

Minutes of the meeting of the Budget & Resources Scrutiny Committee held on Thursday 4 January 2024 AT 19:00

Present: Councillor Hume (Chair)
Councillors Cannon, Clarke, Geary, M Khan, Lancaster and Long and Verma
(substituting for Wardle)

Apologies (Attended Virtually): Councillor McBride

Also Present: Councillors Marland and Townsend

Officers: E Richardson (Overview & Scrutiny Officer), S Richardson (Director Finance and Resources), N Hutchin (Assistant Director - Finance), Errington (Senior Finance Manager Corporate Accounting), S Haslam (Senior Finance Manager) and S Hattle (Senior Finance Manager), E Richardson (Overview & Scrutiny Officer)

BR28 Apologies

Apologies were received from Councillor Wardle (Councillor Verma substituting) and Councillor McBride.

BR29 Disclosures of Interest

There were no Disclosures of Interests.

BR30 Minutes

The Minutes of the meeting of the Budget and Resources Scrutiny Committee held on 6 December 2023 were agreed and signed by the Chair as a correct record.

BR31 Political Overview

Councillor Marland opened his presentation by saying that the Council had produced a good, balanced budget in a difficult financial climate where at least 50% of other local authorities were struggling to balance their budgets. Overall, 1 in 2 authorities would have to rely on their reserves to produce a balanced budget, whilst higher tier authorities, ie unitaries and county councils, were using their reserves. It had taken Milton Keynes City Council 10 years of hard financial decisions to be able to produce a balanced budget for 2024/25.

The budget had been developed around the need for the right financial provision to deliver the Council's priorities as set out in the Council Plan. Although there were some reductions in service levels, there were no major cuts to services or staffing levels. He commended the hard work carried out by the Finance Team to identify and implement savings successfully.

The Administration had a clear plan for Milton Keynes and was focussed on delivering it, with both councillors and officers working together to deliver services, despite having to make savings.

Milton Keynes was well placed to encourage sustained growth which was good for residents and improved the Council's financial position as it was able to maximise the use of tariff funding and S106 funds from new developments as well as continuing to benefit from the New Homes Bonus.

The proposal to raise Council Tax by the permitted, maximum amount before a referendum was required, of 2% for social care and 2.99% for general funding would be put to full Council for approval in February. This was below the current rate of inflation but was high enough to avoid cuts to services.

However, there were still big risks in the budget; between £0.5 – 1.0m needed to be put into the base budget to cover the increasing costs for children's social care provision. This was a national problem for local authorities as the market, unlike adult social care provision, was unregulated and costs were rising steeply.

Another big risk area was the continued rise in the cost of temporary accommodation whilst the Council's housing stock remained static. The Right to Buy policy continued to cause problems for housing authorities across the country and the Housing Revenue Account (HRA) would need continued, detailed scrutiny during 2024/25.

Councillor Marland also explained that as the financial position for all local authorities continued to deteriorate, it was likely that most of them would need to issue a S114 notice at some point in the next few years. Although Milton Keynes City Council was currently the right side of the bell curve, it was still a question of when, rather than if.

Councillor Townsend echoed Councillor Marland's comments, reminding the Committee that the Council was currently in a good position financially, but this was likely to deteriorate over the next few years.

The Committee then discussed their comments with Councillor Marland and Councillor Townsend, noting that:

- a) Although there were no formal proposals for 2024/25, the Council was exploring business cases to see if it was viable to move any external services to a more cost effective in-house provision;

- b) Service platforms needed the time and ability to make a transformational shift on how services were delivered but such shifts were necessary;
- c) The Council would be taking a tougher stance on how it managed Looked After Children placements to minimise the number of out of area placements as children were more at risk from a wider range of factors than adults who required social care provision;
- d) The Council's current level of reserves was the result of careful financial management in previous years.

RESOLVED –

- 1. That Councillor Marland and Councillor Townsend be thanked for their attendance at the meeting and setting out the budget position so clearly.
- 2. That the connection in the 2024/25 draft budget between the financial strategy and delivery of the Council Plan be commended.

BR32 Local Government Funding Settlement 2024/25

The Committee received a presentation from the Finance Team advising it of the implications for the Council's finances of the Local Government Funding Settlement 2024/25 and updating it on the draft budget position. The Committee noted that this was not the final position for the 2024/25 budget and that there may be some changes to the detail between now and when the final version was published in February.

The presentation covered key points relating to the General Fund draft budget, the provisional financial settlement from central government, the updated position following the settlement, key issues, the Dedicated Schools Grant (DSG), the Capital Programme and programme funding.

During the ensuing discussion, the Committee noted that:

- a) The proposed figures relating to the new highways contract, which was currently out to tender, were based on current contract costs plus inflation. These may be revised once the returned tenders had been analysed;
- b) There was a lag between inflationary pressure and the value of Council Tax. When the budget was drafted in the autumn, inflation was more than the proposed increase of 4.99% in Council Tax, but now it could well be lower than this by February;
- c) Some costs were rising by more than CPI^[1] therefore Council Tax needed to keep up with these rises. Council Tax could not be set in

isolation and the Council had to consider service delivery across the whole budget, as well as the impact on future years;

- d) The Council had a duty to provide support for its most vulnerable residents and increasing Council Tax to the maximum was the most sensible approach. Failure to do so could lead to a bigger than forecast a deficit in the Council's finances in future years;
- e) The Council's Council Tax Reduction scheme was more generous than many other local authorities: eligible residents of non-working age were entitled to 100% reduction, whilst those of working age who were eligible qualified for an 80% reduction;
- f) Council Tax banding was set nationally on behalf of the Government by the Valuation Office; the Council had no control over this;
- g) There were two levels of business rate, standard rate (50p in the £1) and the smaller rate, which was slightly less. The level of business rates payable was assessed by the Valuation Office based on local market rents for commercial properties.

The Committee also noted that the value of the Public Health Grant had not yet been notified but was thought to be about £12.5m, with an indicated increase of 1.5%. The Council had a statutory responsibility to deliver public health services and the grant was ring-fenced to the provision of those services. Public Health services stood alone from other national health service provision and although local authorities could network locally on the provision of public health services, these services did not integrate into the national health service provision.

The Committee also discussed the Dedicated Schools Grant noting that:

- a) The DSG was a ring-fenced fund calculated using the National Funding Formula. The Government paid the money to the Council who then allocated it out to schools. Some supplementary funding was still to be announced;
- b) The uplift in the 2024/25 grant was due to higher numbers of children in the Milton Keynes school system, with the average increase per school being about 3%;
- c) There was also an increase in early years funding to cover the extending of the free childcare programme from April 2024. This would need monitoring for take up as early years provision was not a statutory educational requirement;
- d) Milton Keynes City Council provided support to struggling schools to help them manage their finances. Most maintained schools were relatively healthy, financially, but this information was not available for academies;

- e) The DSG was only ever allocated annually, so it was not possible to project what the settlement for 2025/26 would be;
- f) The High Needs block covered funding for special schools and some top-up funding for children with an EHCP^[2] in mainstream education.

The Committee was advised that there were no changes to the proposed 2024/25 Capital Programme since the Committee had reviewed it in October and no significant changes were anticipated before final publication in February.

Finally, the Committee noted that the majority of the Council's planned borrowing during 2024/25 would be to fund HRA projects. Other, smaller scale borrowing would be done internally via cash balances. These balances could be used to earn investment income, but the short term nature of this type of investment meant that the returns would be relatively low.

RESOLVED –

1. That the Finance Team be thanked for their presentation and update.
2. That the Budget and Resources Scrutiny Committee receives an update on the level and cost of the Council Tax Reduction scheme at a future meeting during 2024/25.

^[1] Consumer Price Index

^[2] Education, Health and Care Plan

BR33 Draft Council Budget 2024/25 and Medium-Term Financial Plan 2024/25 to 2027/28

The Committee started the process of scrutinising the suggested reductions and income growth proposals in the 2024/25 draft budget as set out in Annex B of the agenda pack, as follows:

S24-21N: Community Alarm (£300k)

Much of the technology used by the Community Alarm Service needed updating and this was a chance to make savings by upgrading to more efficient systems, review premises requirements for the Service HQ and staffing levels, without impacting service delivery.

This was not a statutory provision and as users paid for the service this could also be an opportunity to encourage more people who would benefit from the service to sign up to it.

The Committee felt that the wording was misleading and needed to be rephrased so as to make it clear that there would be no cut in the service

provision, but that this was technical update to maximise the potential of the service.

S24-11N: Children's Legal External Spend (£20k)

The Committee expressed concern at the robustness of some of the smaller savings and that the implications of something going wrong might be missed if not scrutinised properly.

S24-10N: Elections (£104k in 2025/26)

The Committee commented on the accounting need to offer "fallow" election years as a saving and then adding the money back in for the following three years.

The Committee agreed that, in order to carry out meaningful scrutiny of the other items in Annex B, the relevant Cabinet Members and Directors be invited to attend one or other of the remaining January meetings.

RESOLVED –

1. That the Overview and Scrutiny Officer arranges the attendance of relevant Cabinet Members and Directors to the remaining January meetings.
2. That a referral be made via the Corporate Overview and Scrutiny Committee, recommending that the Health and Adult Social Care Committee scrutinises the revamped Community Alarm Service once it is up and running.

THE CHAIR ADJOURNED THE MEETING AT 21:20 UNTIL 19:00 ON 9 JANUARY 2024