FINANCE AND SERVICES SCRUTINY COMMITTEE

8 JANUARY 2018

PRESENT: Councillor M Rand (Chairman); Councillors B Everitt (Vice-Chairman), J Bloom, S Lambert, R Newcombe, M Smith, M Stamp, R Stuchbury and M Winn. Councillors A Macpherson and H Mordue attended also.

APOLOGIES: Councillors J Chilver and E Sims.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 28 November, 2017, be approved as a correct record.

2. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL

The Committee was informed that Cabinet had received a report in December 2017 (a copy was attached as an appendix to the agenda) in relation to the investment proposal for the delivery of Phase 2 of the Connected Knowledge strategy starting in April 2018.

Cabinet had agreed for £1.53m to be included within the budget proposals for 2018/19, which was the next agenda item. The funding would be made from unallocated New Homes Bonus balances and would enable work to continue on delivering a leading edge, forward thinking platform to facilitate the development of customer first processes, a streamlined internal operation and a framework for increased opportunities for external commercial sales.

The delivery of the "Connected Knowledge" strategy was central to enabling AVDC to continue to make savings in the provision of services, to remain at the vanguard of innovative thinking and to the provision of excellent customer service. It also provided the opportunity to generate income by both supporting general commercial opportunities and providing consultancy services to other councils keen to emulate the approach being taken by AVDC.

As referred to in earlier reports, the strategy would be delivered over a five year period. The first phase of the strategy (approved by Council in February, 2017), was now coming to an end and the report to Cabinet highlighted achievements made so far and the proposed programme for phase 2 covering the period up to the end of the 2018 financial year. The Cabinet report and the investment proposal for phase 2 were available to read on the Council's website.

Phase 2 required investment across three key areas, namely:-

- Innovation – the introduction of innovative new solutions such as voice recognition and artificial intelligence for call handling and decision making.
- Transformational – the roll-out of internal process automation and customer self service.
- Legacy reduction – the removal of legacy technology and the introduction of more flexible systems that would further support integration of data to enable customer needs to be anticipated.

Experience of previous change programmes had indicated that strong governance processes were required both to ensure that the programme delivered on time and to budget, and that any variations to scope (and cost) were closely scrutinised and that benefits realisation was tracked. To this end, the release of funds during the programme (and benefits realisation) would be closely monitored by the governance board to ensure on-going value for money.

The Cabinet report (and accompanying investment proposal document) set out the resource implications and specifically the staff resource requirements which required specific skills sets. The total investment required had been estimated to be £1.53 million and Cabinet had agreed that this should be built into the budget requirements for 2018/19 onwards. This element had now been taken into account in the budget proposals for next year.

Part of the programme of works took into account the new data handling compliance requirements of the European General Data Protection Requirements (GDPR) Directive. The revenue cost of this had been estimated to be £100,000 p.a. and a pressure had been provided for within the draft budget proposals.

Members sought further information and were informed:-

(i) of the work that was also being done on other communication channels and regarding digital exclusion, i.e. to ensure that people without access to the internet or a smartphone were able to access Council services or contact the Council.

(ii) that the delivery of the Connected Knowledge strategy was central to enabling AVDC to continue to make savings and efficiencies in the delivery of services. It was explained that some of the investment for Phase 2 would have paybacks, as detailed in the investment proposal. However, some expenditure also related to the replacement of legacy systems that would need to be replaced in any event, or to undertake trials of new technology.

(iii) that as the Connected Knowledge Strategy covered the period 2017-2022 it was likely in due course that there would be additional investment proposals for funding for future phases. These investment proposals would be brought to Members for approval.

(iv) that the elements of Phase 2 would be delivered in 'bite-sized' chunks. Governance arrangements were in place so that each piece of work would need to be approved by a Governance Board before funding could be drawn down. Equality Impact Assessments would be submitted for the individual projects.

(v) that 'Live Chat' via the Council's website was working and would become more efficient over time.

(vi) that the Officers would ensure that webpages relating to the strategy were kept up-to-date.

Members also commented:-

- that it would be important that the Council's HR policies were updated to take account of evolving issues such as flexible working and other impacts on staff from Connected Working.
- that the Council should consider in the future holding information sessions for residents on issues such as using the Amazon Echo.

RESOLVED –

That the Scrutiny Committee was supportive of Cabinet's decision to include £1.53m within the budget proposals for 2018/19 in relation to the investment proposal for the delivery of Phase 2 of the Connected Knowledge strategy, to be funded from the unallocated balance of New Homes Bonus funding.

3. DRAFT BUDGET PROPOSALS FOR 2018/19

Cabinet had considered its initial budget proposals on 20 December 2017. Due to the timing of scrutiny meetings, it had not been possible for these proposals to be reported to this scrutiny meeting. Following the Government's announcements in late December regarding the draft Grant Settlement 2018/19 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 9 January, 2018. That report together with the updated Medium Term Financial Plan was also included as an appendix to the agenda.

The scrutiny committee was requested to indicate any comments that it had on the draft budget proposals for 2018/19, that it wished Cabinet to take into account (at the Cabinet meeting on 9/1/2018) in making final recommendations to full Council on the final budget proposals for 2018/19.

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 3.48% increase from 1 April 2018. 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.

- subject to any amendments Members wished to make, recommend to Council the budget for 2018/19 and the Medium Term Financial Plan as detailed at Appendix A.

- to approve the use of £1.53m of New Homes Bonus to meet the costs of the Connected Knowledge programme in 2018/19.

- to agree the proposed fees and charges as detailed at Appendix E.

- to approve the level of the Band D Special Expenses charge for 2018/19, as detailed at Appendix F. The precept charge of £45 was unchanged from the initial budget proposals.

The budget report also included information on:-

Government Grant Update

The draft Grant settlement for 2018/19 had been announced on 19 December, 2017, 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 virtually the same as those announced for 2018/19 (which was Year 3 of the four year settlement).

However, there had been a 1% increase in the Council Tax referendum thresholds across all Councils.

The Secretary of State for Communities and Local Government had also announced a formal consultation on a review of relative needs and resources which would feed into a new funding system that would be introduced in 2020 to 2021. Alongside the new methodology, a new phase for business rates retention programme would also be introduced. The aim was for local authorities to retain 75% of business rates growth from 2020 to 2021, and was intended to be a lever and incentive for local authorities to grow their local economies.

The mechanism for this would be through incorporating existing grants into business rate retention including the revenue support grant, and the public health grant. Local authorities would be able to keep that same share of growth on their baseline levels from 2020 to 2021, when the system was reset.

In 2016/17, the government had introduced the concept of negative revenue support grant and this remained an issue for some councils. The Secretary of State had announced that he would be relooking at this element during the forthcoming year, but had warned that any solution would need to be found from within the existing local government funding system.

The announcements heralded the most fundamental change to the settlement formula since business rates retention was introduced. However, with no more funding in the system it was likely that the historic downwards trend would continue. As such, the Council's strategy around commercialism and efficiency was considered the right strategy to deal with the financial challenges facing the council. The additional freedom around council tax increases would soften the challenges marginally, although new pressures, such as those associated with inflation, were likely to absorb any respite offered by them.

New Homes Bonus

The Government had announced that there would be no new changes to the way New Homes Bonus operated. The baseline growth would remain fixed at 0.4%, with NHB only paid on growth above this. AVDC would receive £6.3m in 2018/19 which included previous year's delivery. Nationally, NHB payments of £946m would be made in 2018/19.

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

The draft budget settlement had also confirmed that local authorities could increase planning fees by 20% where they committed to investing the additional income in planning services.

Business Rates Pooling

The membership of the pool in 2016/17 which was formed around the retention of the Disproportionate Growth Levy had been AVDC, Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council. As part of the finance settlement the government has confirmed that this pool would continue into 2018/19, unless any of the pooling members notified that they wished to withdraw within 28 days of the provisional finance settlement being announced.

It had been recommended that AVDC continue with the pooling arrangement in 2018/19, as it was believed there would again be a gain from it. No account had been taken of any anticipated gain in the 2018/19 budget proposals so any gain achieved would be placed in the Business Rates Equalisation Reserve.

Nationally, a number of local authorities were participating in 100% retention pilots in relation to business rates. The government had announced a number of further county pilot areas as part of the finance settlement and had said that it might invite further pilots in 2019/20. The relationship between the 100% retention pilots and the government's intention to deliver a 75% system by 2020 were still unclear.

Fees and Charges

Fees and charges are reviewed as part of the annual budget setting review process. The proposed fees and charges for 2018/19 were detailed at Appendix E.

A significant review was planned during the forthcoming financial year of car parking charges and, in particular, season ticket prices. Any proposed changes to income levels might potentially be implemented in year. This additional income had not been factored into the financial plan.

The fees and charges in relation to Taxi Licensing were subject to the review of the Licensing Committee and were excluded from the proposed list of charges.

Council Tax

The initial budget proposals recommended increasing Council Tax from 1 April 2018 by the assumed maximum expected amount of £5.00 (3.48%) 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 £149.06.. 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 £362,400 and help to protect services valued by residents and businesses in the Vale.

In the finance settlement announcement, government had also confirmed they intended to defer the setting of referendum principles for Town and Parish Councils for 3 years.

Impact on the Budget Proposals

The numbers announced in the draft Finance Settlement in December had been as expected and only very marginally different to those assumed in the Cabinet's initial budget proposals.

Consequently, the Revenue Support Grant for 2018/19 had provisionally been set at £3,826,500 for 2018/19 which was £12,700 less than was previously assumed. The MTFP had been amended to reflect this by adjusting the proposed contribution to balances in 2018/19.

Reserves and Balances

Members were informed that earmarked reserves represented 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 were an essential part of sound financial planning. The reserves were held for legitimate reasons and the balances were reasonable given a fair assessment of the budgetary pressures that they are held against.

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

The Council also held general working balances as insurance against unexpected financial events. This includes failure to generate expected income as well as financial claims against the Council. The current minimum assessed level of balances was £2.0 million which had been arrived at based upon a risk and probability assessment of potential budgetary factors during 2018/19.

Medium Term Financial Plan (2018/19 and After)

The report to Cabinet in November 2017 set out the rationale for the core assumptions used in the Medium Term Financial Plan. Whilst some of the uncertainty surrounding the Government Settlement and the future of News Homes Bonus had now diminished following the publication of the draft Settlement in December, there were still multiple uncertainties and risk factors which needed to be managed beyond 2020.

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

The reality of continued public sector austerity through this Parliamentary term had been confirmed within the 4 Year Funding Settlement. Further, the Chancellor had announced within his Autumn Statement that he expected the austerity agenda to continue into the next Parliamentary term, thereby potentially spanning another 6 years.

Special Expenses

The Cabinet report included a recommendation that the Special Expenses budget for Aylesbury Town remain frozen at its current level for 2018/19.

The draft budget and proposals under development were attached as appendices to the 9 January Cabinet report as follows:-

- Appendix A1 – MTFP – 2018/19 to 2022/23 – Final Proposals.
- Appendix A2 – Summary of Changes.
- Appendix B – Budget Proposals 2017/18 to 2022/23 (General Fund Revenue Balances).
- Appendix C – Budget Savings identified in 2018/19 budget planning.
- Appendix D – Budget Pressures identified in 2018/19 budget planning.
- Appendix E – Fees and Charges (Amendments) schedule.
- Appendix F – Aylesbury Special Expenses – Summary Budget 2018/19.

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

(i) Appendix B – it was clarified that the Council had received £2,000 from HS2 in 2017/18. It was likely that mitigation and other work that AVDC had to do in relation to HS2 would be funded on a cost neutral basis. It had been proposed that the £50,000 allocated to Vale Commerce would be used to explore new commercial opportunities more widely.

(ii) Appendix C (Budget Savings) and Appendix D (Budget Pressures) – an explanation was provided on some of the budget savings and pressures. Members were informed that many of these related to 2017/18 and was reporting on savings/pressures that had already been realised or dealt with.

(iii) MTFP 2022/23 – that work had not yet been done to identify savings for the 2022/23 financial year, which explained the £1.006m in unidentified savings. By contrast, savings had been identified in the MTFP that would allow balances budgets to be delivered for the next 4 years.

(iv) MTFP (Appendix A1) – it was acknowledged that the MTFP assumed an annual 1% growth in the Council Tax base and that future increases could be greater due to Aylesbury Vale being a growth area.

(v) Aylesbury Vale Broadband – that monies received from the sale of AVB would be used to repay the loan.

(vi) Aylesbury Vale Estates – that AVDC had received a dividend of £200,000 last year. AVE was planning to make a dividend payment of £300,000 for 2018/19, although the budget proposals were more cautious and had assume no increase.

(vii) that the impact of Brexit and the retention of business rates from 2020 on the Council's future budgets were difficult to quantify.

Members also commented:-

- Page 49 (Appendix C – Budget Savings) and Page 50 (Appendix D – Budget Pressures) – it was requested that future reporting on budget savings and pressures include some more explanatory information on the proposals to assist with Members' understanding of the issues.
- Page 49 – Waste Services (UPM Contract – Recycling Credits) – that it might be helpful for the Environment and Living Scrutiny Committee to look at how recycling costs could be mitigated beyond the current contract.
- Page 59 – Cornwall Meadow – Cabinet were asked to check whether there should be an additional line item to pick up that the car parking charge for up to 3 hours at Cornwall Meadow was 50 pence?

The Committee also had a lengthy discussion on the Aylesbury Town Special Expenses. The Chairman informed Members that he would be attending tomorrow evening's Cabinet meeting and he would be happy, on behalf of the Committee, to report the Committee's deliberations and to urge Cabinet to look at starting a serious ongoing dialogue with Aylesbury Town Council relating to devolving these assets/services.

RESOLVED –

(1) That the scrutiny committee was supportive of Cabinet's budget proposals for 2018/19 together with the Medium Term Financial Plan, as detailed in the reports to Cabinet on 9 January 2018.

(2) That Cabinet be asked to take into account scrutiny's comments in finalising the budget proposals for 2018/19 to be submitted to full Council.

4. CAPITAL PROGRAMME REVIEW

The Council maintained an integrated strategic Capital Programme divided into three elements:-

- Major projects - These being the largest and highest profile.
- Housing Schemes - These being the housing enabling and housing grant based schemes.
- Other Projects - These being all other schemes included within the Capital Programme.

The Programme was reviewed annually with the current programme being last approved and adopted at Council in February 2017.

Cabinet had considered a report on 20 December 2017 on the capital programme for the current year, as well as for the updated programme for 2018/19 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 February 2017 and reflected these in the overall resources projections.

Cabinet had approved the updated Capital Programme for the purposes of scrutiny. Any feedback from scrutiny would be considered by Cabinet on 9 January 2018 in making final recommendations to full Council.

The following table set out the available resources as at the beginning of 2017/18 and the projected resources during 2017/18 and 2018/19 before any expenditure had been taken into account:-

	Current Resources April 2017 £'000s	**Resources Projection March 2018 £'000s**
Balance of Capital Resources	**9,752**	**9,374**
Share of Right to Buy Receipts	2,500	2,500
Asset Sales	910	410
Lottery, Grants and Section 106	0	3,300
Revenue Contributions (NHB)	5,466	327
Total End of Year	**18,628**	**15,911**

The Council had for some time been in a position where the generation of significant capital receipts were no longer likely as the asset base now comprised largely of small land holdings and operational property. Large capital resources were now dependant upon external funding sources and in particular, borrowing. The Capital resource position was the subject of an on-going review within the context of future demands and needs. A copy of the Capital Programme had been appended to the Committee report.

Particular reference was made to the housing enabling element of the Programme. The Council had been successful in its delivery of affordable housing, the capital commitment to which was tied to the VAHT housing stock transfer. With the ending of the VAT shelter, beyond residual right to buy capital receipts and nominal sums from New Homes Bonus, the Council had no means to fund new schemes other than by way of borrowing. However, as borrowing for this purpose provided no return by which to recover the borrowing costs, funding an affordable housing programme though this means was not sustainable.

Housing Associations had been obliged to review their business plans in the light of a change in the level of rents they could charge and so demand for potential new schemes had been delayed. The Government had made it clear that housing provision was a priority and the recent Budget had included a number of commitments to provide funding. However, the details had not yet been made available. The Council would continue to work with Housing Associations to deliver as many affordable homes as possible, but it had become clear that there was a need for a fundamental review of this funding element. Whilst this review was being undertaken, the Capital Programme made provision for all receipts from right to buy and the affordable housing element of New Homes Bonus to be ring fenced for affordable housing investment.

In relation to other projects, the most notable items were provision for the transfer of money to Coldharbour Parish Council for maintenance of the Riverine Corridor, and for the purchase of the new refuse fleet.

During discussions Members commented that they were supportive of the use of residual Right to Buy capital receipts and nominal sums from New Homes Bonus for affordable housing, to fund new affordable housing schemes.

RESOLVED –

That the updated capital programme for the period 2018/19 to 2021/22, as set out in Appendix A of the Committee report, be endorsed.

5. 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 2017, 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 9 January 2018, with a view to publishing an updated Public Sector Equality Duty statement on how AVDC was continuing to meet its statutory duty.

While the Scrutiny Committee was satisfied with the assessment given of the Council's performance against the Public Sector Equality Duty for 2017, Members suggested that future reporting should:-

- look to include measurable objectives/baselines and report on performance against them.
- include more information on health and disability and how the Council was meeting it's legal obligations.
- include more explanatory information generally throughout the report, for example:
    - on why the percentage of employees who had self-declared disability had fallen over the last 10 years.
    - on why there were generally more females in the grades (SG2-SG5).
    - on flexible working (e.g. female/male breakdown, grades of people that were working flexibly.)
    - highlighting, by way of examples, some of the positive work that had been done by AVDC to meet the equality duty.
    - how many staff had completed the Hate Crime eLearning module.
    - on the rationale for organising ladies only swimming and fitness sessions.
    - if possible, comparing AVDC's performance to like Local Authorities.

The Cabinet Member for Communities thanked Members for their feedback, and gave an undertaking to take it into account in developing measurable equality objectives / baselines, and for future reporting.

RESOLVED –

That AVDC's Equality Report and performance for 2017 be noted.

NOTE: Councillor Lambert declared a personal interest as a spokesperson on equalities at Buckinghamshire County Council and at the Bucks Fire and Rescue Service.

6. WORK PROGRAMME

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

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

(i) 5 February 2018 – Treasury Management Strategy, Options for Future Finance Reporting.

(ii) 4 April 2018 – Quarterly Finance Digest.

(iii) 9 July 2018 – Leisure Centres Management Contract, Quarterly Finance Digest.

RESOLVED –

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