services	125,000		HB Law Contract Costs	Call on the HB Law contract higher than we anticipated.
Finance & Resources	Strategic Finance	90,000		Additional cost of Senior Level post following Review	
Finance & Resources	Payroll	58,000		New Apprenticeship Levy	Could be reduced if apprentices employed by AVDC
Financing Items	Debt Management	15,000		Additional Cost of Hosting Adelante (the epayments system)	
Environment & Waste	Recycling and Waste	0	200,000	Provision for loss of income. Contractor has proposed a decrease in the amount paid per tonne for the remainder of the contract.	In 2017 procurement of the new recycling MRF will need to commence. Current markets show a cost (Gate fee) to AVDC of £30 per tonne. This would be the equivalent of minimum 500K cost to AVDC, base on existing tonnages.
Leader	Central Staff Costs	280,000		Increased Employers Pension Costs (2% of £14m)	
Economic Development	Gateway Office and Conference Centre	20,000		Reduced income from NHS re service charge	
Economic Development	AVDC Properties	200,000		Business Rates of AVDC assets	Primarily Exchange Street car park
		848,000	200,000		

APPENDIX E

FEES AND CHARGES (Amendments)	2015/16	2016/17	2017/18
Leisure			
Pitches / All Weather Pitches			
All Weather Pitch - MEADOWCROFT			
Peak Time-1/3rd area per hour	£22.50	£24.50	£25.00
Peak Time-2/3rd area per hour	£44.99	£49.00	£50.00
Peak Time-full area per hour	£67.50	£73.00	£75.00
Off peak time-1/3rd area per hour	£16.87	£18.50	£19.00
Off peak time-2/3rd area per hour	£33.75	£37.00	£38.00
Off peak time-full area per hour	£50.62	£55.50	£56.00
Flood lights-1/3rd area per hour	£11.25	£12.25	£12.50
Flood lights-2/3rd area per hour	£16.87	£18.50	£18.90
Flood lights-full area per hour	£28.12	£30.00	£31.00
Football Pitches Grass			
Adult pitch - per match at all venues	£64.90	£70.50	£77.00
Juniors aged 14 to 17 years inclusive, playing on an adult pitch - per match at all venues	£45.43	£49.00	£54.00
Juniors aged 13 years and under, playing on a junior pitch - per match at all venues	£41.32	£44.50	£47.00
Cricket Square			
Adult-afternoon-per match (14:00 - 19:00)	£82.60	£90.00	£92.00
Community Centres			
Alfred Rose Park, Bedgrove Park, Prebendal Farm, Southcourt and Hawkslade Farm			
All Community Bookings include Churches, Car Boots, Bazaars and Bank Holidays			
Saturday and Sunday			
8.00 - 13.00	£31.00	£33.00	£33.50
13.30 - 17.15	£31.00	£33.00	£33.50
Private and Commercial Events include Adult and Children's Parties and Bank Holidays			
Monday to Thursday			
8.00 - 13.00	£60.00	£65.00	£67.00
13.30 - 17.15	£60.00	£65.00	£67.00
Contract Services	2015/16	2016/17	2017/18
Garden Waste	£38.00	£40.00	Updated Position to be Provided at Meeting
Garden Waste administration fee for non direct debit payers	£4.50	£4.50	
Waste Sacks (50 sacks)	£90.00	£90.00	
Recycling Sacks (100 sacks)	£85.00	£85.00	
MOT Licence (Taxi)	£43.00	£43.00	
MOT Licence (External)	£40.00	£40.00	
Car Parking	2015/16	2016/17	2017/18
Wendover Car Park Tariff			
0-1 Hours	Nil	Nil	£0.50
1-2 Hours	£0.50	£0.50	£0.50
2-3 Hours	£0.70	£0.70	£0.50
3-4 Hours	£1.00	£1.00	£1.50
4-5 Hours	£1.50	£1.50	£2.00
Over 5 Hours	£4.00	£4.00	£6.50

Corporate Risk Register Update

The Corporate Risk Register (CRR) shows the key risks to the Council and the actions that are being taken to respond to these risks. The CRR is reviewed on a regular basis by Transition Board and was last updated on 23 November 2016.

The CRR is reported to Audit Committee and at their meeting on 14 November it was resolved that *“Cabinet be recommended to review the Corporate Risk Register, a minimum of twice yearly and, as a part of setting and monitoring the Council’s budget, and to report back to the Audit Committee on risks with an overall rating of high or extreme, in particular relating to the Council’s approach to commercialisation”*.

There are 19 risks on the corporate risk register. The residual risk rating is summarised as follows:

Residual Risk Rating			
Low risk 3	Moderate risk 4	High Risk 10	Extreme risk 2
<p>11) Safeguarding arrangements, internal policies and processes are not adequate to address concerns about /protect vulnerable adults & children.</p> <p>14) Fraud, corruption, malpractice by internal or external threats.</p> <p>15) Equalities is not considered in decisions resulting in Judicial Review and other litigation</p>	<p>6) Fail to manage and deliver major capital projects - Waterside North</p> <p>9) Business Continuity - Major or large scale incident causes business interruption affecting the Council's resources and its ability to deliver critical services.</p> <p>13) Failure to manage a major partnership or a significant council contractor.</p> <p>16) Failure to manage and deliver the requirements of the SLA for HS2.</p>	<p>1) Commercial AVDC programme does not deliver the required savings and efficiency gains</p> <p>2) The Council's approach to commercialisation does not produce the income needed.</p> <p>3) Organisational culture fails to support the strategy.</p> <p>17) Unmanaged loss of key staff during time of change</p> <p>5) Depot & workshop development project fails to address H&S and Environmental concerns and achieve commercial objectives.</p> <p>7) Fail to Deliver the new Vale of Aylesbury Local Plan</p> <p>8) Health & Safety - Non-compliance with Fire and Health and Safety legislation (excl. depot /waste services).</p> <p>10) Information Governance - A significant data breach, Inappropriate access, corruption or loss of data</p> <p>12) Business Intelligence (Customer insight & performance data) is not sufficiently robust to support effective decisions.</p> <p>17) Unmanaged loss of key staff during time of change</p> <p>19) Failure to effectively engage with members and the community around the Council's vision and strategy.</p>	<p>4) Partnership with AVE fails to deliver or hinders the achievement of the Council's objectives</p> <p>18) Modernising Local Government agenda fails to achieve an outcome that addresses community needs / disruption to service delivery</p>

Impact of Brexit - We continue to assess the potential risks arising following the Brexit decision. At this stage there is too much uncertainty about the specific implications on the strategic objectives and day to day operations of the Council to put anything meaningful on the CRR.

Risk Matrix

Impact	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5
Score			Rare	Unlikely	Possible	Likely	Very Likely
			1	2	3	4	5
			Likelihood				

	1-3	Low Risk	Acceptable risk; No further action or additional controls are required; Risk at this level should be monitored and reassessed at appropriate intervals
	4 - 6	Moderate Risk	A risk at this level may be acceptable; If not acceptable, existing controls should be monitored or adjusted; No further action or additional controls are required.
	8 – 12	High Risk	Not normally acceptable; Efforts should be made to reduce the risk, provided this is not disproportionate; Determine the need for improved control measures.
	15 - 25	Extreme Risk	Unacceptable; Immediate action must be taken to manage the risk; A number of control measures may be required.






Risk Ratings - Impact

Score	Descriptor	Compliance	Finance	Health and safety	Internal Control	Political	Reputational	Staffing & Culture
1	Negligible	No or minimal impact or breach of guidance/ statutory duty	Small loss risk of claim remote	Minor injury; Cuts, bruises, etc.; Unlikely to result in sick leave	Control is in place with strong evidence to support	Parties work positively together with occasional differences; Members & executive work co-operatively	Rumours; Potential for public concern	Short-term low staffing level that temporarily reduces service quality (<1 day)
2	Minor	Breach of statutory legislation; Reduced performance rating from external/internal inspector	Loss of 0.1-0.25 per cent of budget; Claim less than £20k	Moderate injuries; Likely to result in 1-7 days sick leave	Control in place with tentative evidence	Parties have minor differences of opinion on key policies; Members and executive have minor issues	Local media coverage short term reduction in public confidence; Elements of public expectation not met	Low staffing level that reduces the service quality
3	Moderate	Single breach in statutory duty; Challenging external or internal recommendations or improvement notice	Loss of 0.25-0.5 per cent of budget; Claims between £20k - £150k.	Major injuries; More than 7 days sick leave – notifiable to HSE	Control in place with no evidence to support	Members begin to be ineffective in role; Members and Executive at times do not work positively together	Local media coverage – long term reduction in public confidence	Late delivery of key objective/service due to the lack of staff; Low staff morale; Poor staff attendance for mandatory/key training
4	Major	Enforcement action; Multiple breaches of statutory duty; Improvement notices; Low performance ratings	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget; Claims between £150k to £1m	Death; Single fatality	Partial control in place with no evidence	Members raise questions to officers over and above that amount tolerable; Strained relationships between Executive and Members	National media coverage with key directorates performing well below reasonable public expectation	Uncertain delivery of key objective/service due to lack of staff; Unsafe staffing level or competence; Loss of key staff; Very low staff morale; No staff attending training
5	Catastrophic	Multiple breaches in statutory duty; Prosecution; Complete system changes required; Zero performance against key priorities and targets	Non delivery of key objective/loss of >1 percent of budget; Failure to meet specification/slippage; Loss of major income contract	Multiple deaths; More than one Fatality	No control in place	Internal issues within parties which prevent collaborative working; Que from members shift resources away from corporate priorities	National media coverage, public confidence eroded; Member intervention/action	Non-delivery of key objective/service due to lack of staff; Ongoing unsafe staffing levels or competence; Loss of several key staff; Staff not attending training on ongoing basis

Risk Rating – Likelihood

	Likelihood	Likelihood Descriptors	Numerical likelihood
1	Rare	May occur only in exceptional circumstances	Less than 10%
2	Unlikely	Do not expect it to happen/recur but it is possible it may do so	Less than 25%
3	Possible	Might happen or recur occasionally	Less than 50%
4	Likely	Will probably happen/recur but it is not a persisting issue	50% or more
5	Very Likely	Will undoubtedly happen/recur, possibly frequently	75% or more

Capacity to Manage

Capacity to Manage	Alert	Description
Full		Full – all reasonable steps have been taken to mitigate the risk and are operating effectively. The cost / benefit considerations on implementing additional controls have been considered and no additional actions are proposed.
Substantial		Substantial – there are sound arrangements to manage the risk with some scope for improvement. Arrangements have had a demonstrable impact in reducing either the likelihood or consequence of the risk.
Moderate		Moderate – there are a number of areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
Limited		Limited – there are significant areas for improvement in arrangements that would help to demonstrate effective and consistent management of the risk.
None		None – there are a lack of clear arrangements in mitigation of the risk.