FINANCE AND SERVICES SCRUTINY COMMITTEE

28 NOVEMBER 2017

PRESENT: Councillor M Rand (Chairman); Councillors B Everitt (Vice-Chairman), J Bloom, J Chilver, R Newcombe, M Smith, M Stamp, R Stuchbury and M Winn. Councillor J Ward attended also.

APOLOGIES: Councillors S Lambert and E Sims.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 5 September 2017 be approved as a correct record.

2. LEISURE MANAGEMENT CONTRACT - AQUA VALE SWIM AND FITNESS CENTRE, AYLESBURY

The Committee received an update from Everyone Active, the Council's leisure management contractor, on the actions and measures that had been implemented over the last six months and on other plans for the future and that would continue to improve the standard of cleanliness and hygiene at Aqua Vale Swim and Fitness Centre, Aylesbury.

The leisure management contract for the management and operation of the council's two leisure centres (Aqua Vale Swim and Fitness centre, Aylesbury and Swan Pool and Leisure Centre, Buckingham) had been awarded to Sport and Leisure Management Ltd, trading as Everyone Active (EA) from April 2013 for an initial period of ten years with an option to extend the contract, by mutual agreement for up to a further five years. EA paid the Council approximately £510,000 each year to manage the council's leisure centres.

EA managers had attended the Scrutiny Committee meeting in April 2017 following reports of poor standards of cleanliness at Aqua Vale and had acknowledged that the overall standards at Aqua Vale had not been up to scratch or as they would expect to provide and that they should have been more proactive in responding to issues that had arisen. The Committee had been informed on the arrangements in place to manage and monitor the contract and been informed by EA that a number of changes had been made including changes to the senior staffing structure, and the cleanliness and maintenance regimes.

Formal contract monitoring was undertaken by the AVDC client officer by way of a monthly contract meeting with EA Contract managers and site visit together with ad-hoc contract meetings with the Regional Director of EA. In addition, any complaints received by the Council were followed up with EA to ensure that they were resolved in a satisfactory manner. Furthermore, AVDC Environmental Health Officers reviewed the water quality test results obtained by EA if there were any concerns regarding the water quality.

Since the last meeting, the standards of cleanliness at Aqua Vale had continued to improve greatly and much had been done by EA to address concerns raised by Members. There was, of course, room for further improvement and EA remained committed to raising standards of cleanliness now and going forward. EA had produced a report which was circulated at the Scrutiny Committee meeting highlighting the actions and improvements made. The Cabinet Member for Civic Amenities informed Members that she had met with EA managers and had toured the centre to see first hand the improvements made.

Everyone Active representatives attended the meeting and provided members with a Service Standards Report which contained comprehensive information on the Service Improvement Plan that had been actioned over the last 12 months. Key areas within the plan included cleaning, maintenance and staff levels (in particular, relating to lifeguard recruitment). The EA representatives, together with the Contracts Performance, Funding and Partnerships Development Manager, provided Members with further information as follows:-

- **Aqua Vale attendance** – overall attendance had increased by 4,222 in the first half of 2017/18 compared to 2016/17. There had been a decrease in the number of pre-paid fitness members from 2,310 to 2,083 over the last year which was attributable to the growing number of budget gyms that had recently opened in Aylesbury.

  The number of people participating in the swimming scheme had increased by 3 people, which reflected that the scheme was at a mature stage and there was little scope to increase the amount of swimming lessons without a significant change to the overall programme.

- **Cleaning** – a specialist cleaning contractor, DMC Facility Management, had been appointed in February 2017 tasked with the day to day cleaning of the centre. There had been a significant increase in the amount of weekly cleaning hours and the contract had been launched with a number of overnight deep cleans.

  To reach the next level in terms of cleanliness and presentation, a new contract had recently been agreed with Rapid Clean, who were a much larger company who provided cleaning services at various EA centres.

  In addition to the contract cleaning services, an additional focus had been placed on in house cleaning regimes:-
  - the lifeguard team focussed on the swimming pools and pool sides.
  - the food and beverage team focussed on the café.
  - the fitness team focussed on the gym and fitness equipment.

  Cleaning schedules were reviewed within all areas to ensure that they were as comprehensive as possible with daily, weekly, monthly, quarterly, 6 monthly and annual schedules. The day to day cleaning processes were driven by the Duty Managers who were supported by a Contract Operations Manager and the General Manager who all completed daily spot checks and inspections to check standards.

  Furthermore, the Contract Manager undertook regular cleaning inspections to review the schedules, task completion and standards achieved. AVDC's Contracts Performance, Funding and Partnerships Development Manager also undertook regular announced and unannounced cleaning inspections.

  All of this had ensured that cleaning standards had dramatically improved at Aqua Vale since December 2016. This was supported by customer feedback and observations from inspections.

- **Complaints** – information was provided that showed that the total amount of feedback received had increased while at the same time the number of complaints per 10,000 visits had reduced by two-thirds.

- **Staffing –** to resolve the lifeguard staffing issues that had been highlighted at the previous meeting, the following changes had been made at Aqua Vale in addition to the changes at senior management level:
  - lifeguard pay had been increased.
  - more free NPLQ courses had been run, which trained people to become lifeguards.
  - improved development opportunities were being provided through progression to Team Leader and Duty Manager.
  - the culture amongst lifeguard teams had been improved, which had assisted with staff retention.

  The lifeguard team was now fully staffed in terms of full-time, permanent team members.

- **Maintenance** – a number of changes had been made to operational processes and additional training provided for the Duty Management and operational teams to minimise maintenance and technical issues that had been impacting service provision. The Planned Preventative Maintenance undertaken at Aqua Vale was detailed which included information on items, when work was due and when it had been completed, the frequency of work and the contractors that undertook the work.

  Additional information was provided of large reactive maintenance works and any capital expenditure investments that had been completed between April and September 2017. These items were as a result of remedial works from inspections or servicing as well as capital investments and upgrades.

- **Additional Service Improvements at Aqua Vale** – in addition to the senior management changes, changes had also been made to the Front of House Manager, and the Food and Beverage Manager, as part of improving standards in those areas. This included:-
  - Improvements to the Queue Management Systems – a previously under utilised room in the reception area had been transformed into an additional reception serving point and was used during peak times to deal with enquiries and to reduce queuing for transactions, in particular for processing car park refunds.
  - Car parking arrangements – EA had proposed an alternative car parking arrangement to the council, suggesting the implementation of a A.N.P.R. (Automatic Number Plate Recognition) camera system, which would remove the need for everyone to obtain a ticket from an machine and then visit the centre's reception to obtain a refund. Work was ongoing on the practical implementation of this scheme.
  - Gym Refurbishment – in September a refurbishment of the gym facilities at Aqua Vale, with a particular focus on free weights, had been completed at a cost of £17.000.
  - UK Active Code of Practice – Aqua Vale had been randomly selected by UK Active as one of 5 centres to be assessed against its code of practise. The review had been primarily health and safety focussed and included risk assessments, safe systems of work, COSHH, pool water quality, pool plant operations, fire safety and colleague training and qualifications. Aqua Vale had passed this assessment, scoring 100%.

- **Swan Pool** – had seen significant growth in attendance in the first half of 2017/18 compared to the previous year , following the refurbishment. In particular, the number of pre-paid fitness members had increased by 25% to

2,055 members and the number of people learning to swim had increased by 4.2% to 1,191.

- **Community Development Highlights** – in addition to managing the centres, EA had supported and been involved in a number of community events throughout Aylesbury Vale over the last six months including Live in the Park and Play in the Park.

Members sought additional information and were informed:-

(i) that an issue at Swan Pool regarding a local school having priority use of the centre which clashed with a popular aqua swim session had been satisfactorily resolved.

(ii) that people using gym equipment were given an induction on how to use the equipment and asked to exercise within their limits. Assistants were also present in gyms to assist people, if required.

(iii) that should the number of people using the centres increase dramatically, in line with the projected housing growth, then staffing numbers could be adjusted accordingly.

(iv) further on how EA had been proactive to seek information / complaints from customers and to respond to the feedback.

(v) that a number of other Councils in the country had been able to introduce an A.N.P.R. camera system for car parking arrangements so it was hoped that an arrangement could also be implemented for Aqua Vale.

(vi) that fast tracking how customers were refunded their car parking charge would considerably improve the customer experience at Aqua Vale. 500,000 refunds were processed every year. Creative options were being explored to improve the car parking situation, although the Council was also aware that it received £40,000 p.a. (£25K car parking charges, £15K penalty charges) from the car park.

(vii) by AVDC's Contracts Performance, Funding and Partnerships Development Manager on the frequency of his announced and unannounced visits. While any complaints were followed up with EA, they had been proactive over the last year in dealing with any issues.

RESOLVED –

(1) That the representatives from EA be thanked for attending the meeting and for the positive progress that had been made in managing the Council's leisure centres.

(2) That EA be invited to provide a further update report to the July 2018 scrutiny committee meeting regarding the Leisure Centres management contract.

3. BUDGET PLANNING 2018-19

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 2018/2019 and in updating the Medium Term Financial Plan (MTFP).

The current MFTP for 2018/19 had been agreed by Council in February, 2017. This had predicted the need to identify £1.4 million of savings in order to balance the budget for 2018/19, based upon the information available at that time and a set of assumptions around key variables within the budget. These assumptions would be revisited and reviewed as part of the budget planning for 2018/19 and the following four years which made up the MTFP.

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 seven years, whilst at the same time managing the expectations of residents. With the recent General Election and the ongoing uncertainty surrounding Brexit and its impact, there had been some softening of the Government's stance on austerity. As a consequence, the Government's long term targets for balancing the budget had been extended and there had been some new funding for some nationally high profile issues. However, it was still considered unlikely that this would have any material impact on the targets that had been set for local government for the period up to 2019/20. All indications were that austerity would continue well beyond this timeframe.

The Chancellor of the Exchequer had announced in the Autumn budget on 22 November a focus on issues such as housing growth and a re-prioritising of the Government's agenda that might have far reaching implications for local government. However, the Government appeared committed to the four year settlement, so core funding seemed likely to be unaffected, but there remained many other mechanisms by which local government could be affected. The tone of the report to Cabinet had therefore been primarily focused around the delivery of efficiency savings and new income generation, as identified last year, but with an eye to the wider budgetary risks potentially facing the Council.

The report identified some of the key issues and areas that would need to be considered as part of the review and update process and set out the timetable for scrutinising and agreeing the budget and the MTFP. The proposed timetable broadly followed the same format as in previous years and this was summarised in the report.

The ongoing work of officers and Cabinet Members under the wider commercial AVDC programme meant that the process could be condensed. This should be achievable, as any strategic choices relating to the level or means of service delivery had already been debated and scrutinised throughout the year. The restructuring programme recently completed had been the single largest facet of the commercial AVDC programme during the last 12 months.

The Commercialisation programme was being delivered as an ongoing four year programme of co-ordinated works and service reviews and not as four separate annual decision making rounds. Through this approach Members would avoid being presented with multiple, unpalatable service cut choices. This also minimised the amount of decision making required as part of the annual refresh and update of the MTFP.

Government funding and the Wider landscape

The 2015 spending review had outlined a multi-year settlement offer for local authorities, which 97% of councils had accepted. The settlement for 2018/19 represented the third year. The figures contained in the settlement were as follows:-

	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

In 2018/19 the Council would effectively receive no Government Revenue Support Grant. However, it would continue to receive funding from other Government allocations and was allowed to retain the business rates baseline number set out above.

The Government was currently consulting on elements of the wider settlement but had signalled, barring exceptional circumstances, its intention not to vary this key element of the settlement package. The settlement included:-

- Revenue Support Grant.
- Business Rates Tariffs and Top-up Payments.
- Rural Service Delivery Grants and Transition Grants.

Other elements of the consultation included proposals around tightening eligibility to New Homes Bonus and the Government's proposals for Council Tax Referendum Principles in 2018/19.

Council Tax

The Government had signalled its intention to hold the broad referendum principles from the last two years. Specifically for Districts, this meant a maximum increase of 2% or £5 whichever was the greater. Aylesbury Vale had chosen to increase Council tax by £5 last year, the maximum possible, representing an increase of 3.59%. The MTFP assumed a further increase of £5 in 2018/19, representing an increase of 3.47% in that year.

Against a backdrop of increasing inflation, a 2% increase was increasingly looking low and the Government would come under pressure from the sector to set a threshold which at least kept pace with the real growth in costs. Inflation was currently 2.8% as measured by CPI and 3.9% using RPI, with concern that currency weakness might push this still higher. The assumptions around the proposed increase in Council tax would be tested as part of the budget development process.

In relation to Town/Parish Councils, the consultation had stated that it expected to see clear evidence that these bodies were exercising restraint. It seemed unlikely, given the Government had thus far resisted implementing controls on this tier, that it would introduce them this year.

New Homes Bonus (NHB)

Last year the Government had consulted on "sharpening the incentive" which had resulted in the introduction of a growth baseline target which needed to be exceeded in order to attract NHB, and a reduction in the number of years for which the Bonus was paid from 6 years to 5, to 4 years in 2018/19. The Government had held back from imposing some more radical changes, but had promised to keep these under review.

This year, the consultation was seeking to revisit these. The areas of main concern were proposals to increase the base level and to withhold NHB where development was permitted on appeal.

The Council had responded to the consultation, highlighting that even councils committed to housing growth would sometimes need to reject applications where they were opportunist and where they were inconsistent with the location of growth in the local neighbourhood plans, or with the provision of infrastructure. The Council was keen to support residents' wishes enshrined in neighbourhood plans and the consultation proposals were a financial disincentive to do this.

The Council was still holding a considerable reserve of NHB funds against commitments awarded out of previous allocations. The budget proposals would need to consider how expected future allocations might be utilised, but given uncertainty over the changes the Government might implement, it would need to be more cautious over what future commitments it proposed to enter into.

Business Rates Pooling and 100% Retention

From 1 April, 2013, Government Grant was now made up of two elements – Revenue Support Grant and Retained Business Rates. The system of Business Rates 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 still generated some tangible gains over the four years that 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.

The revaluation of all business rates had taken place on 1 April 2017 and, as had been predicted, this had impacted some groups of businesses within the Vale. The Government had announced funding for discretionary relief for small businesses and pubs, and this relief had been designed into the local scheme and had been distributed.

In 2016/17, Aylesbury Vale 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 allowed the pool to retain a proportion of business rates growth that would normally be paid to the Government. Across Buckinghamshire this had resulted in a pooling gain in excess of £1million during 2016/17 and this had been distributed amongst the partners in accordance with a memorandum of understanding signed by each of them. In anticipation of a further gain, the pool had opted to continue the arrangement into 2017/18. It was proposed to continue again for 2018/19.

The Government had consulted last year on proposals to allow local government to retain all business rates growth. This had resulted in a set of detailed and complicated proposals which it had intended to take through the Parliamentary process. However, the General Election and the resultant change in the Government's overall majority had meant that the Government no longer considered progressing the full proposals as one of its priorities. However, the Government remained committed to the concept and it was piloting ways in which to achieve the broad ambitions of its policy intention without the need for primary or secondary legislation.

As part of the settlement process for 2018/19 the Government had sought expressions of interest in acting as one of the pilots. There were a number of existing pilots in operation, mainly around the mayoral based combined authority deals. The DCLG was now keen to widen the pilots to include two tier areas.

As part of any submission, the Government wanted to see a focus on functional economic areas, with business rates retention being seen as a means to deliver economic growth in these areas, as well as dealing with local government sustainability considerations.

Buckinghamshire was made up of more than a single functional economic area with twin focuses, looking north and south. Aylesbury Vale had a strong economic focus towards the SEMLEP geographical area and this was supported by the Government's promotion of the East-West Corridor. Aylesbury Vale featured prominently in the central area of the corridor and business rates growth was seen as an important funding mechanism in terms of infrastructure delivery.

As a purely Buckinghamshire focused pilot would detract from progressing a wider retention proposal, and because of the narrow bidding window, no submission had been submitted. The time gained would be used to try to develop a wider area proposal in time for any future pilot opportunities.

Inflation and Pay

The MTFP agreed in February 2017 had been based around a number of assumptions on inflation and pay, having regard to the economic trends at that time. In practice, the looming Brexit was having unpredictable effects on the economy as markets reacted to the uncertainty this issue was causing. Much of this would be determined and resolved by the Government's final agreed approach to exit from the European Union. It was still far from clear as to what kind of agreement the Government could achieve or how global markets would react to this.

For now, it appeared that continued uncertainty would weaken the pound and push inflation higher in the short term. Seemingly, this would now hasten 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 Council's budget planning cycle. It therefore seemed probable that this would become one of those issues that would necessitate continual review and a higher level of contingency.

Last year the Staff Side and Trade Unions had agreed a two year pay settlement with 1% being awarded in 2017/18 and 2% in 2018/19. This agreement had been built into the MTFP assumptions. The Council had also committed to a pay review and work was continuing on this. The results would need to be considered in the context of budget planning and the consideration of budget pressures.

Brexit

Officers continued to keep a watching brief on negotiations. The practical implications were however extremely difficult to assess at this stage because of the uncertainty around terms. The Council did not receive any direct funding from the European Commission. However the indirect impacts were hard to anticipate. The Council had relatively few direct employees from the EU, and so the situation was not of such significance as for those councils that had care responsibilities. However a number of this Council's contractors did rely on EU employees and this might put pressure on future contract costs.

The impact of workforce availability, tariffs, exchange rates and borrowing might all potentially push prices up. This would be reflected in the headline rates of inflation.

Currently there was some upward pressure in this respect, but this was mainly the result of uncertainty. Once there was more clarity in relation to the exit terms, there might be additional costs as the market digested these and priced them in.

The Council now received a proportion of all business rates collected in the Vale. Brexit would certainly have some impact on local businesses, but this was hard to determine at this point. Businesses might choose to relocate within the EU or import tariffs might make UK production more attractive to the domestic market. There might be business rate losses or gains depending upon the nature of the final agreement. However, it seemed probable that whatever the actual impact turned out to be, it's full implications would not truly be determined for a very long time. Brexit would remain a consideration for at least the length of this MTFP.

AVDC Commercial Interests

The Council now had a number of commercial holdings, each at different stages of maturity. In line with the overarching governance approach adopted by 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.

Commercial AVDC

The Council's approach to balancing its finances over the period of the MTFP had been based on the Commercial AVDC Programme.

In summary, the Programme had been developed as the response to addressing the budget challenges following changes to Government funding and the desire to develop a more commercial response to the delivery of services (traditional and new) for existing and new customers. A programme of continual change and innovation had been put in place over recent years, with the last year being largely focused on a complete top to bottom rebuild of the internal structures of the Council, as well as the delivery of key innovations in service delivery.

During the last twelve months the Council's staff had been put through a behavioural led process to ensure that the Council was fit for the future. At the same time, the Council had completely rebuilt the structure and all roles had been developed to fit with the behaviours and the more commercial approach to business. As far as could be ascertained, AVDC was the first Council to undertake this type of programme whilst at the same time redesigning and recruiting its entire staff and keeping services running seamlessly. The following headlines were of particular note:-

- Delivery of a newly designed business delivery structure fit for the 21, aligned to commercial behaviours making the Council fit for the future and ready to address the other issues set out in the MTFP.

- Exceeding the £6 million target set for the programme by 2020 – achieving £2.2million in 2017/18 and delivery of £3.8million by 20121.

- Head count reduction from 471 to 426 (approximately 10%).

- 250 of the above roles had been filled by existing staff, (drivers and loaders had undertaken a different development behavioural process and were excluded from this figure). This had left 110 roles to be filled externally (around a third of all posts in the new structure, excluding loaders and drivers).

- Aylesbury Vale had managed to attract a very high calibre of applicants externally, including applicants from local government, other public services and the commercial world. This indicated that the programme overall was succeeding in bringing a more commercial mind set and approach to the Council's activities.

- To date, 88 individuals had left the Council during the course of the Commercial AVDC Programme, comprising 25 settlements, 38 voluntary redundancies, 23 compulsory redundancies and 2 resignations. Settlement/redundancy payments had been in excess of £2million and the cost of the behavioural assessments and accompanying programme had cost in excess of £1million. It was however expected that these measures would lead to ongoing salary savings of £2million p.a., representing a pay back of approximately 1.5 years.

- The new structure meant that AVDC had a fit for purpose workforce that would enable the Council to operate within its means, although there would continue to be cost pressures.

- The equalities statistics for the workforce remained broadly the same post restructure, with an overall reduction in all age groups (small increase in 31-40). Ethnicity and disability percentages were broadly the same, with the Council's gender profile also broadly similar, although there had been a slight growth in the number of female employees in senior management roles.

- Additional benefits of the restructure had already been proved, e.g., increased flexibility within the senior structure to re-allocate responsibilities and projects, the opportunity to have amore commercial focus across all sectors which should increase income streams and clarity on development requirements, recruitment branding and succession planning.

During this time the Council had also achieved a number of significant achievements exhibiting the commercial approach:-

- The first Council to deliver comprehensive and delivery focused Alexa voice skills, enabling new ways for customers to interact with the Council.

- The first public body (as far as could be ascertained) to pilot artificial intelligence to assist with handling customer enquiries, freeing up time to spend with those customers who need personal attention.

- Through the Vale Lottery, the Council had generated around £80,000 worth of new income for communities in Aylesbury Vale, as well as the delivery of seven lotteries across the country. This had increased income for AVDC, whilst also helping the wider sector and 173 communities across the country to raise funds for their areas.

- Organising and speaking at numerous conferences sharing AVDC best practice and that of the Council's partners and colleagues, as well as providing consultancy services to other public service providers enabling them to work in a more commercial way, whilst delivering income to the Council.

- The Council had moved more customer fulfilment functions onto the Salesforce platform, thereby helping staff to provide customers with a better, more efficient and faster service, and reducing complex IT legacy systems.

- The Council was midway through building "The Exchange", a new restaurant and residential development in Aylesbury town centre, and had agreed a £100million commercial property investment strategy. These, along with the Council's other strategic commercial assets would enable the Authority to continue to support its aims over the medium and long term.

- The Council was part way through the building of a new depot at Pembroke Road, Aylesbury, and was on target to launch the commercial workshop later in 2018.

- The waste team would be retiring the old HGVs and bringing in a new fleet that would be built to the latest EURO6 emission standards. This would improve emissions for the 500,000 miles the fleet travelled each year and would reduce fuel consumption as well.

Connected Vision

In 2018/19, it was proposed to build upon the progress and achievements already made, focusing on ensuring the long term delivery of public service. Work had commenced on bringing together the different strands of the Commercial AVDC Programme and other external and internal objectives into a single statement of objectives. This had been termed "Connected Vision".

In developing Connected Vision, there had been no attempt to challenge the already clearly set objectives of the Council, namely "To secure the economic, social and environmental wellbeing of the Vale". However, what had been finessed over recent months was the mission i.e. the driver of how the vision would be delivered. The mission as part of Connected Vision was "…to make AVDC the best social enterprise business in the UK – providing world class support for those who need it".

A social enterprise was an organisation that by selling goods and services in the open market, could re-invest the money it made back into its business or the local community. This allowed it to tackle social problems, improve people's life chances, support communities and help the environment. This approach added to the direction the Council was taking in terms of commercialisation, but not for its own sake, rather with an end of achieving social improvement and wellbeing of residents, businesses and environment.

The Connected Vision document sought to bring all the existing strands of work together in an attempt to demonstrate how they nested within the Council's wider vision and the milestones which would need to be passed on the way in order to ensure its achievement. This would help with the understanding of where individual actions sat and how they inter-related. It would also help the organisation manage and direct its resources in the delivery of the vision.

The Connected vision had been expressed in a number of themes which created a framework for the delivery of the wider vision. The four themes were:-

- Financially fit (ensuring that the Council had the funds to fulfil the vision and use them wisely).

- Customer focus and innovation (ensuring that the customer was at the heart and that the Council continued to innovate for them).

- Community focused (ensuring that the Council delivered for the community at large).

- Commercially minded (ensuring that the Council fulfilled the overall social enterprise model).

These aims did not diverge from the existing direction. Clarification in this way helped to ensure that the organisation was better aligned as well as being clear about why it was developing in this way. it was intended to publish a Connected Vision update annually, communicating progress at appropriate intervals. The first iteration of this was submitted in diagrammatic form. More detail on the monitoring and reporting framework behind Connected Vision would be published at the beginning of the new financial year.

Connected Knowledge

In January, 2017, the Council had considered a technology strategy known as "Connected Knowledge". This had been endorsed as the right direction of travel for improved customer services and the main driver for efficiency over the next five years.

As part of the budget process, an initial allocation of funding had been awarded to progress the first year's work. This had been accomplished by undertaking to provide a progress report towards the end of the first year. Dependent upon this, authority would be sought for a further tranche of funding once the scope and costs of the next stage had been clarified.

Connected Knowledge had been designed to be the catalyst for technological innovation and change, thereby propelling the organisation into the future. The programme was intended to support the Council with the necessary tools, policies, people and environment that would further enhance the commercial mind set and company culture. The Council was already widely acknowledged as championing this agenda within the public sector. Connected Knowledge built upon the advances made over the previous five year cloud strategy.

This strategy and the accompanying road map had been set out in the guiding principles and objectives. The key achievements included:-

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

- The introduction of artificial intelligence (AI) and AI powered voice control, which over time would serve increasingly complex customer demands. The Council viewed the future as an integrated world, with staff, customers and partners all engaging with the digital technology to deliver the Council's strategy.

- Being 100% cloud software based, meaning a simplified lower maintenance information communication and technology landscape.

- A more strategic approach to what the Council did, the services it provided, who the Council worked with and what the Council bought.

In the MTFP the Connected Knowledge programme represented a major area of investment as the driver of a significant element of the planned efficiency savings across the next four years. It was intended to provide a detailed update on the programme to Cabinet in December, alongside the initial budget proposals.

Council Tax Base

The tax base was a measure of the number of households which were liable to pay council tax in the 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 above its historic growth trends, resulting in more council tax being collected. 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 to more cost by way of demands for infrastructure and services.

It was estimated that the combination of these factors would result in actual tax base growth of just below 2% (1.97%) in 2018/19, compared to the existing 1% assumed in the MTFP. This was a slight reduction from the 2.4% achieved in 2017/18.

Capital Planning and the Impact of Spending Decisions

The revenue financing implications arising from the decisions taken by Council over the past few meetings, such as the property investment strategy and schemes at Silverstone, would now need to be factored into the budget for 2018/19 and beyond. This, along with the impacts of any other new decisions, would also need to be modelled alongside the position on capital resources.

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

Utilising 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 rates during 2017, but this was still heavily dependent on external factors and any increase was likely to be small and gradual. An increase in interest rates had recently been announced by the Bank of England.

The impact on investment income, the cost of borrowing and the returns from savings from investment decisions had therefore to be considered together in order to understand the actual effects of these decisions. The final impact of completed and planned investment decisions were still being modelled and would be set out in more detail in subsequent reports.

Process for Resolving the Budget for 2018/2019

As had been highlighted in previous years, the Council's strategy for balancing the budget had been an ongoing process and not an annual exercise purely undertaken at this time of the year. This had been driven by a desire to balance the budget through reorganisation, efficiency and income generating strategies already set in motion and without the need for a crude or simplistic cuts exercise.

The reorganisation recently completed and the Connected Knowledge Programme were both central elements of this approach. 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 broadly in line with its stated minimum. These allowed the Council to drive forward and invest in new savings initiatives with confidence. Balances (adding to or use of) were likely therefore to form part of the strategy for concluding the balancing of the budget for 2018/19.

As had been 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 or Scrutiny consideration, it would have already been taken through the democratic process at the appropriate time, or be separately identified for debate as part of the budget development process. This again would make the process lighter and avoid the need to take lists of potential service cuts through the Scrutiny Committees. The initial budget position would be presented to Cabinet in December and would be the subject of scrutiny by the Finance and Services Scrutiny Committee in January 2018.

Members sought further information and were informed:-

(i) that the Chancellor had mentioned the National Infrastructure Commission (Cambridge-MK-Oxford corridor) in the Autumn budget. A report would be submitted to Cabinet in December.

(ii) that Bucks Business First was doing work to assess the impact of Brexit on the local economy. The reduction in migration was impacting on the hospitality and care sectors in particular. AVDC had reserves and balances that would be used to help smooth future impacts.

(iii) that the Council was unsure of the baseline funding level of business rates (currently £4m) that AVDC would be able to retain from 2020 onwards.

(iv) that the Council was holding a considerable reserve of NHB funds against commitments including the Parishes Grants scheme, Silverstone Heritage Experience, £5m commitment to East-West rail and the development of the north side of Exchange Street.

(v) that while there was a current reliance on consultants / agency staff in some areas of the Council, active recruitment was ongoing to recruit permanent staff to all posts in the new structure so this reliance could be minimised.

Members were informed that there was a nationwide shortage of qualified planners which was exacerbating recruitment in this area. The Council was also employing some agency staff for Housing Benefits work as there was likely to be changed requirements for staffing when Universal Credit was introduced locally in 2018.

(vi) that the Council had set up a review group to monitor compliance with the IR35 (Intermediaries legislation). Part of this work would also look at how the Council might encourage agency staff to become full time employees.

RESOLVED – That the current approach being taken to develop the budget proposals for 2018/19 and in terms of updating the Medium Term Financial Plan be noted.

4. QUARTERLY FINANCE DIGEST (APRIL - SEPTEMBER 2017)

The Committee received the report on the Council's financial performance for the period 1 April 2017 to 30 September 2017. The current position at the half way point of the year was showing an overspend against budgets of £1.290m. 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 financial position was largely being driven by budgeted levels of staff costs in relation to the reorganisation of the Council. Over the past 12 months, the Council has undertaken a series of business reviews in order to position itself as a more commercial organisation. It was anticipated that the financial benefit of doing this would be realised through significant savings in staff costs in the future.

During the first 6 months of the year, £0.672m of salary savings had been made as a result of business reviews and vacancies. These vacant posts were, however, being filled by temporary staff (agency and consultants) at a premium cost. For the first six months of the financial year, agency costs were reported as being £1.290m above budgeted levels. It was anticipated that the reliance on temporary staff would reduce during the year as vacant posts were filled.

The forecast for the financial period to the end of March 2018 was now expected to be an overspend of £0.496m. This overall figure included redundancy costs of £1.7m and temporary staff costs of £2.9m, offset by full year salary savings of £1.8m in excess of the salary savings requirement.

The cost of redundancies would be funded from reserves. The use of reserves to meet redundancy costs had previously been agreed to fund these exceptional costs of reorganisation. The council anticipated the pay back of costs incurred through staff savings over the next few years.

Detail of the reserves and provisions held by the Council were detailed on page 13 of the Digest. After allowing for known movements, the balance of reserves was forecast to be £35.817m at 31 March 2018.

As well as the revenue budget the digest, on page 14, it had also been reported on the level of capital spend to 30 September 2017. Whilst the year to date spend of £0.78m represented only 6% of the total anticipated spend, there was no perceived risk on the delivery of the schemes and it was anticipated that expenditure would increase in line with plans over the second half of the year.

Page 15 of the Digest detailed information on the level of investments and borrowings during the first six months of the financial year. No new borrowing has been taken out during the year and so the current level remains at £23.5m. The council had £54.8m invested at the end of September, in a combination of banks, building societies and money market funds.

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 sought further information and were informed:-

(i) that the current forecast overspend of £0.496m for the year as well as the redundancy costs of £1.7m would be paid from balances, leaving year end expected outturn for the General Fund Statement of Balances of £1.924m.

(ii) on the current position regarding the use of consultants and agency staff, as had been explained during the budget planning agenda item. Members were informed that a review of pay in the waste services area was being undertaken, to assess whether any changes could be made to reduce the high turnover of loaders and drivers.

(iii) that, from an accountancy perspective, the difference between Revenue Reserves and provisions and balances was that reserves were held for a specific purpose in the future and usually related to a known risk, while balances were a contingency held against unexpected future events. It was expected that some of the NHB Reserves would be moved this year to show against specific schemes.

(iv) that the information on the Commercialisation and Business Transformation portfolio represented the half-yearly position. Where expenditure for the first 6 months of the year was greater than the yearly commitment then the position would continue to be monitored, managed and reported in future digests.

(v) that the Council would be recompensed for some costs relating to work undertaken in relation to HS2, e.g. employing additional planning staff.

(vi) that a report would come to a future meeting looking at how the format of the Quarterly Finance Digest might be improved to assist Members in monitoring financial information. This could include looking at relevant key performance indicators.

Members commented that they would like to see a greater level of detail provided with the financial digest reporting so that they were able to identify impacts within their individual Wards. For example, the information on the Civic Amenities portfolio, Public Conveniences, did not specify which conveniences these related to. Members who had particular concerns were informed that they could ask for feedback at any time by submitting questions on the Question Sheet at the back of the Quarterly Finance Digest or by contacting the Strategic Finance team.

RESOLVED –

That the content of the Quarterly Finance Digest for the period April to September 2017, be noted.

5. WORK PROGRAMME

The Committee considered their work programme for the period up until April 2018.

The agenda items for future meetings would be:-

(i) 8 January 2018 – Budget scrutiny, Capital Programme Review, Public Sector Equality Duty, Connected Knowledge

(ii) 5 February 2018 – Quarterly Finance Digest, Treasury Management Strategy, Vale Commerce Business Plan.

(iii) 4 April 2018 – No items as yet.

RESOLVED –

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