FINANCE AND SERVICES SCRUTINY COMMITTEE

9 JANUARY 2017

PRESENT: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), J Bloom, J Chilver, B Everitt, A Harrison (In place of S Lambert), A Huxley, M Smith, M Stamp and M Winn. Councillor H Mordue attended also.

APOLOGIES: Councillors S Lambert and E Sims.

1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 1 December 2016 be approved as a correct record.

2. BUDGET PLANNING 2017/18 AND BEYOND

Cabinet had considered its initial budget proposals on 13 December 2016. The report submitted to that meeting, and which was included as an appendix to the Committee report) set out the high level issues facing the Council when developing the budget proposals for 2017/18 and beyond. Due to the timing of scrutiny meetings, these proposals were being reported to this scrutiny meeting.

Following the Government's announcements in late December regarding the draft Grant Settlement 2017/18 for Councils and on other significant issues such as the future of New Homes Bonus, Cabinet had further honed its proposals and an updated set of budget proposals would be reported to the Cabinet meeting to be held on 10 January, 2017. That report together with the updated Medium Term Financial Plan was also included as an appendix to the agenda.

The Scrutiny Committee had been requested to review the budget proposals for 2017/18 and identify comments and feedback to be reported verbally to Cabinet on 10 January 2017, for its consideration in making recommendations to Council on the final budget proposals for 2017/18.

The key budget proposals that Cabinet was being asked to recommend to Council were:-

- to increase Council Tax by £5.00 for a Band D property, equivalent to a 3.59% increase from 1 April 2017. This was the maximum allowable for lower tier councils. The Government had assumed that each council would make maximum allowable increases and had reduced the amount of Grant awarded to Councils by an equivalent amount.

- to take into budget planning the £2.2m of savings, as detailed in paragraphs 4.6 – 4.8 and Appendix C of the 13 December 2016 report to Cabinet.

- to approve the budget for 2017/18 and the Medium Term Financial Plan, as set out in summary form in the table at Appendix A of the 10 January 2017 report to Cabinet.

- to approve Aylesbury Special Expenditure totalling £845,000 supported by a precept of £45.00, which again represented a Council Tax freeze for Special Expenses (as set out in Appendix F of the 10 January 2017 report to Cabinet).

- to agree the proposed fees and charges as set out in Appendix F of the 10 January 2017 report to Cabinet.

The Cabinet reports also included information on:-

Government Grant Update

The draft Grant settlement for 2017/18 had been announced on 15 December, 2016, in which the Government had largely honoured the commitments within the 4 year settlement and left the pre-announced Grant numbers mostly unchanged. Importantly, the Revenue Support Grant and Baselined Business Rates settlements were identical to those announced last year for 2017/18.

The only significant change had been to the Business Rates Tariff (the proportion of the locally collected Business Rates paid to Central Government). This figure would need to change to reflect the Business Rates revaluation, effective 1 April 2017, which would see a change (both positive and negative) to the business rates income collected by Councils. To ensure councils did not gain nor lose through this national re-basing exercise the net effect of the revaluation was captured through the system of Tariffs and Top-ups.

The Government had also taken the opportunity to baseline into the system the impact of some of its more recent national policy changes to Business Rates and these were explained. The Government's methodology had been validated but the tangible impact on rates payable locally would be difficult to accurately calculate until such time as the Council's software supplier had reflected these changes in the computer system. The final budget, therefore, continued to assume the impact of all these changes was neutral.

The Council maintained a Business Rates Equalisation Reserve to protect and cushion the budget against volatility and fluctuation in business rates income received. If the impact of the revaluation, and other factors, ultimately proved not to be neutral then the Reserve would be utilised to smooth the impact on the budget.

New Homes Bonus

Following consultation on the future of NHB, the Financial Settlement had announced that the Government would take a further £240m from the NHB overall pot, although the impact on allocations was less significant than expected. Some significant changes on the working of the scheme had been made as follows:-

- Payment of NHB had being reduced to 5 years from 2017/18, and to 4 years from 2018/19.
- There would be a new assumed annual amount of baseline growth of 0.4%, with NHB only paid on growth above this.
- NHB would be withheld on Growth approved following a Planning appeal.
- There would be penalties for areas where Planning performance failed to meet targets.

The indicative numbers for NHB included in last years 4 year settlement, compared against the revised numbers included in this year's draft Finance Settlement was set out in a table:

	2016-17 £M	2017-18 £M	2018-19 £M	2019-20 £M
2016 NHB - 4 Year Settlement	8.3	8.3	5.2	5.0
2017 NHB - Finance Settlement	8.3	7.9	6.1	5.8
Change (+ =Gain , - = Reduction)	-	-0.4	+0.9	+0.8

Actual payments would still depend upon actual housing growth in those years and so these figures were only indicative. However, it did provide sufficient certainty to validate the revenue contribution assumption included within the Medium Term Financial Plan.

The changes to NHB also presented an opportunity to review the Parish New Homes Bonus Scheme. Having now been operational for 4 bidding rounds any announcement to parishes about the continuation of this scheme have been delayed pending the outcome of the Government's review. It had therefore been proposed that Cabinet separately review this scheme in the New Year to ascertain whether it had achieved its objectives thus far, whether it needed to be re-focused, and whether the resources allocated to it were appropriate given the future reductions in national funding for NHB.

Business Rates Pooling

The membership of the pool was currently AVDC, Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council.

Based upon experience gained during 2016/17 it was believed that the Council should continue as a member of the Pool during 2017/18 as the Pool was, on balance, likely to produce material gain for the Pool members. The Pool membership composition could no longer be varied for 2017/18. However, it one of the Councils chose to withdraw by mid January 2017 then the entire Pool would be dissolved.

Pension Fund

Based upon indicative numbers provided by the Pension Fund Actuary, it was believed that AVDC would be required to pay an additional 2% of employer's pension contributions following the Pension Scheme's last revaluation. This equated to £280,000. The final numbers for Aylesbury Vale had increased marginally to £320,000, but included some options which employers could exercise to reduce this figure, i.e. the actuary had provided a model which showed that the reduction in employer pension contributions could be achieved by making lumps sum contributions prior to the 31 March 2016.

It was proposed that a sum from the Council's earmarked reserves was paid towards the Pension Fund deficit prior to 31 March 2017. The resultant reduction in the Employers Pension Contribution would then be captured and used to repay the Reserves whose balances have been temporarily applied. It had been calculated that the benefit of doing this outweighed the advantage the Council could achieve by investing surplus balances in cash deposits.

Reserves that could be used was likely to depend on the acceleration timeframe for East West Rail and when the Council's commitment were likely to be required. Clarification on this was expected in the next few weeks and the final decision on application was proposed to be delegated to the Council's Section 151 officer in consultation with the Cabinet Member for Finance, Resources and Compliance.

Fees and Charges

The Council's review of fees and charges which it was felt needed to be changed had led to a single list for consideration being reported to Cabinet on 13 December 2016. The only change since then was a proposal to have an inflationary £1 per annum increase in the charge for collection of Green Waste in 2017/18. Fees and charges information was included in Appendix E of the 10 January 2017 report to Cabinet.

Council Tax

The initial budget proposals recommended increasing Council Tax by the assumed maximum expected amount of £5.00 (3.59%) for a Band D property. This was the maximum allowable for lower tier councils and would represent an increase equivalent to 10 pence per week and will increase the Band D Council Tax for Aylesbury Vale District Council to £144.06.. The Government had assumed that each council would make maximum allowable increases and had reduced the amount of Grant awarded to Councils by an equivalent amount.

Increasing Council Tax by this amount would generate £355,000 and partially mitigate the reductions in Government Grant (£0.9m would be lost in 2017/18) and thereby protect services valued by residents and businesses in the Vale.

Impact on the Budget Proposals

Members were informed that the initial budget proposal presented to Cabinet in December had considered the options for balancing the budget in the event that the final budget numbers differed from those contained in the initial proposals. The numbers announced in the draft Finance Settlement in December were (insofar as they affected revenue resources) the same as those assumed in the initial budget proposals and, as such, there was no additional impact to consider.

Cabinet had considered the developing central version of the AVE Business Plan for 2017/18 at its last meeting and this identified a Dividend distribution of £200,000 next year. This was consistent with the number already reflected within the budget proposal.

The AVE Business Plan also included a downside Business Case, as part of their scenario planning, under which AVDC did not receive a dividend payment. Whilst this was recognised, the budget plan had been developed using the Central Case assumptions and the Downside Case was instead recognised as a budgetary risk and account taken of it in determining the appropriate level of Working Balances.

Reserves

As part of the budget development process for 2017/18 the Cabinet Member for Finance, Resources and Compliance had undertaken the annual review of the Council's Reserves and Provisions. This included a holistic consideration of the total cash balances tied up within these reserves and whether the cash was being held for legitimate reasons, and it was reasonable to hold them given a fair assessment of the budgetary pressures that they were held against.

The sizeable balance on the New Homes Bonus Reserve (in excess of £10 million), included monies set aside for East West Rail, and distorted the Council's overall Reserves Provision. In practice, the entire balance on this reserve was committed, but the timeframe for delivery on elements of it were drawn out.

It was expected that the total balance held in reserves would dip significantly over the next 2 years as the pressures against which they were held materialised and the infrastructure schemes, for which the New Homes Bonus was held, were delivered.

Balances

The current minimum assessed level of general working balances held as insurance against unexpected financial events was £2.5 million. This had been arrived at based upon a risk and probability assessment of potential budgetary factors during 2017/18.

Current projections indicated that the balances might end 2016/17 above the assessed minimum level at around £3.6 million. Given the uncertainty surrounding the scale of organisational change, together with both internal and external factors impacting upon the finances of the organisation it was not recommended that the assessed minimum level of balances was reduced this year. Excess balances presented the Council with opportunities to offset the upfront costs of change initiatives, (such as redundancy), that would payback and help to deliver ongoing savings in later years, for example, relating to the Commercial AVDC change programme.

Medium Term Financial Plan (2017/18 and After)

The Cabinet report in December 2016 had set out the rationale for the core assumptions used in the Medium Term Financial Plan (MTFP). Whilst some of the uncertainty surrounding the Government Settlement and the future of NHB had diminished following the publication of the draft Settlement, there were still multiple uncertainties and risk factors which needed to be managed.

The single biggest issue was the ongoing and severe impact of the reductions in Government Grant and the continued impact of public sector austerity, particularly in regard to the demands of the communities and provision of services. It was likely that austerity would continue for another 6 years. 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.

Last year the Government introduced the concept of Negative Grant and it was expected that this would become a feature of local government financing over the planning period. This was consistent with the Council's historic planning assumptions for the last 6 years and the Council's strategy for continuing to deliver balanced budgets. In this respect, the Strategy around commercialism and efficiency was considered to remain the right one to deal with these future financial challenges.

Special Expenses

The Cabinet report included a recommendation that the Special Expenses budget for Aylesbury Town remain frozen at its current level for 2017/18.

The draft budget and proposals under development were attached as appendices to the 10 January Cabinet report as follows:-

- Appendix A1 – MTFP – 2016/17 to 2020/21 – Final Proposals.
- Appendix A2 – Summary of Changes.
- Appendix B – Budget Proposals 2017/18 to 2020/21 (General Fund Revenue Balances).
- Appendix C – Budget Savings identified in 2017/18 budget planning.
- Appendix D – Budget Pressures identified in 2017/18 budget planning.
- Appendix E – Fees and Charges (Amendments) schedule.
- Appendix F – Aylesbury Special Expenses – Summary Budget 2017/18.

Members referred to the Cabinet reports, updated information and appendices whilst considering this matter. They requested further information and were informed:-

(i) Appendix C (Commercial Property / Property Services – that the increased rental income savings figure related to increased rental from 66 High Street and other Council owned land, as well as savings achieved on the Waterside theatre contract with ATG.

(ii) an explanation was provided of the Council's reserves, most of which were earmarked for specific purposes. The position on reserves was also reported regularly to Members with the Quarterly Finance Digest.

(iii) that the Council's budget was prepared on a 'going concern' basis having regard to the MTFP. If an announcement was made on modernising local Government in Buckinghamshire then it would likely be necessary to re-visit the budget and future planning.

(iv) Appendix C – an explanation was provided on some of the budget savings for 2017/18 that resulted from staffing efficiencies. It was believed that the timescales for savings was realistic and achievable. Where staffing budget savings were earmarked for future years this usually coincided with people's retirement plans.

(e) on the rationale for increasing the pricing for the All Weather Pitches at Meadowcroft and grass football pitches by 10%. Wherever possible, the Council looked to recover the costs of maintaining the pitches, and had also looked to harmonise prices to those charged locally for other pitches. It was further explained that while the hiring charges for 1/3 area or 2/3 area of pitches had been rounded the fees could differ very slightly in some instances.

(f) that work undertaken had confirmed that the Special Expenses charge in Aylesbury should remain frozen at its current level.

(g) that there would likely be a benefit to the Council from the business rates pooling arrangements. It was not expected that anyone would withdraw from the pool before the 12 January deadline to do so.

(h) Business Rates – that the Council believed that a sufficient provision had been made to cover for business rates appeals that the Council might have to pay for. It was also believed that there was a sufficient balance in the business rates equalisation reserve.

It was commented that a £5 Council tax increase for a Band D property was reasonable, both as a means to mitigate the reductions in Government Grant and to help protect services valued by residents and businesses.

RESOLVED –

That the scrutiny committee was supportive of Cabinet's initial set of budget proposals for 2017/18 together with the Medium Term Financial Plan, as detailed in the reports to Cabinet on 13 December 2016 and 10 January 2017.

3. CAPITAL PROGRAMME

The Council maintained an integrated strategic capital programme which was divided into three sections.

- Major Projects – These being the largest and highest profile.
- Housing Schemes – Being the housing enabling and housing grant based schemes.
- Other Projects – Being all the other schemes included within the capital programme.

The programme was reviewed annually with the current programme being last approved and adopted at Council in November 2015.

Cabinet considered a report on the 13 December 2016 on the capital programme for the current year, as well as for the updated programme for 2017/18 onwards. The report provided an updated position with respect to forecast receipts and the position with regards to current and future major investment projects. It also incorporated changes made since November 2015 and reflected these in the overall resources projections.

Members requested further information and were informed:-

(i) that the memorandum of understanding with Silverstone regarding the Heritage Experience had still not been finalised. It was confirmed that the Heritage Centre had secured the £9.3m Heritage Lottery funding applied for, however, the advance counted as a capital expenditure for accounting purposes and had to be included within the capital programme review.

(ii) that the business case for the Silverstone Heritage Experience had not been dependant on retaining the F1 FP. These figures had also been checked by the National Lottery prior to awarding the lottery funding.

(iii) on the circumstances of the provision of a loan facility for £5.2m to an entity to enable them to secure a commercial property in Aylesbury.

(iv) more fully on the treatment of New Homes Bonus as part of the capital programme accounting process.

(v) that the cost for the scheme to develop the existing waste and recycling depot site at Pembroke Road would be £9.2m, of which £1.9m would only be required if there was sufficient evidence of the demand and take up for the expanded vehicle testing facilities. Additionally, there was a £3.6m provision for refuse vehicle replacements.

RESOLVED –

(1) That the updated capital programme for 2017/18, as set out in Appendix A of the Cabinet report, be endorsed.

(2) That Cabinet be asked to consider the points raised at (i) – (v) above in making final recommendations to Council to set a capital budget for 2017/18.

4. PUBLIC SECTOR EQUALITY DUTY

Section 149 of the Equality Act 2010, the Public Sector Equality Duty (PSED), came into force on 5 April 2011. The objective behind the duty was to ensure that consideration of equality issues formed part of the routine, day-to-day decision making and operational delivery of public authorities. In summary, it required that the District Council, in the exercise of its functions, had due regard to the need to:

- eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Equality Act.

- advance equality of opportunity between people who share a relevant protected characteristic and those who do not by:
  - Removing or minimising disadvantage that people in the protected groups suffer because its connected to that protected characteristic
  - Take steps to meet the needs of people from the protected groups where these differ to those of other people
  - Encourage participation from protected groups in public life or other activity where their participation was disproportionately low
- foster good relations between persons who share a relevant protected characteristic and those who do not by:
  - Tackling prejudice.
  - Promoting understanding.

The protected characteristics were age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity status, race, religion or belief, sex, sexual orientation.

Following the introduction of the Equalities Act 2010 (Specific Duties) Regulations 2011, the Council had published a statement in 2012 on how the Council was meeting the Public Sector Equality Duty. The regulations were designed to ensure that public bodies were transparent about their compliance with the Equality Duty. And, by publishing information about their equality performance and objectives, public bodies would be accountable to the people and communities they served.

The Committee received a report which provided an assessment (Appendix 1) of the Council's performance against the Public Sector Equality Duty and which had been updated in light of the Council's performance assessment for 2016, and also demonstrated that AVDC was complying with the general Equality Duty. This included information about the population of the District, information about Council staff and what AVDC was doing to meet the equality duty. The information would be considered by Cabinet on 10 January 2017, with a view to publishing an updated Public Sector Equality Duty statement on how AVDC was continuing to meet its statutory duty.

A full review against the requirements of the Public Sector Equality Duty to re-evaluate all of the work that was done by the Council was currently being undertaken, and a status update on this progress was included in Section 3 of the report. It was expected that the full report would be completed early in 2017.

Following consideration of the report, it was –

RESOLVED –

(1) That AVDC's Equality Report and performance for 2016 be noted.

(2) That a further report on equalities be submitted to scrutiny when the full review against the requirements of the Public Sector Equality Duty had been completed.

5. WORK PROGRAMME

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

The list of updated agenda items for future meetings would be:

(i) 6 February 2017 – Quarterly Finance Digest.

(ii) 4 April 2017 – Treasury Management Strategy, Vale Commerce Business Plan

(iii) 10 July 2017 – Quarterly Finance Digest.

RESOLVED –

(1) That the meeting scheduled for 6 February 2017 be cancelled (with the Quarterly Finance Digest for April-December 2016 to be circulated separately to Members in due course when it had been finalised).

(2) That the work programme for the April and July 2017 meetings be agreed, as discussed at the meeting.