

CABINET

LATE PAPERS

When: Tuesday 6 February 2024 at 18:30

Where: Council Chamber, Civic, 1 Saxon Gate East, Milton Keynes, MK9 3EJ.

Agenda

- 10. Council Budget 2024/25 (Pages 3 - 8)**
Addendum to 24-25 Budget Papers
Revised Annex I - 2024_25 General Fund Final Budget Summary

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Addendum



Update on Final Local Government Settlement and consultation changes to Minimum Revenue Provision (MRP) statutory guidance and regulations - December 2023

1. Summary

- 1.1. Since the publication of the final budget papers the Government has announced the Final Local Government Settlement for 2024/25. This addendum outlines the changes reflected in the settlement and the impact on the 2024/25 MKCC General Fund (GF) budget.
- 1.2. In addition, DLHUC is currently out for consultation on changes to the Minimum Revenue Provision (MRP) statutory guidance and regulations. Responses are being sought on plans to change the way that MRP is accounted for in 2024/5. MKCC will be responding to this consultation as one of these proposals if implemented would have a significant negative impact on the Council's GF budget. This addendum outlines the proposed change and how this would be financed if the changes were implemented for 2024/25.

2. Local Government Finance Settlement 2024/25

- 2.1. The Local Government Finance Settlement 2024/25 was published on the 5 February 2024. Assumptions based on the draft settlement and recent announcements had been estimated in the 2024/25 budget papers, however we are now able to confirm the final position.
- 2.2. The table below outlines the assumptions made and the changes in the final settlement.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
MTFP – Final Budget	0.000	2.637	20.308	2.370	25.315
<i>Changes:</i>					
Public Health Grant Final Allocation	(0.340)	0.000	0.000	0.000	(0.340)
Public Health Grant Expenditure	0.340	0.000	0.000	0.000	0.340
Revenue Support Grant	0.000	(0.029)	0.000	0.000	(0.029)
Service Grant funding	(0.029)	0.029	0.000	0.000	0.000
Environment Agency Levy	(0.008)	0.000	0.000	0.000	(0.008)
Shared service overhead contributions	0.080	0.000	0.000	0.000	0.080
Drawdown from Shared service reserve	(0.080)	0.080	0.000	0.000	0.000
Contingency and Other Corporate	0.037	0.000	0.000	0.000	0.037
Final Budget after Settlement	0.000	2.717	20.308	2.370	25.395

Annex 1 is the revised GF budget Summary to reflect these changes.

3. Consultation changes to Minimum Revenue Provision (MRP) statutory guidance and regulations - December 2023

3.1. The government published a consultation paper on 21 December 2023 which it intends to implement from 1st April 2024. This follows two previous consultations papers where it had set out various proposals to amend rules on how Councils should calculate MRP charges where borrowing has been used to finance capital expenditure. These consultations were in response to concerns about how a small number of Councils had acquired commercial assets or lent capital to companies and had not charged a prudent level of MRP.

3.2. The proposals in both consultations did not have any impact on MKCC.

3.3. The latest consultation now includes additional proposals not previously consulted upon relating the method of calculation of historic (pre-2008) MRP charges. The proposed change, which is unrelated to government concerns on company loans and commercial investments, would mean if adopted, that MRP on pre 2008 debt would need to be calculated using a 4% reducing balance method as opposed to the 2% straight-line method currently adopted by MKCC since 2015/16. The straight-line method used is in line with current guidance and has been reviewed and accepted by the Council's auditors as a permitted and prudent approach, which would see the debt

liability fully extinguished by 2072 whereas the reducing balance method would see the debt liability significantly extended (circ after c.200 years the liability outstanding would be negligible). If implemented, this change would impact in excess of 70% of local authorities in England, including MKCC.

- 3.4. The changes would mean that the profile of MRP charges in the accounts would change, and a higher provision would need to be made over the medium term although the total MRP on the debt would not change overall.
- 3.5. Whilst this is an accounting provision and has no cash value, MRP is a cost charged against the GF budget. If implemented as currently worded, it would result in an additional charge in 2024/25 of £4.2m, dropping each year thereafter (-£0.355m 2025/26, -£0.342m 2026/27, -£0.328m 2027/28, -£0.315m 2028/29 etc). This would increase the size of the budget gap currently projected in the Medium Term Financial Plan (MTFP).
- 3.6. As outlined in section 3.1.3 of the Treasury Strategy, the Council has previously overprovided for MRP by making additional voluntary contributions of £20.150m. If this proposal is adopted, for 2024/25 only, we would offset the additional MRP of £4.2m against this overprovision in 2024/25 resulting in a net nil impact on the Council's budget. For future years, this would need to be reflected as a pressure in the MTFP.
- 3.7. The outcome of the consultation when announced will be updated to Cabinet through the Council's financial reporting and any impact from 2025/26 onwards will be reflected in the MTFP.

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2024/25 General Fund Final Budget Summary excluding SERCOP recharges

ANNEX I revised

	Gross Expenditure		Gross Expenditure		Gross Income		Gross Income	Net Budget
	2023/24	Movements	2024/25	2023/24	Movements	2024/25	2024/25	
	£000	£000	£000	£000	£000	£000	£000	£000
SERVICES:								
Adult Services	160,189	14,285	174,474	(67,991)	(5,834)	(73,825)		100,649
Public Health	13,033	340	13,373	(13,315)	(340)	(13,655)		(282)
Children's Services	246,885	8,903	255,788	(197,403)	(30)	(197,433)		58,355
Customer and Community Services	12,856	759	13,615	(5,695)	(349)	(6,044)		7,571
Planning & Placemaking	3,731	221	3,952	(2,687)	(484)	(3,171)		781
Environment and Property	93,757	3,695	97,452	(18,420)	(2,383)	(20,803)		76,649
Finance and Resources	86,935	1,009	87,944	(65,987)	82	(65,905)		22,039
Law & Governance	5,435	191	5,626	(349)	0	(349)		5,277
Debt Financing	9,174	(1,560)	7,614	(6,347)	(3,327)	(9,674)		(2,060)
Corporate Items (Contingency)	5,165	244	5,409		0	0		5,409
Corporate Items (ASC Contingency)	1,513	(913)	600	0	0	0		600
Corporate Items (Pay Inflation, other)	(1,390)	5,079	3,689	(1,963)	(600)	(2,563)		1,126
Total	637,283	32,253	669,536	(380,157)	(13,265)	(393,422)		276,114
Contribution to/(from) Reserves								8,322
Levies								608
Asset Management								(26,030)
Recharges to HRA								(2,872)
Parish Precepts Paid								10,950
Total Expenditure								267,092
FUNDED BY:								
Revenue Support Grant								(7,177)
Retained Business Rates								(80,356)
Council Tax (including parish precepts)								(173,858)
New Homes Bonus								(5,377)
Services Grant								(324)
Total Funding								(267,092)
Budget Gap								0

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