



AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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24 January 2019

COUNCIL

A meeting of the Aylesbury Vale District Council will be held at **6.30 pm on Wednesday 6th February 2019** in **The Oculus, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Bill Ashton; bashton@aylesburyvaledc.gov.uk;

WEBCASTING NOTICE

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Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

If you have any queries regarding this, please contact the Monitoring Officer on 01296 585032.

AGENDA

1. APOLOGIES

2. MINUTES (Pages 3 - 8)

To approve as a correct record the Minutes of the meeting of the Council held on 12 December, 2018, copy attached as an appendix.

3. DECLARATIONS OF INTEREST

Members to declare any interests.

4. ANNOUNCEMENTS

By the Chairman of the Council.
By the Leader/Cabinet Members.

5. PETITIONS/DEPUTATIONS (IF ANY)



6. FINAL BUDGET PROPOSALS FOR 2019/20 (Pages 9 - 34)
Councillor Mordue
Cabinet Member for Finance and Resources

To consider the attached report.

7. CAPITAL PROGRAMME UPDATE 2019/20 TO 2022/23 (Pages 35 - 46)
Councillor Mordue
Cabinet Member for Finance and Resources

To consider the attached report.

MINUTES OF THE PROCEEDINGS OF A MEETING OF THE AYLESBURY VALE DISTRICT COUNCIL

12 DECEMBER 2018

This meeting was webcast. To view the detailed discussions that took place please see the webcast which can be found at:

<http://www.aylesburyvaledc.publici.tv/core/portal/home>

PRESENT: Councillor S Renshell (Chairman); Councillors J Brandis (Vice-Chairman), B Adams, C Adams, M Bateman, J Bloom, A Bond, S Bowles, C Branston, B Chapple OBE, S Chapple, A Christensen, A Cole, S Cole, P Cooper, B Everitt, B Foster, N Glover, M Hawkett, T Hunter-Watts, T Hussain, A Huxley, P Irwin, S Jenkins, R King, S Lambert, A Macpherson, H Mordue, R Newcombe, C Paternoster, M Rand, S Raven, B Russel, Sir Beville Stanier Bt, P Strachan, R Stuchbury, D Town, J Ward, W Whyte and M Winn.

APOLOGIES: Councillors J Blake, N Blake, J Chilver, M Collins, P Fealey, A Harrison, S Jarvis, R Khan, T Mills, L Monger, G Moore, S Morgan, C Poll, G Powell, W Raja, M Smith, M Stamp and A Waite.

WEBCASTING

Prior to the start of the meeting, the Chairman reminded everyone present that the meeting would be broadcast live to the internet and be capable of repeated viewing.

Members of the audience who did not wish to be on camera were invited to move to a marked area at the side of the chamber.

1. MINUTES

RESOLVED –

That the Minutes of the special Council meeting held on 27 November, 2018, be approved as a correct record.

2. ANNOUNCEMENTS

(a) Cabinet Member for Environment and Leisure

Food Banks – The Cabinet Member thanked AVDC staff who had recently donated to a food bank set up at the Council. Both Council staff and Members were encouraged to donate to the food bank. Donations would be collected at the Council offices on Fridays in the run up to Christmas.

(b) Leader of the Council

Unitary Council – The Leader of the Council provided Members with an update on the unitary Council. She had been meeting regularly with the District Leaders and Chief Executives to discuss transitional arrangements and would provide Members with more information as soon as practicable.

The Leader was particularly mindful of the new Council's future relationship and workings with town and parish councils and assured those councils that it was the intention of the new council to work closely with them around devolved services and the co-production of services for those who were able and wished to do so. However, until the Shadow Executive was formed it was too early to

discuss specific plans in any detail. An assurance was given to Town and Parish Councillors that no decisions had been taken. Rather, decisions would be taken by the new council and in collaboration with town and parish councils at the appropriate time.

The Leader also informed Members that there was general support for the District and Parish/Town Council elections currently scheduled for May 2019 being delayed until after the formation of the new Council. However, until the elections were officially deferred it would be prudent for parishes to continue to budget for them in their precept.

Lastly, Members were informed that the HR teams of all five Councils had been meeting to try and ensure that all staff were treated fairly and equally in the transformation to the new Council. An employee assistance programme had been introduced, free of charge, to provide staff with counselling, guidance, legal advice and other help via a Freephone number.

3. PETITIONS/DEPUTATIONS

There were none.

4. WRITTEN QUESTIONS

One written question was submitted by Members during each of October and November 2018, and could be accessed at

<http://democracy.aylesburyvaledc.gov.uk/ieListMeetings.aspx?Committeeld=441>

5. HOUSING AND HOMELESSNESS STRATEGY 2019-2022

Council received a report that had been submitted to the Environment and Living Scrutiny Committee on 25 September, 2018, and to Cabinet on 20 November, 2018, seeking approval for the adoption of the draft Housing and Homelessness Strategy 2019-2022. The minutes of those meetings were attached as Appendices 2 and 3 respectively to the Council report. Both meetings had been supportive of the draft strategy.

Local authorities had a statutory requirement under the Homelessness Act 2002 to produce a Homelessness Review and Strategy outlining the main causes of homelessness in their area and the strategic plans and actions in place to tackle them. As a minimum requirement, the strategy should be revised and rewritten every five years.

The current strategy was due to expire this year and the new Housing and Homelessness Strategy 2019-2022 (the Strategy) had been produced, following a review of the housing and homelessness needs of residents within the Vale. It outlined the Council's plan on addressing these needs for the next three years.

The Strategy had been created by a working group made up of internal officers and representatives from local partners – the Vale of Aylesbury Housing Trust, Aylesbury Homeless Action Group, Connection Support and the Heart of Bucks. Details of the research and customer insight undertaken to inform the Strategy were included in the Council report.

Since the draft Strategy had been published for public consultation, Universal Credit had been rolled out in the Vale and the Rough Sleeper Initiative had been implemented across the country in conjunction with the Governments target's to reduce Rough

Sleeping. The draft Strategy had been updated, in consultation with the Cabinet Member for Communities, to reflect this.

Since the last Homelessness Review, changes in both local and central government legislation and policy had impacted significantly on the approach taken by local authorities to preventing and dealing with homelessness. Official statistics continued to show a worrying upward trend nationally, with the number of homelessness acceptances and rough sleepers rising year on year since 2014.

As Aylesbury Vale's population continued to rise, so did house prices and private rents. However, the Vale had also had the third highest increase in its housing stock throughout England over the last five years (source ONS 2017) and had the highest ratio of housing delivery to existing housing stock of any authority in the Cambridge-Milton Keynes-Oxford Corridor. This stock increase included the delivery of 1,546 affordable homes between 2013 and 2018.

There had been a 25% increase in the number of applicants found as unintentionally homeless and in priority need since 2013, with the biggest rise being in families with dependant children. The most common reason for people losing their home was the loss of a tenancy. However, AVDC's housing staff had been extremely effective over the last few years in preventing homelessness, with 1,674 households prevented from becoming homeless between 2013 and 2017.

Compared to the national picture and in general, Aylesbury Vale's homelessness figures were relatively low, although the rough sleeping rate for 2017 (per 1,000 households) was 0.26, marginally higher than national average of 0.20.

The strategic vision was to ensure that those who wanted to make the Vale their home were supported to do so. In order to achieve this, the following 4 priorities had been agreed:

- Strategic Priority 1 – Prevent and reduce homelessness and rough sleeping.
- Strategic Priority 2 – Continue to facilitate and maximise the supply of affordable housing.
- Strategic Priority 3 – Respond to the ongoing challenges of welfare reform.
- Strategic Priority 4 – Contribute to the improvement of health and wellbeing services for people at risk of homelessness.

The Strategy Action Plan, which formed an evolving part of the strategy, set out what would be done to achieve the priorities. It would act as a health check on the effective delivery of the service and would be updated quarterly on the AVDC website once it was live.

Following an analysis of the consultation responses by the working group, the final draft of the Housing and Homelessness Strategy 2019 - 2022 had been produced and was attached as Appendix 1 to the Council report. The action plan would be owned by the Homelessness Prevention Forum – some ownership had already been established in some key areas whilst others would be updated in early 2019.

It was proposed by the Cabinet Member for Communities (Councillor Winn) and seconded by Councillor Bowles:-

- (1) That the Housing and Homelessness Strategy 2019-2022 be adopted for inclusion in the Council's Policy Framework.

- (2) That authority be delegated to the Assistant Director for Customer Fulfilment, in consultation with the Cabinet Member for Communities, to make any necessary minor amendments to the Housing and Homelessness Strategy 2019-2022 as may be required.

It was thereupon proposed by Councillor Bateman and seconded by Councillor Stuchbury that recommendation (1) be amended by the addition of the following:-

- (a) "That this Council will monitor the causes of homelessness within the Vale carefully, and specifically any increases in homelessness which are directly caused by or linked to Universal Credit.
- (b) That in applying development plan policy in planning decisions the Council will seek to achieve the maximum level of affordable housing taking into account suitable local evidence where available.
- (c) That the Council will seek to justify the highest level of affordable housing possible in future plans utilising all available local evidence."

During debate, the Cabinet Member for Communities informed the mover and seconder of the amendment that he was happy to accept that AVDC would continue to monitor the causes of homelessness within the Vale carefully, and specifically any increases in homelessness that were caused by or linked to the roll out of Universal Credit.

The Cabinet Member also stated that he was happy to give an undertaking that if there were opportunities that came forward in a particular development to build a higher level of affordable housing, the Council would consider them.

On the basis of these undertakings, and with the agreement of the mover and seconder of the amendment, and of Council, the amendment was withdrawn.

Following further debate, it was,

RESOLVED –

- (1) That the Housing and Homelessness Strategy 2019-2022 be adopted for inclusion in the Council's Policy Framework.
- (2) That authority be delegated to the Assistant Director for Customer Fulfilment, in consultation with the Cabinet Member for Communities, to make any necessary minor amendments to the Housing and Homelessness Strategy 2019-2022 as may be required.

6. COMMUNITY GOVERNANCE REVIEW

A report, similar to that submitted to the General Purposes Committee on 19 November 2018, and summarised in the Minutes of that meeting, concerning the final recommendations emanating from the Community Governance Review, was submitted.

Community Governance Reviews were the successor to Parish Reviews. The terms of reference of this review had been:-

- (i) **Great Brickhill and Soulbury Parishes** – to consult with electors in relation to the current boundary between Great Brickhill and Soulbury Parishes which runs along Ivy Lane, to the south of Great Brickhill. This will include consulting with areas about whether they should be included within the Great Brickhill or Soulbury Parish. The affected properties are:

- Clover Hill.
- The Stables.
- Alders Farm.

- (ii) **Bierton with Broughton Parish** - to consult with electors in the Parish in relation to possible warding arrangements to take account of the Aylesbury East 'Kingsbrook' development.
- (iii) **All Parishes** – the number of Parish Councillors.
- (iv) **All Parishes** – any minor boundary alterations.

The report recommendations had been framed in accordance with the consideration given to the feedback from the formal consultation process by the General Purposes Committee. Details of the comments expressed were included in the report submitted.

Proposed by Councillor Mrs Macpherson, seconded by Councillor C Adams and

RESOLVED –

- (1) That the current boundary between Great Brickhill and Soulbury Parishes be maintained.
- (2) That new Wards of “Kingsbrook” and “ Broughton Hamlet” be created within the Bierton with Broughton Parish (as shown on the map submitted with the Council report) to take account of the Aylesbury East 'Kingsbrook' development.
- (3) That the number of Parish Councillors for the new Bierton with Broughton Parish be set to 12 as follows:-

| Ward Name | Number of Councillors |
|----------------------------|-----------------------|
| Bierton Ward | 7 |
| Kingsbrook Ward | 3 |
| Oldhams Meadow (unchanged) | 1 |
| Broughton Hamlet | 1 |

- (4) That the membership of Mentmore Parish Council be increased from 5 to 7.
- (5) That the membership of Pitstone Parish Council be increased from 10 to 11.
- (6) That the membership of Berryfields Parish Council be reduced from 12 to 10.
- (7) That the Lead Legal and Monitoring Officer be authorised to make a reorganisation order under the Local Government and Public Involvement in Health Act, 2007, to implement the changes as a result of this review.
- (8) That the Democratic Manager be authorised to take any further action that might be necessary to complete the review and implement the new arrangements.

7. QUESTION TIME

Members had the opportunity to ask questions of individual Cabinet Members and Committee Chairmen about issues affecting their portfolios/Committee activities:-

- (a) **Devolving assets to Town and Parish Councils** (Councillor C Adams) – the Leader of the Council informed Members that until the final reorganisation order was laid for the new Council it was premature to make any firm statements on matters moving forward, which included looking at the devolution of assets and services to Town and Parish Councils.
- (b) **Roadworks / Traffic Congestion** (Councillor Cooper) – the Deputy Leader of the Council informed Members that he shared Councillor Cooper’s concerns on the number of temporary traffic lights and unplanned roadworks that seemed to be popping up on main arterial roads around Aylesbury and that were causing considerable traffic congestion and gridlock. However, the Deputy Leader had not received any complaints or evidence that the congestion was impacting on the economy of Aylesbury. The Cabinet Member for Environment and Leisure (who was also the Deputy Cabinet Member for Transport at BCC) informed Members that the County Council shared the same concerns and had contacted Thames Water to raise the matter and complain about the disruptions.
- (c) **Aylesbury Vale Estates** (Councillor Lambert) – the Cabinet Member for Environment and Leisure assured Members that there no plans to move AVDC controlled assets into AVE ownership so that they could not be transferred to either the new Council or Town/Parish Councils.
- (d) **Email Sharing Protocols** (Councillor Lambert) – the Leader of the Council informed Members that she expected the Member / Officer protocol regarding the sharing of information to be followed. The Leader was happy to speak to the Member after the meeting if he had any particular concerns.
- (e) **Discounted Housing Payments** (Councillor Bateman) – the Cabinet Member for Communities gave an undertaking to provide the Member with information on whether there had recently been any increases in discounted housing payments.
- (f) **Osier Way, Buckingham** (Councillor Stuchbury) – the Cabinet Member for Planning and Enforcement informed the Member that he had emailed him today with information in relation to Section 106 arrangements. Arrangements had not yet been put in place but the Member would be notified as soon as something had been agreed.
- (g) **Unitary Council** (Councillor Stuchbury) – the Leader of the Council informed Members that it was important for all Councils to continue with business as usual for local residents until such stage as arrangements for the Shadow Authority and/or the new Council came into force.
- (h) **Merry Christmas** (Councillor Rand) – the Leader of the Council concurred with the Member in wishing all Members of staff, Councillors and their families a very Merry Christmas and a happy, prosperous New Year.
- (i) **Buckingham Christmas Parade** (Councillor Whyte) – the Cabinet Member for Civic Amenities agreed with the Member that AVDC was happy to support the Buckingham Christmas parade this Saturday by offering free parking in the town.

The Cabinet Member also informed Members that AVDC was again this year providing free parking on Thursdays after 3.30pm in AVDC town centre car parks in the run up to Christmas and every Sunday in December in the Walton Street car park.

Council
6 February 2019

BUDGET 2019/20 AND THE MEDIUM TERM FINANCIAL PLAN
Councillor Mordue
Cabinet Member for Finance and Resources

1 Purpose

This report covers two areas of budget determination for 2019-20. It presents the proposals for the budget, as recommended by Cabinet on 16 January 2019. It also contains the Chief Financial Officer's report on the robustness of the budget proposals and the adequacy of reserves.

2 Recommendations/for decision

Council is recommended to:

- 2.1 Note the contents of the statement of the Chief Financial Officer in Appendix A.
- 2.2 Agree a budget package which;
 - a. Increases the annual Council Tax by the maximum permissible, £5.00 (3.35%) at Band D for district councils
 - b. Includes a General Fund budget that results in net expenditure of £14,671,100 and a District precept of £11,314,900.
 - c. Approves a pay award for staff, which meets the Living Wage and provides for 2.5% being payable across all grades for 2019/20, for which provision has been made in these budget proposals.
 - d. Includes the use of £1.48m of New Homes Bonus to meet the costs of the Connected Knowledge Programme in 2019-20
 - e. Has an expenditure total of £902,300 and a precept of £849,300 in respect of Aylesbury Special Expenses giving an unchanged band D Special Expense Council Tax of £45.00 for 2019-20.
 - f. Sets a proposed General Fund net expenditure for each of the following years as the basis of future budget planning as follows:
2020-21:£14.62m 2021-22: £14.57m 2022-23: £14.53m

3 Background

- 3.1 The report to Cabinet on 18 December 2018 presented a set of initial budget proposals for Cabinet's consideration.
- 3.2 On 16 January 2019, Cabinet reconsidered its initial budget proposals in light of the provisional Government Grant Settlement and the comments made by the Finance and Services Scrutiny Committee. Based upon this additional information it made minor amendments consistent with the approach proposed in its initial report. The final budget is presented now for consideration and agreement.

4 The Cabinet's Budget Recommendation

- 4.1 Cabinet considered the development of the budget at 3 separate meetings in November, December and January. The latter meeting being informed by the views of Finance and Service Scrutiny Committee.

- 4.2 The report to Cabinet on 20 November 2018 set out the context for 2019/20 budget planning and outlined a series of issues facing the Council when developing budget proposals and updating the financial plans.
- 4.3 With the announcement of a single Unitary District Council for Buckinghamshire, the medium term plan has been constructed largely on the basis of a continuing authority, even though this is clearly not the situation. This approach provides the new unitary authority with an understanding of the pressures and opportunities facing Aylesbury Vale and its proposed solutions.
- 4.4 In setting a medium term financial plan and developing budget proposals for the future there will be uncertainties particularly in relation to levels of Government Grant, the financial impact from retained business rates, the levels of New Home Bonus, Brexit and general economic conditions.
- 4.5 The MTFP sets out both the service based operational income and expenditure expectations and the proposed financing arrangements. The position presented represents a best view of the known financial landscape now and for future years.
- 4.6 The Budget proposal and Medium Term Financial Plan is attached as Appendix B1. An analysis of changes from the 2018-19 budget is provided in Appendix B2. Further detail on the plan is provided within the report.
- 4.7 A balanced budget is presented for the years to 2022/23. Assumptions on income spend and efficiencies are very challenging to make for future years. The general principles of reducing costs and increasing income will remain the fundamental approach to addressing financial issues going forward.
- 4.8 The budget process has been similar to that adopted in the previous years.
- 4.9 As highlighted in previous years, the Council Strategy for balancing the budget is an ongoing process and not an annual exercise purely undertaken once a year. The ongoing work across the Council in terms of its commercial and transformation agenda has avoided the need to take lists of potential service reductions through scrutiny committees.

5 Government Grant and Impact on Budgets for 2019-20 and beyond

- 5.1 The Government announced the draft Grant settlement for councils in the Finance Settlement on 13th December 2018. The local government finance settlement is the annual determination of funding to local government from central government.
- 5.2 Despite some indications that there might be significant changes, to reflect ongoing pressures on the wider local government sector, the Government largely honoured its commitments contained within the 4-year settlement and left the pre-announced Grant numbers mostly unchanged.

Revenue Support Grant

- 5.3 The important numbers of Revenue Support Grant and Baseline Business Rates were virtually the same as those announced for 2019/20 within the 4-year

settlement. In the Settlement, 2019/20 represents the final year of the 4-year settlement.

- 5.4 As anticipated, the Government has also provided extra resources in 2019/20 to cancel the 'negative RSG' adjustment to tariffs and top-up. The confirmed financial impact of the change will benefit the Council by £687,000. This budget assumes that this will be a non-recurrent re-alignment of funding.

Retained Business Rates and Business Rates Pooling

- 5.5 Since 2016/17, AVDC have benefited from the existing 50% retention scheme and pooling arrangements. An initial target of £476,000 has been included in the Budget for 2019/20 as the AVDC retained share of the Business Rates Growth. This presents a prudent position given risks, such as valuation appeals.

- 5.6 Since the Rates Retention scheme was introduced variations in actual growth income have been managed within the Business Rates Equalisation Reserve. Cabinet has previously agreed that the equalisation funds for business rates be repurposed and made available to offset the transition costs associated with local government reorganisation, subject to any demands being placed upon them in 2018/19. It is considered that the risks of non achievement in 2019/20 are relatively small and the risks can therefore be managed within the General Fund working balance during that year.

- 5.7 As part of the Finance Settlement the Government has confirmed that a third phase of business rate retention pilots will go ahead from April 2019 with a 75% retention scheme offered to selected areas.

- 5.8 Buckinghamshire has been awarded Pilot Status for 75% Business Rates Retention in 2019/20.

- 5.9 The actual gain from the revised rates initiative won't be known with any certainty until after the financial year has finished but it is estimated that the financial benefit to AVDC will be circa £1.6 million for AVDC.

New Homes Bonus

- 5.10 The New Homes Bonus baseline growth requirement will remain fixed at 0.4%, with NHB only paid on growth above this. AVDC will therefore receive £5.9 million next year under this scheme based upon housing growth already delivered

- 5.11 2019-20 represents the final year of funding agreed through the Spending Review 2015. In the light of this, it is considered likely that the Government will explore again how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. It is expected the Government will consult widely on any changes prior to implementation.

Change in Future Funding

- 5.12 After 2019/20 the Government is committed to a new Spending Review and a fundamental redesign on the local government finance system. Preparations and

consultations preceding the new system of funding (known as The Fair Funding Review) have been on-going for 18 months.

- 5.13 It is expected that the review will be far reaching and is intended to fundamentally rebalance the distribution of funding between, areas and tiers of local government. Without knowing the outcome of this, or the outcome of the Spending Review, any prediction of the impact of this change is challenging at best. Whatever changes are implemented, it is expected that transitional arrangements will apply, softening the initial impact on individual authorities.
- 5.14 The budget proposals presented here assume that the downwards trajectory of grant received will continue in more or less a straight line, with the one year abolition of 'negative RSG' representing only a temporary respite.
- 5.15 Alongside the Grant settlement the government has also announced consultations on;
- The further progression of the Fair Funding Review in advance of Provisional Settlement 2019/20; and
 - The redesign of business rates retention by the end of the year.
- 5.16 The final funding allocation for 2019-20 settlement will be laid before the House of Commons in February 2019.

6 Pressures

- 6.1 A list of the significant budgetary pressures included in the financial plan for 2019-20 are set out within Appendix C to this report.
- 6.2 A total of £2.354m of budgetary pressures have been identified and include;
- Additional budget pressures of £1.481m for 2019-20 in relation to service delivery
 - Cost pressures in relation to inflation and pay related costs of £0.873m
- 6.3 The budget reflects the 2.5% pay increase agreed by Staff Side and Unions.
- 6.4 The Member and the Joint Unions and Employee Representatives Pay Negotiating Team met during Autumn 2018 to discuss and to recommend a pay award for staff with effect from 1st April 2019. The outcome of this process is an increase for all staff grades of 2.5% for the 2019/20 financial year, and an agreement that all staff will be paid at least the living wage, meaning £9ph for our lowest paid staff. Staff have been balloted on this offer and have indicated they are willing to accept this offer.
- 6.5 A more general inflationary increase of 2% for non-pay related expenditure and 2.5% in relation to spend on contracts has been included in the budgets for 2019/20.

- 6.6 Elsewhere on the agenda is a Capital Programme update report that includes all the recent schemes that have been agreed. The revenue consequences of these schemes have also been included within these budget proposals.
- 6.7 The pressures represented in the budget reflect the outcomes of discussions with budget managers across the Organisation.

7 Savings and Income Identification Options

- 7.1 As set out in the report to Cabinet in November the approach adopted for setting the budget for 2019/20 is similar to that followed in recent years and relies primarily on capturing the savings delivered via reorganisation, income generation and restructuring in previous years in anticipation of the Government Grant reductions.
- 7.2 A list of the significant savings to be incorporated into budget planning is set out in Appendix D to this report.
- 7.3 A total of £1.905m of savings has been identified for 2019/20 and include:
- Further savings opportunities arising from continued review of staffing requirements, (£0.317m)
 - Savings arising from identification of improved income opportunities (£1.099m)
 - Proposed improvements in efficiencies with savings budgeted at £0.489m

8 Fees and Charges

- 8.1 Fees and charges are reviewed as part of the annual budget setting review process and these were agreed by Cabinet at its meeting on 16th January 2019.

9 Reserves and Balances

- 9.1 Earmarked reserves represent the prudent saving of sums against the recognition of future financial events which, if not prepared for, would be difficult to deal with at the point they occur. In short, earmarked reserves are an essential part of sound financial planning.
- 9.2 The reserves are held for legitimate reasons and the balances are reasonable given a fair assessment of the budgetary pressures that they are held against.
- 9.3 It is expected that the total balance held in reserves will dip significantly over the next 2 years as the pressures against which they are held materialise and the infrastructure schemes, for which the New Homes Bonus is held, are delivered.
- 9.4 The Council also holds general working balances as insurance against unexpected financial events. This includes failure to generate expected income as well as financial claims against the Council.

9.5 The current minimum assessed level of balances is £2.0 million which has been arrived at based upon a risk and probability assessment of potential budgetary factors during 2019/20.

9.6 Appendix E provides detail on forecast General Reserve balances.

10 Capital Planning and the Impact of Spending Decisions

10.1 The Capital Programme for 2019/20 onwards is also being presented to Council for consideration and approval.

10.2 The revenue financing implications arising from the Capital programme have been factored into the budget for 2019/20 and beyond.

11 Investments / Net Borrowing

11.1 For 2019/20, and future years, additional income from Investment interest has been included. This is based on actual financial performance for 2017/18, forecast outturn for 2018/19 and a forecast for future years. The Council takes a proactive approach to managing cash balances, with the bulk of the income being derived from short-term money market lending.

11.2 The Council has been using its cash balances over the past few years in lieu of long-term borrowing. This delivers an advantage over lending returns whilst base rates remain low. The financial advantage in terms of lower borrowing costs has been factored into the budget proposal.

11.3 Decisions to borrow against agreed business cases are made on a case by case risk assessed basis and may vary from original financing plans. All decisions to borrow are made against a background of existing resource availability and minimising costs and maximising returns. Where possible decisions to borrow are avoided with the use of the Council's capital receipts being a preferred methodology to fund capital development.

11.4 In previous years, shortfalls in investment earnings, which have arisen from the record low base rate, have been smoothed via the use of the Interest Rate Equalisation Reserve. The Reserve has been used effectively over the past few years to smooth the budget pressure created by the lower interest rates in the realistic expectation that rates would recover.

11.5 With no future requirement to smooth income flows beyond 2019/20 Cabinet has agreed that the equalisation funds for interest can be repurposed and made available to offset the transition costs associated with local government reorganisation, subject to any demands being placed upon it in 2018/19.

11.6 Any actual variation occurring in 2019/20 will be managed within General Fund working balances.

- 11.7 The plan reflects reduced income from AVE interest payments (reduction of £82,000) due to their ongoing repayment of debt and no change to Dividends payable.

12 Connected Knowledge

- 12.1 The organisation continues to progress its digital agenda, promoting innovation in the way services and IT solutions are delivered for customers and staff.
- 12.2 The Connected Knowledge Programme will underpin many of the components of future service delivery set out within the AVDC strategy and fits well with the proposed Unitary plans. It is therefore crucial to the Council in meeting the financial agenda and transformation over the coming years and, it is expected, will provide a valuable basis from which to develop and integrate cross County solutions.
- 12.3 A detailed update on the planned programme was provided to Finance and Services Scrutiny Committee and the Cabinet at their respective meetings in December 2018. Funding of £1.48m is being requested for the 3rd tranche of works in 2019/20. This is in line with funding made available in 2017/18 and 2018/19.
- 12.4 Finance and Services raised questions over the process for ensuring that any individual projects in the on-going programme of works were carefully reviewed and tested prior to commencement in order to ensure they would add value to the new organisation and not represent abortive or wasted spend. To allay concerns Cabinet agreed that the Portfolio holder for Finance and Resources should in future attend the officer Programme Board to provide additional assurance.
- 12.5 Building on phases completed to date, this programme of works will continue to deliver a modern, sustainable Council which responds to the needs of its growing customer base. It is proposed that the funding for the scheme is met from unallocated balances of New Homes Bonus.
- 12.6 The use of reserves is justified in that the work of Connected Knowledge will result in sustainable infrastructure for the Council, it will also support the delivery of efficiencies.
- 12.7 Progress on delivery will be reported to Finance and Services Scrutiny Committee.

13 Commercial AVDC

- 13.1 In setting budgets for 2019-20, the organisation has set out clear objectives. These are intended for input into the unitary discussions and ensure AVDC's DNA and ambitions are enshrined in the new Council.
- 13.2 The vision of AVDC is to Lead, Shape, and Enhance the economic, social and environmental wellbeing of the Vale.
- 13.3 The AVDC mission is to ensure that in its last year it delivers its aims and priorities and embeds its values in the new unitary council.

13.4 The AVDC priorities underpinning the budget setting process have therefore been;

Financially Fit

- 3 years of balanced budget strategy & contingency planning
- Continue to grow our income streams
- Robust Governance, Risk Management and Control framework to provide a platform from which to build the new council
- Publish our inheritance plan to ensure that the legacy of AVDC is clearly set out for the new council

Leading & Shaping of Place

- VALP Delivered before the new council is formed
- 970 homes per year – of which 225 affordable
- Delivery of the regeneration of Kingsbury and Market Square redevelopment in Aylesbury
- Delivery of 'The Exchange' and plans for the next phase of Aylesbury Town Centre Regeneration
- Embed Garden Town principles in our growth areas

Customer & Innovation

- Continue the delivery of our cultural and digital transformation programmes
- Ensuring we are listening to and improving our customer satisfaction
- Widen our customer service options and times/methods of delivery
- Provide excellent services for all our user groups which are fit for the future

Partners, Community & Environment

- Ensuring we have actively engaged in the development of key large scale infrastructure impacting on the Vale (e.g. Expressway, East West Corridor and HS2)
- Work with our Parishes and Communities to provide capital funding to and ensure that they have a strong voice in the new council
- Protecting our most vulnerable communities
- Modernise our Car Park infrastructure and offer to users
- Continuing to host Iconic Events celebrating our communities

13.5 Aylesbury Vale has a proven track record in taking the lead on place shaping and in the provision of new efficient and intelligent service solutions which are responsive to the developing needs of the communities it serves. These are attributes which the new unitary council will be dependent upon if it is to deliver the ambitions set out within the implementation Business Case. It is believed that Aylesbury Vale's sector leading experience and the attitude, innovation and enthusiasm of its staff will be invaluable to the new organisation in helping it to deliver modern, responsive services which are fit for the future.

- 13.6 Aylesbury Vale Commercialisation Strategy has taken a broad view of commercialisation, to include all aspects of service reviews and redesign, new opportunities for revenue generation and pricing. In becoming a more business and commercially minded organisation and supporting commercialisation, the Council have developed innovative practices and have taken opportunities to sell services amongst its peers as well as developing digital technology to drive efficiencies and new revenue streams.
- 13.7 The Commercialisation Strategy aims to put in place measures designed to offset the substantial cuts that Aylesbury has experienced and further envisages in the coming years. This has been at the heart of the Council's strategy for dealing with the financial challenges faced by the sector over the past few years. In terms of preserving and improving core service delivery against enormous financial challenges, this has been successful.

14 Implications for Council Tax Strategy

- 14.1 The Budget Proposals proposed by Cabinet recommended increasing Council Tax by the assumed maximum expected amount of £5.00 (3.35%).
- 14.2 Councils can increase Council tax by a maximum of 3% or £5, whichever is the greater, and still avoid the referendum threshold.
- 14.3 It is proposed that this maximum increase be implemented from 1 April 2019, allowing the Council to mitigate the reductions in Government Grant and thereby protecting services valued by residents and businesses in the Vale.
- 14.4 A Council Tax increase of £5.00 would generate £366,700 per annum and would represent an increase equivalent to 10 pence per week at Band D and will increase the Band D Council Tax for Aylesbury Vale District Council to £154.06.
- 14.5 It is important to note that in allocating grant reductions in the 4-year settlement, the Government has assumed that each qualifying council will take maximum advantage of this additional council tax increase threshold and has reduced grant by an additional amount equivalent to the extra Council Tax it expects councils to generate. Implicit within this, is a Government assumption that more of the burden of funding council services will be transferred to the taxpayer.
- 14.6 Any council not wishing to pass this on to the taxpayer will consequently be worse off, as the Government will have reduced their Grant, assuming that they had.
- 14.7 Given this, the budget proposal includes the assumed maximum £5 increase in order to ensure that the Council is no worse off than the Government assumed.

15 Council Tax Collection Rates

- 15.1 The MTFP also reflects the finances arising from collection of Council Tax. For the purposes of planning, collection rates are assumed at 98.5%.

- 15.2 In reality, collection rates can vary, either above the 98.5% or below with the former resulting in a collection fund surplus and the latter a deficit.
- 15.3 In recent years collection rates have been tailing off slightly and an allowance has been made in the MTFP for a reduction in the collection rates and a lower surplus as a consequence.

16 Medium Term Financial Plan (2019/20 and After)

- 16.1 Whilst some of the uncertainty surrounding the Government Settlement and the future of News Homes Bonus has now diminished following the publication of the draft Settlement in December, there are still multiple uncertainties and risk factors which will need to be managed beyond 2020.
- 16.2 The largest and most significant issue being the announcement of a single Unitary District Council for Buckinghamshire.
- 16.3 This fundamentally changes what will happen during the period of the proposed MTFP. This clearly removes the need for medium term planning for Aylesbury Vale as a single entity organisation, but the Council remains obligated to hand over its affairs to the new organisation in the best state it can. This means continuing to tackle known budgetary issues, generating new income streams and balancing its finances.
- 16.4 The period of the MTFP will fall within the timescale for the UK to leave the European Union. No financial implications of the change have been incorporated into the current MTFP, although this is taken into account in the level of un-earmarked balances available. The implications for the Council could be wide ranging with likely impacts on the value of the pound, possible impact on local business and business rates and also impact on availability of workforce.
- 16.5 The Government's Fair Funding Review will also be implemented during the planning period and as discussed in earlier sections this may have significant implications in terms of available Government financial support.
- 16.6 The presented MTFP considers these factors, all anticipated service pressures and potential income streams. In doing so it represents the capturing of the significant financial events and opportunities which would have faced the Council and therefore what the new unitary council will need to be aware of in preparing its own medium term financial strategy.

17 Special Expenses

- 17.1 Special Expenses are those services provided by the District Council which might be provided by a parish council. As such these services are charged as a special charge only to the residents who live in the area to which the services relate.
- 17.2 The budgets for Special Expenses have been reviewed as part of the normal budget development process to ensure that costs are correctly allocated.

- 17.3 Therefore, it is recommended that in 2019/20 the equivalent Band D charge is again frozen at the current level of £45.
- 17.4 It is understood that reviewing the ownership of these assets will be a priority for the new Buckinghamshire Council.
- 17.5 The Special Expense Budget is set out within Appendix F.

18 Budget Management

- 18.1 The MTFP and the proposed budget set the Plan against which budget monitoring will be reviewed during the financial year 2019-20.
- 18.2 As with the current year and previous years, the financial environment will be challenging.
- 18.3 The focus of the Council must be to deliver the plan as set out in this paper but 2019-20 will be an exceptional year and the plan must be delivered whilst transitioning to the new Organisation.
- 18.4 The focus will primarily be on 2019/20, but consideration will still be given to 2020 and beyond because of the obligation to hand Aylesbury Vale's affairs to its successor in a good state.

19 Risk Assessment and Scrutiny on Budget Proposals

- 19.1 In accordance with good practice, the Council records and considers the significant risks it believes are facing it as an organisation which might hamper, or even prevent it, from delivering its statutory duties or core objectives.
- 19.2 These risks are captured within its Risk Register together with the actions or mitigating factors which it relies upon to reduce or minimise these risks as far as possible. Cabinet considered the Risk Register in developing these proposals.
- 19.3 Finance and Services Scrutiny Committee considered the draft Final proposals at its meeting 14th January 2019.
- 19.4 The Scrutiny made a number of comments but were broadly supportive of the proposals.
- 19.5 The Finance and Services Scrutiny meeting sought assurance on the proposed spend on the Connected Knowledge Programme. They requested that the work programme be assessed on the likelihood of the work/benefits that might be carried forward into the new Council before investment decisions were made.
- 19.6 The Finance and Services Scrutiny meeting also proposed the extension of grant funding arrangements for voluntary and community sector organisations. The draft proposal of the budget proposed a withdrawal of funding in 2019-20.

19.7 The comments made by Scrutiny were considered and noted by Cabinet in determining their final proposals.

19.8 The Cabinet specifically agreed to adjust the Medium Term Financial Plan to allow for continued funding to the Citizens Advice Bureau. This was funded by a reduction in the contingency budget held with no overall impact on the Council tax proposed.

20 Options Considered

20.1 These are set out within the budget proposals and have been considered by Finance and Services Scrutiny Committee.

21 Reasons for Recommendations

21.1 The Council is required to set a budget in advance of each financial year as the basis for determination of Council Tax and to be used as a key element of proper financial management of the Council's affairs.

21.2 The Council's Chief Financial Officer is required to submit an advisory statement for all members to take into account when considering the budget proposals.

21.3 Proper financial management and planning should extend beyond the next financial year and agreeing draft budgets for the subsequent four years is good management.

22 Resource Implications

22.1 These are covered within the body of the report.

Contact Officer

Andrew Small. Tel: 01296 585507

Report of the Chief Financial Officer on the robustness of the estimates made for the purpose of the budget and tax setting calculations and the adequacy of the proposed financial reserves.

Budget Proposals

I am satisfied that the process employed for identification, evaluation and inclusion of the items forming the budget proposal package has been properly conducted and has arrived at a set of robust estimates.

In making this statement it is to be noted that this year's Budget Setting process is materially different in that this represents that last year of Aylesbury Vale District Council as an individual entity. I am satisfied that the budget has still been prepared with the same due care and diligence which members would expect and still covers a four year planning timeframe. This has been done so that the new Buckinghamshire Council can commence with a clear and robust understanding of its available financial resources, future financial pressures and potential opportunities.

I am also aware of the contents of CIPFA's Resilience Index in relation to Aylesbury Vale District Council and there is nothing contained within it which causes me concern.

In arriving at this opinion I have taken due account of the following matters:

1. Budget Process

- a) The Budget Planning process has been undertaken in the full knowledge that 2019/20 is the last year of Aylesbury Vale District Council because of the decision to create one unitary council across Buckinghamshire from 1st April 2020.
- b) Budget planning has been undertaken over an appropriate period of time and has allowed full understanding of the issues in an operational and financial context.
- c) Every effort has been made to include all Members in the financial planning process through the circulation of reports and associated information. Finance and Services Scrutiny has been invited to comment on initial proposals put forward for consideration by Cabinet and separately have had the opportunity to review the process for identifying savings. In addition, a Members' seminar dealing with budget planning issues was held. The views expressed during the scrutiny process have been fully considered by Cabinet.
- d) Where material changes are proposed to service delivery in 2019/20, these have been presented in separate reports, have been subjected to scrutiny, (where required), and the views of those impacted by those savings proposal have been taken into account.
- e) Consideration has been given to corporate priorities, residents' views and the Council's Risk Register in formulating the budget proposals.
- f) The budget formulation process has tested the validity of pressures and deliverability of savings options in order to ensure that Members have been made aware of all aspects and implications of actions when formulating the budget proposals.
- g) Most savings included within the budget proposals have already been delivered as part of ongoing efficiency work and organisational reviews thereby minimising the necessity for scrutiny during the budget development process.

2. Key Assumptions

In formulating budget proposals it is necessary to make certain key assumptions; these are as follows:

- a) The Budget has been prepared on the basis that AVDC is a continuing entity and no attempt has been made to either dispose of assets or spend balances and resources in any way outside of normal plans. The planning approach adopted is largely business as usual and the assumption is that the Council will hand over its financial affairs in the best position possible.

- b) Where new spend programmes or contractual commitments extend beyond the now limited life of this Council, these are being reviewed on a case by case basis so as to ensure that abortive spend is avoided and inflexible arrangements are not entered into for extended periods of time.
- c) Government Grant – 2019/20 represents the last year of the existing 4 year Government Grant settlement. After this the Government is committed to implementing a new allocation system for distributing financial resources. This is currently being designed under the heading of the Fair Funding Review. Its introduction from 1st April 2020 coincides with the next Government Spending Review. So, both the overall funding envelope for local government and the mechanism for allocating resources are not clear for 2020/21 and beyond. Without any clarity the budgeting assumption used is that the rate of reduction experienced by local government over the last 8 years will continue on more or less its previous trajectory. Therefore, the numbers used in budget planning beyond 2019/20 are estimated allocations and may vary significantly, (although would still be subject to transitional arrangements).
- d) Income from Business Rate Retention – The new Government Grant system introduced from the 1st April 2013 in part links councils' finances to the success of the local economy. Councils are likely to gain from a proportion of real business rate growth and lose a proportion of income associated with business rate losses. The value derived by the Council from this system remains highly volatile and difficult to predict as factors such as national policy changes, Business Rates Pooling, local economic performance, BREXIT and the ongoing issue of outstanding appeals all weigh heavily on the numbers retained. The Council has provided against large reductions in respect of these appeals and the key budgetary assumption is that the actual settlements will be within the sums provided. Appeals aside, the budget proposal takes a balanced view on the prospects for growth versus the risk of losses and assumes there is no new gain over that already built into the 2018/19 budget. To mitigate against the risk of variation from the central assumption, an Equalisation Reserve has been maintained in previous years. This has now been released to fund the more pressing requirement to fund local government reorganisation costs. Therefore, any actual Business Rate variation during 2019/20 will be managed within General Fund working balances.
- e) Pay and Prices – the proposals include provision for inflation, this being the summary of a set of detailed individual calculations and assumptions. A figure has been built into the budget for pay, based upon the offer of 2.5% made to staff.
- f) The proposals reflect the best assessments of expected changes in demand caused by normal events.
- g) Fees and Charges – as part of the budget development process, Cabinet considered a consolidated list of proposed changes to the Council's fees and charges. Whilst it is intended to review all fees annually at the same time, the level of individual fees will be further reviewed should the impact of any legislative change make this necessary.
- h) Council Tax Base and Collection Rate – the assumption of growth in the tax base reflects the long term average. The collection yield for Council Tax remains unchanged at 98.5%. Collection performance has shown a gradual reduction following the introduction of Localised Council Tax Support and so continues to be closely monitored in order to assess the ongoing impact.
- i) Interest on Investments – the outlook for interest rates has increased slightly over the past 18 months. The best estimate is that they will remain low for the immediate budgetary period but now with a gradually increasing trend. An assumption of probable interest rate yields has been made on this basis. The cash flow implications of the Capital Programme have been taken into account in calculating the interest earnings available for budget planning.
- j) Contingency Budgets – the financial pressures facing the Council requires budget planning to progress on the basis of absorbing cost pressures through efficiencies and savings. A contingency provision allows for some flexibility in the timing of the delivery of these. The consolidation of contingency budgets allows for sums to be released by bringing contingency provisions held within individual services into a central pot and thereby reducing the overall provision held.
- k) New Homes Bonus Scheme – The Government committed to continue paying the Bonus in 2019/20, but no firm commitment exists thereafter. The Council takes £1.1 million of this into the Revenue Budget to compensate for the loss of Revenue Support Grant, this being where NHB was originally funded from. The Budget assumes that this can continue for the Plan period.

- l) Revenue Implications of Capital Schemes - The revenue implications of those capital investments approved by Council have been reflected in the budget based around central case assumptions.
- m) BREXIT – The budget development process acknowledged the considerable uncertainty around the impacts of leaving the EU. The conclusion is that most impacts will be indirect, for example higher prices from currency instability, workforce supply issues and the impact on Business Rates income. No specific amount has therefore been included to allow for this issue, but it has been a consideration in the calculation of individual assumptions, i.e. inflation, unallocated working balances, etc.

3. Monitoring

- 3.1 The performance against budget for 2018-19 has been monitored throughout the year. The latest outturn assessment as at September 2018 (a predicted overspend of nearly £238,100 after the application of reserves), is mainly as a result of a higher dependency on agency staff to fill vacancies within the organisation. Mitigation actions are being applied and the matter has been regularly reported to Finance and Services Scrutiny Committee. This has been reflected in budget planning when estimating the level of balances available for 2019-20 and subsequent years.
- 3.2 The majority of the volatility and pressure within the budgetary position has been masked by underspends resulting from the early delivery of significant budget savings for 2019/20. Efforts continue to reduce the in-year overspending, where possible, without impacting service delivery.
- 3.3 The budgetary pressures facing the Council are understood and budget holders and managers are working hard towards delivering savings through efficiency and income generation.
- 3.4 The Council undertakes regular monitoring and reports to members and officers.

4. Financial Risks in the Budget Proposals

- 4.1 The budget always contains areas of uncertainty and whilst every effort is made to understand, recognise and manage risk adequate financial provisions are held in the event they cannot be contained. This provision is in the form of Revenue Balances.
- 4.2 To understand the high level and operational risks faced by the organisation the Council maintains a Risk Register. The Risk Register is reviewed regularly by Officers, Cabinet and through presentation to Audit Committee for oversight and challenge.
- 4.3 The Council has been presented with a balanced budget proposal for 2019/20 but despite this, the financial risks remaining are still significant.

The Move Towards a Unitary Buckinghamshire Council

- 4.4 The Secretary of State's decision to create a single unitary council in Buckinghamshire fundamentally reshapes the drivers for financial planning. Whilst every effort has been made to deliver a budget which focuses on continuity of service delivery the decision still has a profound impact on strategy and future planning.
- 4.5 Furthermore, the decision creates uncertainty over the direction of work programmes and uncertainty for staff. This may potentially manifest itself in a slowing of progress on change programmes, a slow down or even hiatus in the improvement of the customer experience and the loss of key staff and capacity whilst uncertainty exists over their future.
- 4.6 These factors may slow the delivery of planned efficiency savings, which are central to the budget, may impact of the quality of customer services and may increase cost through the need to rely on greater numbers of temporary or agency staffing.

- 4.7 At this stage, the actual impact is only speculation. The Council has made some financial provision against the financial impact, but the physical impacts will be harder to mitigate. In the single year remaining to AVDC, this represents the most significant financial and operational risk.
- 4.8 With the need to resource an implementation plan for the new council and the need to manage staffing costs across this transition period, Cabinet has previously agreed that the equalisation funds for business rates and interest be repurposed and made available to offset the transition costs associated with local government reorganisation, subject to any demands being placed upon them in 2018/19. This will provide initial flexibility, but there is no clear sense at this stage whether this is sufficient (when pooled with the other councils) to see through the reorganisation. As a consequence, this will need to be revisited.

Government Grants

- 4.9 The financial pressure created by the ongoing reductions in Grant continues to represent a significant financial challenge for this and its successor Council. How this Council, and the one after it, react will shape what and how services are delivered for many years to come.
- 4.10 The Fair Funding Review and the new Spending Review present a point beyond which the financial future can not clearly be seen. The budget proposal takes a prudent position for a district council and assumes that reductions will continue at historic levels. In practice transitional arrangements are likely to apply to the introduction of this new Fair Funding regime and at the point which Fair Funding is implemented, the Council will have been reorganised. It is not expected that there will be any new resources arising from the Spending Review for lower tier (district) councils.
- 4.11 Using this reduction assumption the Budget still presents a balanced position for the next 3 years. There is a risk that the actual impact of the Fair Funding Review might be worse than the planning assumptions, but this is considered unlikely and in any event, it is likely to prove impossible to identify because of the districts' consolidation into a combined unitary settlement figure for Buckinghamshire.

Business Rate Retention

- 4.12 The system of Business Rates has always proved to be an unpredictable and uncertain element of the Grant system. However, the Vale is a growing area, and so generally welcomes the opportunity to benefit from business rate growth.
- 4.13 As part of the Finance Settlement, Buckinghamshire was announced as a pilot area for 75% Rates Retention during 2019/20. Whilst there are undoubtedly business rate growth opportunities within the Vale and Buckinghamshire more widely, the national economic position and unequal weighting of appeals within the system presents an area of considerable uncertainty in terms of the return which might be expected. Overlaying this is the potential impact on the economy of BREXIT and its unknown implications for Business Rate income.
- 4.14 The establishment of an Appeals Provision means that the Council can continue to manage its exposure to some of the risks inherent within this system during 2019/20. However re-purposing the Business Rate Equalisation Reserve for unitary implementation restricts some flexibility to manage the consequences of the most dire scenarios.
- 4.15 The Council's decision to participate in a Business Rate Pool increases the Council's exposure risk to business rates losses, as it now shares in the losses of the wider Pool membership. However, similarly, it benefits from upside gains. The Pool's performance is being closely monitored by the respective Chief Financial Officers.

New Homes Bonus

- 4.16 The Council will receive £5.9 million of New Homes Bonus in 2019/20. This makes it one of the largest awards for any district in England and reflects the fact that it has witnessed high housing growth over the past 4 years.
- 4.17 The Government is expected to review New Homes Bonus as part the wider review of Government financing of local government and its future might potentially be in the balance. However, as many councils depend of the resources provided through this scheme it is expected that any change will be reflected within transitional arrangements.
- 4.18 The Council has always limited its revenue exposure to New Homes Bonus In recognising that the Bonuses future was uncertain. The amount taken to revenue was a relatively small amount of the Bonus received and judged to be equal to Grant loss associated with the introduction of NHB. This reduces the Council's risk should the Government decide to remove the Bonus completely.
- 4.19 The Parish scheme will need to be revisited by the new Buckinghamshire Council and a decision taken as to whether it wishes to continue with it.

Interest Rate and Capital Investment Decisions

- 4.20 The future direction for interest rates now seems to be a gradually increasing landscape and as a net investor this is considered beneficial. Any borrowing risks arising from interest rates increasing will be managed through the Treasury Management Strategy.
- 4.21 The Interest Equalisation Reserve has been re-purposed to help fund the implementation costs of the new unitary council. This represented a medium term planning tool only and as such any negative impact arising from interest forecasts not materialising in 2019/20 would be manageable within general balances.
- 4.22 The Minimum Revenue provision (MRP) charge is the means by which capital expenditure financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as provision for this debt.

Demand Growth

- 4.23 Housing growth within the Vale is a constant pressure on finances. In practice, cost pressures do not increase uniformly. Instead, these tend to step up when certain threshold points are hit. Provision has been made in this year's budget proposal for growth in the Waste service associated with housing growth and this budget allows for the capital repayment costs associated with the depot expansion project which was also necessitated, largely, due to housing growth.

Balances

- 4.24 In formulating this budget, the recommended level of General Fund revenue balance has been maintained at £2.0 million. This level of reserve has been determined following the completion of the annual review exercise to update the budget risk register and the resolution of key risk elements identified last year.
- 4.25 There are some elevated risks around BREXIT and unitary implementation which under normal circumstances might have implied a higher general provision, but the single year life of the Council offsets this requirement and a collective view of budget risk will need to be taken from 2020 onwards.

5. Reserves and Provisions

- 5.1 The Council maintains a range of funds for specific purposes. These receive contributions from revenue and are used to defray expenditure, often on an irregular basis. This represents a prudent and essential part of financial planning and probity.
- 5.2 A review of the adequacy of reserves is carried out annually at an officer level (the results of which are reported to the Cabinet member) and bi-annually involving the Cabinet member.
- 5.3 At a headline level, Reserves are increasing but it should be stated that the overall position is distorted through the holding of committed allocations in the New Homes Bonus and Commuted Sums reserves. If these are discounted then the overall position on the Council's reserves is either static or reducing. They are considered adequate in the majority of instances.
- 5.4 Balances are invested and provide valuable income for the benefit of taxpayers and the revenue budget via investment interest.

6. Council Tax

- 6.1 The Government is actively encouraging councils to increase Council Tax by the maximum permissible, within the limits imposed by its wider national Council Tax strategy.
- 6.2 In response to a rise in inflation the Government increased the referendum threshold to 3% or £5 (whichever is the greater). The maximum increase threshold and the benefit derived from such an increase is still considerably less than the impact created by Grant reduction and growth pressures.
- 6.3 Council Tax increases are not the solution in themselves, because they simply cannot match the scale of grant reduction, but still do have an important part to play in at least mitigating some of the impacts of inflation and Grant loss.

7. Medium Term Financial Strategy

- 7.1 Considerable effort at Member and officer level has been directed at establishing a budget framework that covers future years and that marries the need to identify efficiency savings and new income streams with corporate priorities. This work has delivered a balanced budget proposal for 2019/20 and a balanced MTFP up to 2021/22.
- 7.2 Aylesbury Vale is proud of its legacy. Its approach to future financial planning has always been to identify and to plan for future financial events. Identification and implementation of funding solutions ahead of requirement has been central to this approach and the consequence of this is a balanced and stable financial platform from which to focus on service delivery and improvement.
- 7.3 Historically, in facing uncertainty, this Council has always faced up to its financial challenges and created bold and innovative solutions. These have not been without risks, and the Council's risk appetite has needed to change and expand in the face of the greater challenges facing the sector. I believe against the backdrop of preserving core services this strategy has been both warranted and justified, even if not all initiatives have succeeded.
- 7.4 The Aylesbury Vale District Council legacy will therefore be able to handover a financially strong and stable organisation to the successor authority by identifying the financial risks and opportunities it would have faced. This will enable the new Buckinghamshire Council to formulate its initial budget proposals with clarity and certainty over the affairs it is inheriting.

7.5 General Fund revenue reserves and balances have been determined with full consideration of the risks identified within this report. They are, therefore, deemed to represent a sufficient level of provision against the potential financial risk inherent within the Medium Term Financial Plan, provided the Council stays focused on delivering its targets and responsibly managing the handover of its affairs.

Given the actions taken and the level of reserves and balances, I am of the opinion that the budget proposals have been properly prepared and are realistic in the assumptions made. The proposals have been arrived at after taking appropriate officer advice and have the ownership of the Cabinet.

Andrew Small
Director
January 2019

Medium Term Financial Plan – 2019/20 to 2022/23

| Classification | 2018/19 Base | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|-----------------|-------------|-------------|-------------|-------------|
| | £ | £ | £ | £ | £ |
| Civic Amenities | 169,500 | | | | |
| Communities | 1,462,800 | | | | |
| Economic Development | (955,400) | | | | |
| Environment & Leisure | 2,828,100 | | | | |
| Finance & Resources | 5,972,600 | | | | |
| Leader | 1,621,600 | | | | |
| Planning & Enforcement | (840,400) | | | | |
| Strategic Planning & Infrastructure | 1,160,100 | | | | |
| Waste & Licensing | 5,514,800 | | | | |
| Plus: Inflation and known Savings/Growth | 0 | 448,000 | (85,000) | 24,500 | 900,000 |
| (Less): Unidentified Savings Still Required | 0 | 0 | 0 | 0 | (1,276,000) |
| Add: Savings in Excess of Requirement | | | | | |
| Service Spend Total | 16,933,700 | 17,381,700 | 17,296,700 | 17,321,200 | 16,945,200 |
| Contingency Items | 101,000 | 148,600 | 167,100 | 123,900 | 123,900 |
| Financing & Asset Charges | (1,048,800) | (1,048,800) | (1,048,800) | (1,048,800) | (1,048,800) |
| Transfer to Reserves | 1,032,700 | 1,032,700 | 1,032,700 | 1,032,700 | 1,032,700 |
| Transfer from Reserves | (357,000) | (357,000) | (357,000) | (357,000) | (357,000) |
| Net Transfers to Reserves | 675,700 | 675,700 | 675,700 | 675,700 | 675,700 |
| Investment Interest | (330,000) | (380,000) | (380,000) | (420,800) | (430,000) |
| Interest on Long Term Borrowing | 2,694,300 | 2,460,600 | 2,452,300 | 2,443,600 | 2,443,600 |
| AVE Receivables | (2,053,900) | (2,011,600) | (1,967,700) | (1,921,900) | (1,549,800) |
| Contribution to/(Use of) Balances | 240,000 | 0 | 0 | 0 | 0 |
| Less: Special Expenses | (862,300) | (900,400) | (922,900) | (946,000) | (969,700) |
| New Homes Bonus | (1,178,000) | (1,178,000) | (1,178,000) | (1,178,000) | (1,178,000) |
| Retained Business Rate Growth | (476,700) | (476,700) | (476,700) | (476,700) | (476,700) |
| Funding Requirement | 14,695,000 | 14,671,100 | 14,617,700 | 14,572,200 | 14,535,400 |
| Funded By: | | | | | |
| Government Grant | (3,826,500) | (3,288,400) | (2,750,300) | (2,212,200) | (1,674,100) |
| Collection Fund Transfer | (61,000) | (67,800) | (67,800) | (67,800) | (67,800) |
| AVDC Council Tax | 10,807,500 | 11,314,900 | 11,799,600 | 12,292,200 | 12,793,500 |
| Council Tax Base | 72,507 | 73,447 | 74,181 | 74,923 | 75,672 |
| Council Tax | £ 149.06 | £ 154.06 | £ 159.06 | £ 164.06 | £ 169.06 |
| Percentage Increase | 3.48% | 3.35% | 3.25% | 3.14% | 3.06% |

Medium Term Financial Plan – 2019/20 to 2022/23

Summary of Changes

| Classification | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|-------------|-------------|-------------|-------------|
| | £ | £ | £ | £ | £ |
| Plus: | | | | | |
| <i>Unavoidable Pressure</i> | | 1,480,900 | 36,400 | 0 | 0 |
| <i>Inflation, Pay and Increments</i> | | 872,800 | 901,000 | 1,030,400 | 1,060,200 |
| <i>Major Projects</i> | | 0 | 0 | 0 | 0 |
| Total | 0 | 2,353,700 | 937,400 | 1,030,400 | 1,060,200 |
| Less: | | | | | |
| <i>New Income and Efficiency Proposals</i> | | (1,905,700) | (1,022,400) | (1,005,900) | (160,200) |
| <i>Major Projects</i> | | | | | |
| Total | 0 | (1,905,700) | (1,022,400) | (1,005,900) | (160,200) |
| Total Budgetary Pressure & Efficiencies Identified | 0 | 448,000 | (85,000) | 24,500 | 900,000 |
| Change in Available Resources | | | | | |
| Increase in Investment Interest | | (50,000) | 0 | (40,800) | (9,200) |
| Decrease in Contribution From Reserves | | 0 | 0 | 0 | 0 |
| Decrease in Capital Financing | | 0 | 0 | 0 | 0 |
| Decrease in Borrowing Costs | | (233,700) | (8,300) | (8,700) | 0 |
| Decrease in AVE Interest Payment | | 42,300 | 43,900 | 45,800 | 372,100 |
| Increase in AVE Dividends | | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Use of Balances | | (240,000) | 0 | 0 | 0 |
| Increase in Contingency Provision | | 47,600 | 18,500 | (43,200) | 0 |
| Increase in Collection Fund Surplus | | (6,800) | 0 | 0 | 0 |
| Lower Government Grant - RSG | | 538,100 | 538,100 | 538,100 | 538,100 |
| New Homes Bonus | | 0 | 0 | 0 | 0 |
| Tax Base Growth | | (140,100) | (113,200) | (118,000) | (122,900) |
| Additional Council Tax | | (367,300) | (371,500) | (374,600) | (378,400) |
| Decrease/(Increase) in Special Expenses | | (38,100) | (22,500) | (23,100) | (23,700) |
| Total Decrease/(Increase) in Resources | 0 | (448,000) | 85,000 | (24,500) | 376,000 |
| Savings Required | 0 | 0 | 0 | 0 | (1,276,000) |
| Net Change in Resources | 0 | 0 | 0 | 0 | 0 |

Budget Pressures - 2019/20 - 2022/23 - Budget Planning

| Service Area | 2019/20 £ | 2020/21 £ | 2021/22 £ | 2022/23 £ | Proposal |
|----------------|--------------|--------------|--------------|--------------|---|
| Waste Services | 200,000 | 0 | 0 | 0 | UPM Contract Ceased - Recycling Credits Now Payable |

Newly Identified as Part of 2019/20 Budget Planning Cycle

| | | | | | |
|-----------------------------|-----------|--------|---|---|---|
| Comm Bus Strat | 13,100 | 0 | 0 | 0 | Income targets not achievable - revisions to 19/20 baseline |
| Bus, Corp Gov | 7,000 | 0 | 0 | 0 | Income targets not achievable - revisions to 19/20 baseline |
| Bus, Corp Gov | 39,400 | 0 | 0 | 0 | Re-instatement of Learning and Development Manager post |
| Bus, Corp Gov | 22,500 | 0 | 0 | 0 | Recurent costs of new system developments for finance system (£20k) and project management office MO system costs (£2.5k) |
| Comm Property | 83,600 | 0 | 0 | 0 | Revision of realisable service charges due from Waterside South |
| Comm Property | 44,000 | 0 | 0 | 0 | Increased staffing costs to support service provision within Commercial property |
| Comm Property | 40,000 | 0 | 0 | 0 | Increased consultancy charges following staffing review (offset by savings realised) |
| Comm Property | 26,500 | 25,000 | 0 | 0 | Maintenance of the new Exchange North £25k for H&S + £25k for Sinking Fund Contribution + £1,500 for Artwork Maintenance) |
| Comm Property | | 11,400 | 0 | 0 | Planned cost for 'Changing Places' Toilet - Annual Maintenance Charge |
| Comm Property | 9,000 | 0 | 0 | 0 | Annual fee for new Asset Management System |
| Comm Property | 10,000 | 0 | 0 | 0 | Income targets not achievable - revisions to 19/20 baseline |
| Comm Property | 250,000 | 0 | 0 | 0 | Rent Review at Waterside Properties given current market conditions |
| Comm Fulfillment | 7,000 | 0 | 0 | 0 | Additional marketing costs for Vale Lottery |
| Comm Fulfillment | 14,000 | 0 | 0 | 0 | Comms & Marketing: allocation of Budget to support corporate website |
| Comm Fulfillment | 17,000 | 0 | 0 | 0 | Comms & Marketing: allocation of Budget to support intranet capability |
| Comm Fulfillment | 12,000 | 0 | 0 | 0 | Allocation of budget for Modern.Gov annual fee for Democratic Services |
| Comm Fulfillment | 5,000 | 0 | 0 | 0 | Income targets not achievable - revisions to 19/20 baseline |
| Comm Fulfillment | 50,000 | 0 | 0 | 0 | Additional staffing capacity for Strategy partnership team and additional community safety post following staff review |
| Business Strategy & Support | 30,000 | 0 | 0 | 0 | Additional Health & Safety Resource at Pembroke following risk assessment |
| Customer Fulfillment | 50,000 | 0 | 0 | 0 | Customer Relationship - Benefits Structure Review following Commercial Programme |
| Customer Fulfillment | 130,000 | 0 | 0 | 0 | Additional staffing for planning team to meet on-going service requirements and demands, as per 18/19 outturn |
| Customer Fulfillment | 200,000 | 0 | 0 | 0 | Increased Licencing & Hosting Costs Across AVDC, supporting Salesforce implementation |
| Digital & Transformation | 80,000 | 0 | 0 | 0 | IT Structure Review following Commercial Programme - Required To Meet Service Requirements |
| Digital & Transformation | 25,000 | 0 | 0 | 0 | Systems Administration Structure Review - Required To Meet Service Requirements |
| Waste Services | 95,000 | 0 | 0 | 0 | Management Structure Review To Meet On-going Service Requirements |
| Customer Fulfillment | 6,500 | 0 | 0 | 0 | Increased planned property maintenance costs in line with contractual agreements |
| Comm Property | 14,300 | 0 | 0 | 0 | Increased planned property maintenance costs in line with contractual agreements |
| Total | 1,480,900 | 36,400 | 0 | 0 | |

| Savings, Efficiencies and Income - 2019/20 - 2022/23 - Budget Planning | | | | | |
|---|------------------|------------------|------------------|----------------|---|
| Service Area | 2019/20 £ | 2020/21 £ | 2021/22 £ | 2022/23 £ | Proposal |
| Development Management | 200,000 | 0 | 50,000 | 50,000 | Increased income anticipated through additional planning applications and PPA's |
| Contact Review | 30,100 | 0 | 0 | 0 | Removal of one post of SG2 level (Year 3) as part of staffing review |
| CF overall | 53,200 | 0 | 240,000 | 0 | Savings arising from revision of team review |
| Benefits - Universal Credit | 0 | 0 | 30,100 | 60,200 | Future planned savings resulting from efficiencies anticipated from implementation of Universal Credit |
| Waste Services | 200,000 | 25,000 | 0 | 0 | Planned increase to Garden Waste Customer Base |
| Commercial Services | 75,000 | 100,000 | 43,900 | 0 | Planned increase to Commercial waste Customer Base following service review |
| Development Management | 0 | 0 | 82,900 | 0 | Future planned savings from DM Reserve |
| Contract Management | 100,000 | 50,000 | 50,000 | 50,000 | Savings realised from contract management, procurement and delivery efficiencies 19-20 and future years |
| Democratic Services | 0 | 54,900 | 25,000 | | Removal of Democratic Service Manager Post |
| Forward Plans | 0 | 0 | 164,000 | 0 | Future planned savings from Forward plans reserve |
| Sale of Transactional Services | 10,000 | 20,000 | 20,000 | 0 | Sale of Payroll, Finance, (Transactional Services) |
| Finance, Recoveries & HR | 0 | 37,500 | 0 | 0 | Reduction in establishment due to improvement in process & automation |
| Waterside Theatre | 25,000 | 25,000 | 0 | 0 | ATG Contract Review - Scheduled reduction of management fee |
| Conference Centre | 30,000 | 30,000 | 0 | 0 | Conference Centre Lettings - Increase To Current Income Stream & Review Future Charges |
| Strategic Parking | 0 | 0 | 50,000 | 0 | Gateway Parking - future planned P&D Income |
| Properties | 100,000 | 200,000 | 50,000 | 0 | The Exchange -New Rental Income from new development |
| Crematorium | 150,000 | 0 | 0 | 0 | Partner Dividend payable 19/20 |
| M&E Contract | 100,000 | 50,000 | 0 | 0 | Reduction In anticipated spend on reactive maintenance |
| | | | | | |
| | | | | | |
| Newly Identified as Part of 2019/20 Budget Planning Cycle | | | | | |
| Core Costs | 40,000 | 0 | 0 | 0 | Reduction Audit Fees in line with anticipated spend |
| Governance | 80,000 | 0 | 0 | 0 | Reduction GDPR costs in line with anticipated spend |
| Legal | 7,000 | 0 | 0 | 0 | Savings arising from cessation of legal casework system |
| SEED | 40,000 | 0 | 0 | 0 | Increased Commercial Income Streams |
| Assistant Directors | 85,000 | 0 | 0 | 0 | Management savings following staffing review |
| Commercial Property | 76,500 | 0 | 0 | 0 | Revision to achievable rental Income in line with current income streams |
| Commercial Property | 5,700 | 0 | 0 | 0 | New income stream relating to Service Charges (public realm and Theatre) |
| Leisure Centres | 28,000 | 0 | 0 | 0 | Alignment of Leisure Centres Management Fee to contract value |
| Leisure Centres | 15,000 | 0 | 0 | 0 | Swan Pool – New Income Stream (Soft Play) |
| Sustainability | 35,000 | 0 | 0 | 0 | Cessation of service provision for sustainability and resultant savings |
| Commercial Property | 80,000 | 0 | 0 | 0 | Staff savings following business review (L8 post) |
| Commercial Property | 9,900 | 0 | 0 | 0 | Cessation of service provision for residential assets and lettings and resultant savings |
| Commercial Property | 25,000 | 0 | 0 | 0 | New income stream following catering contract review |
| Communications | 22,500 | 0 | 0 | 0 | Revision of budget to reflect current needs for research and development |
| Communities | 10,000 | 0 | 0 | 0 | Delivery of efficiencies within Community Development |
| Communities - CCTV | 30,000 | 30,000 | | | Potential savings due from transfer Of CCTV Services To Milton Keynes |
| Planned Development | 14,000 | 0 | 0 | 0 | Increased Monitoring Income, in line with current income streams |
| Homeless Trailblazers | 23,800 | 0 | 0 | 0 | Contribution of staff costs from grant provision |
| Waste Services | 0 | 400,000 | 0 | 0 | Anticipated future savings arising from Street & Horticultural Contract - In-House |
| Waste Services | 0 | 0 | 200,000 | 0 | Anticipated future savings arising as a result of redevelopment at Pembroke Road |
| Waste Services | 125,000 | 0 | 0 | 0 | Vehicle running costs reductions realised by new fleet procured 2017-18 |
| Waste Services | 50,000 | 0 | 0 | 0 | Vehicle Fuel Reductions - New Fleet Procured 2017-18 |
| Waste Services | 30,000 | 0 | 0 | 0 | Increased sale of bins from new developments |
| Total | 1,905,700 | 1,022,400 | 1,005,900 | 160,200 | |

**Budget Proposals – 2019/20 to 2022/23
General Fund Revenue Balances**

APPENDIX E

| Classification | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|------------------|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Balance Brought Forward | 1,977,000 | 1,927,000 | 1,927,000 | 1,927,000 | 1,927,000 |
| Windfall Gains & Special Applications of Balances | | | | | |
| - HS2 | (2,000) | 0 | 0 | 0 | 0 |
| - Website and E-Commerce Programme | 0 | 0 | 0 | 0 | 0 |
| - Commercial AVDC Change Project | 0 | 0 | 0 | 0 | 0 |
| - Commercial Activities | (50,000) | 0 | 0 | 0 | 0 |
| Restated Balance Position | 1,925,000 | 1,927,000 | 1,927,000 | 1,927,000 | 1,927,000 |
| Forecast (Overspend)/Underspend Assumption | (238,000) | 0 | 0 | 0 | 0 |
| Planned Addition to/(Use of) Balances | 240,000 | 0 | 0 | 0 | 0 |
| Net (Use of)/Contribution to Balances | 2,000 | 0 | 0 | 0 | 0 |
| Balance Carried Forward | 1,927,000 | 1,927,000 | 1,927,000 | 1,927,000 | 1,927,000 |

Aylesbury Town Special Expenses

APPENDIX F

| | 2017/18 Actual £ | 2018/19 Original Budget £ | 2018/19 Forecast £ | 2019/20 Estimate Budget £ |
|-------------------------------------|------------------------|------------------------------------|--------------------------|------------------------------------|
| Aylesbury Market | 3,251 | (400) | 2,600 | 1,100 |
| Parks and Recreation Grounds | | | | |
| Parks Administration | 304,771 | 238,100 | 240,000 | 241,700 |
| Alfred Rose Park | 35,393 | 42,400 | 53,300 | 54,300 |
| Bedgrove Park | 59,605 | 64,700 | 59,000 | 59,500 |
| Edinburgh Playing Fields | 44,765 | 51,500 | 54,200 | 54,400 |
| Meadowcroft Playing Fields | 42,160 | 67,000 | 74,800 | 80,400 |
| Vale Ground | 31,458 | 15,900 | 30,700 | 11,300 |
| Walton Court Sports Ground | 28,868 | 45,300 | 38,600 | 39,000 |
| Fairford Leys Sports Ground | 60,855 | 85,200 | 83,900 | 85,100 |
| | 607,875 | 610,100 | 634,500 | 625,700 |
| Community Centres | | | | |
| Management | 74,211 | 75,200 | 75,200 | 74,200 |
| Bedgrove | 44,094 | 55,600 | 56,800 | 58,500 |
| Southcourt | 56,651 | 48,400 | 48,500 | 43,500 |
| Alfred Rose | 63,159 | 50,400 | 54,700 | 56,800 |
| Prebendal Farm | 46,804 | 42,400 | 43,700 | 51,300 |
| Quarrendon & Meadowcroft | 92,683 | 60,200 | 56,200 | 64,800 |
| Haydon Hill | 16,889 | 14,600 | 14,600 | 18,200 |
| | 394,492 | 346,800 | 349,700 | 367,300 |
| Asset Rental Adjustment | (90,218) | (91,800) | (91,800) | (91,800) |
| Total Net Expenditure | 915,399 | 864,700 | 895,000 | 902,300 |
| General Reserve | | | | |
| Balance Brought Forward | (552,189) | (496,089) | (467,390) | (413,990) |
| Expenditure in Year | 915,399 | 864,700 | 895,000 | 902,300 |
| Precept - Band D | (828,100) | (839,400) | (839,400) | (849,300) |
| | (464,890) | (470,789) | (411,790) | (360,990) |
| Interest on Balances | (2,500) | (2,400) | (2,200) | (1,900) |
| | (467,390) | (473,189) | (413,990) | (362,890) |

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Council
6 February 2019

CAPITAL PROGRAMME UPDATE 2019/20-2022/23
Councillor Howard Mordue
Cabinet Member for Finance and Resources

1 Purpose

- 1.1 This report presents the proposals for the Capital Programme for 2019-20, as recommended by Cabinet on 16 January 2019.

2 Recommendation

- | |
|---|
| 2.1 That the updated Capital Programme for 2019-20 onwards be approved. |
|---|

3 The Cabinet's Budget Recommendation

- 3.1 The report to Cabinet on 18 December 2018 presented a set of initial capital proposals for Cabinet's consideration.
- 3.2 On 16 January 2019, Cabinet reconsidered the final capital budget. The latter meeting was informed by the views of Finance and Service Scrutiny Committee.
- 3.3 Finance and Services Scrutiny Committee considered the draft Final proposals at its meeting 14th January 2019.
- 3.4 The Scrutiny made a number of comments but were broadly supportive of the proposals contained within the report. The comments made by Scrutiny were considered and noted by Cabinet in determining their final proposals.

4 Executive summary

- 4.1 This report sets out the Capital Programme for 2019/20 onwards
- 4.2 As reported to Cabinet in December 2018 the focus of the capital programme is on delivery of existing schemes which have already been approved by Council.
- 4.3 The plan reflects the Council strategy to ensure both the prudent use and the maximisation of available capital resources.
- 4.4 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report setting out the Council's Capital Strategy.
- 4.5 To comply with statutory requirements, an expanded, but still abridged (because of unitarisation) capital strategy is presented within the Treasury Management Strategy Report. The key principles of the capital strategy are set out in this paper to allow Cabinet Members to cross reference whilst considering this update of the capital programme.

5 Background

- 5.1 The Council maintains an integrated strategic capital programme which is divided into three main 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.
- 5.2 The programme is reviewed annually with the current programme being last approved and adopted at Council in February 2018. Since then, the programme has been altered and amended on several occasions in response to organisational pressures, and agreements with Cabinet and Council where necessary, this report reflects all those changes.
- 5.3 At the time of writing the report, the Secretary of State has confirmed his decision to create a single Unitary District Council for Buckinghamshire which will come into existence in May 2020.
- 5.4 This fundamental change will happen during the period of the proposed capital plan. This clearly removes the need for medium term planning for Aylesbury Vale as a single entity organisation, as the new organisation will want to determine its own medium and long term investment priorities. However, the Council remains obligated to handover its affairs to the new organisation in the best state it can and so the focus of this Programme is now on the delivery of those projects previously committed and those which need a decision in a shorter timeframe.
- 5.5 Future investment and borrowing decisions are likely to be influenced by the outcome of the unitary arrangements.
- 5.6 This report provides an updated position with respect to forecast receipts and the position with regards to current and future major investment projects.

6 Capital Resources

- 6.1 This report sets out the high level issues facing the Council in terms of developing its Capital plans.
- 6.2 In addition to the unitary decision, there remain a number of other key uncertainties, e.g. the financial impact of Brexit and wider changes to the economy. Economic and interest rate forecasting also remain difficult with so many external influences weighing on the UK.
- 6.3 Investment returns are likely to remain low during 2019/20 but appear to be on a gently rising trend over the next few years.
- 6.4 Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer in response to economic uncertainty. The policy of avoiding new borrowing by running down spare cash balances has served AVDC well over the last few years and the intention is to continue to do this where balances allow. This will also allow the new unitary Council the greatest flexibility in terms of determining its own investment and borrowing strategy.
- 6.5 The focus of the capital plan will now be primarily on 2019/20, but consideration will still be given to 2020 and beyond because of the obligation to hand Aylesbury Vale's affairs to its successor in a fit state.
- 6.6 A number of external and internal factors do have a bearing on the available resources for the capital programme. Changes in anticipated resources

effectively increase or reduce the level of resources available to fund new schemes and so impact directly on the Council decisions to invest or borrow resources.

6.7 The changes in anticipated resources which need to be factored into the programme are as follows:

- Revenue Contribution – Currently there is a proposed £400,000 contribution from revenue to supplement existing capital resources. In the Provisional Finance Settlement on 6 December 2018, the Government announced the removal of Negative Revenue Support Grant (RSG) and financial impact of the proposed change will benefit the Council by almost £0.7m. This is a non-recurrent re-alignment of funding. Given the non-recurrent nature of the proposed additional funding, it has been recommended to Cabinet, (as part of the Revenue Budget), that the funding will be ring fenced to support likely and known pressures during 2019-20, specifically £0.4m to meet the costs of the car park changes detailed in the Car Park Strategy.
- Reserve utilisation of £4.5m for the Town Centre Regeneration. This scheme has previously been conditionally agreed by Council.
- Borrowing will be required to support the capital programme. The plan includes £9.2m of borrowing to support spend on Silverstone and Westcott Enterprise Zones and also Pembroke Road. The revenue costs of the borrowing are included in the agreed business plans. The level of borrowing will be managed in year and only actioned after cash balances have been utilised.
- Share of house sale receipts from VAHT - these flow from the stock transfer agreement and run for 25 years from the transfer date. The number of sales has been forecast to be 14 for 2018/19, with the same number being forecast for 2019/20 equating to sales of an estimated £1.5millions. The number of residual RTB house sales has consistently fallen over the last couple of years.
- Asset Sales - these are sums released from disposal of Council owned assets, mainly land or property. The generation of any significant receipts from the Council's current reduced asset base is no longer possible, but periodically some small receipts are received from parcels of land and capital repayments from some loans. No asset sales have been assumed for 2019/20, but does include £0.440m in 2019/20 for AVE loan repayments
- Lottery, Grants & Section 106 – This relates to external resources not related to asset sales.

6.8 The table below sets out the available resources at the beginning of 2018/19 and projected resources during 2018/19 and 2019/20, before any expenditure has been taken into account.

| | Current Resources | Resources Projection |
|---------------------------------|-------------------|----------------------|
| | Apr-18 | Mar-19 |
| | £'000s | £'000s |
| Balance of Capital Resources | 8,311 | 6,131 |
| Share of Right to Buy Receipts | 1,500 | 1,500 |
| Asset Sales | | |
| Lottery, Grants and Section 106 | 2,080 | 4,940 |
| Revenue Contributions (NHB) | 327 | |
| Revenue Contributions | | 400 |
| Total End of Year | 12,218 | 12,971 |

7 Capital Expenditure

7.1 The capital programme is attached as Appendix A. As it is split into three sections, Major Projects, Housing Schemes and Other Projects, these are covered separately.

7.2 Major Projects: The following are listed under the Major Projects section – Pembroke Road depot, Silverstone Heritage Centre, Silverstone Enterprise Zone and the Town Centre Regeneration. The capital programme includes the latest forecast costs for the individual schemes and reflects the current position.

7.2.1 Depot - Pembroke Road

- a) The scheme to develop existing waste and recycling depot site at Pembroke Road continues. The scheme was agreed by Council in October 2016.
- b) The total scheme cost is £9.2 million. The scheme includes £1.9 million for the provision of expanded vehicle testing facilities and the business decision to continue with this element of the scheme is still under review.
- c) The report and business case was predicated on the cost of the scheme being met from borrowing, whilst recognising that the amount might be reduced if there is additional capital resources received during the year. Expenditure incurred thus far for the scheme (mainly design and demolition) has been funded from the balances of unallocated capital resources. The Programme presented in the Appendix includes an assumption of borrowing for the scheme. However, it is proposed that all unallocated capital resources are allocated in the first instance in lieu of borrowing as a mechanism to reduce borrowing costs. The borrowing costs have been included in the business case for the development.
- d) The review of resources undertaken within this report continues to balance the Council's need to invest in schemes with the anticipated unallocated resources available to it. Borrowing is not usually earmarked for individual purposes but instead intended to cover any gap between spending and income.

7.2.2 Silverstone Heritage Centre

- a) At its meeting on the 14th September 2016 Council agreed to be part of a joint funding arrangement for a new Silverstone Heritage Centre by contributing £2 million by way of a loan facility.
- b) This levered a £9.3m Heritage Lottery fund award and financial commitments provided by surrounding councils and the two LEPS. Together, this provides a maximum loan facility.

- c) The Silverstone management team presented to Finance and Services Scrutiny Committee in October 2018. Progress on the development is good and there is an anticipated opening dates of the facilities in spring of 2019.

7.2.3 Silverstone Enterprise Zone

- a) In Autumn 2017 Council agreed to provide Capital funding for enabling works for the Silverstone Enterprise Zone in the form of a of £5.00m loan to be repaid from the additional Business Rates generated on site.
- b) Aylesbury Vale is the accountable body for the 3 Enterprise Zones and so borrows the sums required for infrastructure development on behalf of the constituent bodies. It also collects the Business Rates payable and offsets its borrowing costs from these receipts.
- c) There is no net cost to the Council of this decision, but the borrowing decision needs to be reflected to the Council's approved programme.

7.2.4 Westcott Enterprise Zone – Space Catapult Innovation Centre

- a) As accountable body for the Aylesbury Vale Enterprise Zone, the Enterprise Zone Board has made a request of Aylesbury Vale District Council to provide funding at Westcott to enable the expanded development Space Catapult Innovation Centre.
- b) Accordingly, the Capital Programme provides Capital funding for development of the Westcott Enterprise Zone in the form of a £1.20m loan to be repaid 50/50 from Grant received by BTVLEP and the additional Business Rates generated on site.
- c) As with the Silverstone Enterprise Zone detailed above, there is no net cost to the Council of this decision (although, as accountable body it does shoulder the risk of non-repayment), but as a capital scheme the borrowing decision needs to be reflected to the Council's approved programme.
- d) Two key facilities have recently opened within the emerging 'Space Cluster' at Westcott EZ (5G Step Out Centre and Business Incubation Centre). These are both operated by the Satellite Applications Catapult (SAC).
- e) The SAC's Space Cluster facilities at Westcott offer start-up businesses in the rocket propulsion, 5G, satellite and other space related sectors opportunities to utilise specialised equipment that would otherwise not be affordable / available, take advantage of free supported workspace, and obtain expert business and technical support.
- f) The third element of the SAC's strategy for the Westcott Space Cluster is the provision within the next 12 – 18 months of an Innovation Centre to provide accommodation for start-up businesses emerging through the 5G / BIC facilities, from elsewhere at Westcott, or from other outside companies where location within the Westcott Space Cluster would be beneficial.
- g) The original proposal for the Innovation Centre is supported by Bucks Thames Valley LEP (BTVLEP) with the award of £2m Local Growth

Fund (LGF) funding (50% loan/50% grant). SAC and BTVLEP entered into an Agreement for the LGF funding in December 2017. Under the agreement the facility is due to be completed by December 2019. The Business case put forward by the Satellite Catapult and supported by the Enterprise Zone Board proposes that the £1.2 million of funding for the project is split £600,000 Loan and £600,000 grant. As its Accountable Body, the Enterprise Zone Board is seeking for AVDC to borrow the £1.2m funding and to recover this (plus any interest costs) from the EZ retained business rates.

- h) The Borrowing will be reduced by repayment of the 50% loan element (£0.6m plus interest) by SAC which will occur in 2 staged payments (as provided for in the BTVLEP / SAC Agreement). This would serve to reduce the net EZ cost of the project to £0.6m. In addition the building will generate business rates for retention by AVEZ of approximately £30,000 per annum.
- i) The balance of £600,000 (the Grant element) will be repaid by the Enterprise Zone from the retained Business Rates. There are currently sufficient unallocated business rates receipts to fund the estimated repayment, even without the development of new business rates paying premises. This scheme is therefore considered affordable by the Enterprise Zone Board.
- j) It is proposed that the EZ funding is provided to BTVLEP and that BTVLEP amends its existing Grant and Loan Agreements with SAC to reflect the increased funding from the EZ. This (subject to further detailed discussion with AVDC / BTVLEP) seems to provide the simplest mechanism for provision of funding.
- k) A separate funding agreement will need to be put in place between AVDC / BTVLEP relating to the provision of the EZ funding and return of the 50% loan funding. As BTVLEP has no legal company status of its own the accountable body will be Bucks County Council.
- l) The Council, will require BTVLEP to secure a charge over the property (if achievable) but will ultimately seek underwriting from BTVLEP (via Bucks CC) for the Loan element of the transaction.
- m) If the Council is supportive, the detail of the funding agreement (together with a legal review and state aid review) will need to be refined to protect the Council's interests.

An independent Appraisal of the Business Case was carried out by Hewdon Consulting's which concluded that the project is robust and that the Innovation Centre as now proposed would be a positive addition to the Westcott Space Cluster. The Funding provided by Aylesbury Vale can be covered by existing retained Business Rates being delivered from the existing 3 Enterprise Zones. The roll of the LEP and the County Council (as its Accountable Body) provides sufficient security and confidence of repayment to justify provision of funding in accordance with this request.

7.2.5 Town Centre Regeneration

- a) At a meeting of its full Council on Wednesday 19 September, AVDC agreed to invest in the rejuvenation of the Aylesbury Town centre public

spaces. The planned investment into Kingsbury and Market Square will address the operational and aesthetic challenges, while making improvements to the safety, sustainability and accessibility of the areas. The improvements will also look to emphasise Kingsbury as the gateway to the old town, celebrating Aylesbury's rich heritage as a market town.

- b) The funding will be sourced from specifically earmarked funding and grants, including: existing Section 106 funding allocated to Aylesbury town centre, a Heritage Lottery Funding Townscape Grants bid and New Homes Bonus. This will enable AVDC to achieve its prospects without the need to borrow.
- c) Council required the scheme to be re-presented once further planning work has taken place, the full provision has been included in the Capital Programme in order to reserve the funding.

7.3 Housing Schemes

- The main element of funding within this category relates to the Council's housing enabling function.
- The programme presented here proposes that all receipts from RTB and the affordable housing element of New Homes Bonus are ring-fenced for the purpose of affordable housing investment.

7.4 Other Projects

A number of new projects are included as well as provision for schemes that have been delayed for reasons outside of the Council's control.

- Notable other projects in this section of the Capital Programme include £1.25m for the purchase of new vehicles to support bringing the provision of the Street Cleaning and Horticulture contract in-house. The vehicles are required in order to provide the statutory functions of the horticulture services and would be required whether the existing contract was extended or the service brought in-house.
- The programme allows for a rolling replacement for 5 food waste vehicles.
- The car parking strategy agreed by Cabinet in December 2018 outlined a need for capital funding to upgrade payment equipment in AVDC car parks in other towns across the Vale. Provision for this equipment has been included in the capital plan for 2019/20, together with a contribution from Revenue to fund the cost of these works.
- Finally, spend on Community Centre renewal, funded by the receipts from the sale of Elmhurst Community Centre some years ago, and also some play area renewal work. In these cases the prioritisation of Section 106 funds (of which £10m are held for open spaces and leisure purposes) will be made before any capital expenditure.

- 7.5 Members will note that the major development for the Exchange is due for completion in 2018/19 with no further expenditure planned. The Exchange scheme commenced in January 2017 and consists of restaurants, one and two bedroom apartments above and a new public square. The scheme also provides commercial space.

- 7.6 Council approved the proposed Commercial Property Strategy described in the report, including a capital fund of £100m to be met from borrowing from the Public Works Loans Board, and a revenue budget of £100,000 from the New Homes Bonus (NHB) Fund. Work to progress this initiative has now been suspended following the unitary announcement.
- 7.7 Although not a funding pressure, the programme for 2019/20 includes provision for a payment to be made for the transfer of deferred developer sums to Coldharbour Farm Parish Council for the maintenance of the riverine corridor which runs through Fairford Leys. This sum was provided by the developer for the maintenance obligations as part of the original land transaction. Transfer of this sum to the Parish Council has been previously agreed, but long delayed whilst the legal ownership is resolved.

8 Capital Strategy

- 8.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report setting out the Council's Capital Strategy.
- 8.2 The purpose of the Capital Strategy is to drive the authority's capital investment ambition over a 20-30 year time frame, whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long term delivery of services.
- 8.3 The capital programme for the council would normally be a long term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council assets and operational buildings is very long term and as such should be considered accordingly in financial and asset management planning.
- 8.4 The development of the Capital Strategy for AVDC is disadvantaged by the uncertainty resulting from the unitary decision. However, to comply with statutory requirements, an expanded, but still abridged strategy, (reflecting a single year planning period) will still be presented alongside the Treasury Management Strategy in January 2019. However, the key principles of the strategy are set out below for contextual consideration.
- 8.5 The Capital Strategy for AVDC for 2019-20 will focus on core principles that underpin the council's capital programme in the short term only and the issues and the risks that will impact on the delivery of the programme; and the governance framework required to ensure the capital programme is delivered and provides value for money for residents of Aylesbury Vale.
- 8.6 Within a shorter timeframe the focus of the capital strategy is towards the delivery and implementation of existing capital schemes.
- 8.7 Within the short term timeframe the capital programme may still be amended by the introduction of urgent, high priority capital schemes. The programme will need to be flexible to ensure that the capital programme can incorporate schemes to meet the requirements or opportunities that arise. As part of capital programme and resource management, schemes may be phased over multiple years due to factors such as complexity, resourcing, legal and planning requirements.

- 8.8 The development, management and monitoring of capital investments for 2019/20 will remain under the control of AVDC.
- 8.9 The overriding objective of asset management within the council is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The council's property portfolio now mainly consist of small land holdings and our operational buildings i.e. offices, leisure facilities, public conveniences etc.
- 8.10 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 8.11 The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 8.12 Risk is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the risk management strategies we have in place and commensurate with the council's low risk appetite.
- 8.13 The Treasury Management Strategy for 2019-20, to be presented to Council for approval, will include detail on expenditure plans and the associated prudential indicators.
- 8.14 The development of capital investments beyond 2020 will ultimately be delivered by the new Authority.

9 Options considered

- 9.1 The proposed capital programme represents the allocation of anticipated resources in accordance with corporate priorities and agreed decisions since the last updated programme.

10 Reasons for Recommendation

- 10.1 The Council is required to set a capital budget for the coming financial year and proper financial management incorporates a longer term view of capital activity. Regular review and updating of resource availability and capital investment plans is essential, especially when a number of major schemes are running in parallel.
- 10.2 The CIPFA Prudential Code (December 2017) includes the requirement to produce a Capital Strategy.

11 Resource implications

- 11.1 Each of the additions of the Capital Programme made since the last formal reviews were accompanied by a detailed Business Case. These reviews included the detail revenue implications, both of the detailed proposal and any financing costs assumptions within it.
- 11.2 The revenue costs are incorporated into the initial Budget Planning report included elsewhere on this agenda.

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Background Documents

Capital Programme 2017/18 to 2021/22 Cabinet November 2017

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