

Minutes of the meeting of the Budget & Resources Scrutiny Committee held on Thursday 2 January 2025 at 19:00.

Present: Councillor Montague (Chair)

Councillors Geary, Cannon, Bamisile, A Carr, Clarke, Long and Soden

Apologies: Councillors M Khan

Also Present: Councillor Crooks

Officers: S Hattle (Head of Finance), S Lloyd (Senior Governance and Scrutiny Officer), S Richardson (Director Finance and Resources) and A Rulton (Assistant Director - Finance).

### **BR37 Apologies**

Apologies were received from Councillor M Khan.

### **BR38 Disclosures of Interest**

There were no disclosures of interest.

### **BR39 Local Government Finance Settlement 2025/26**

The Director of Finance and Resources and Assistant Director of Finance gave a presentation which outlined changes to the published draft budget following the publication of the Local Government Finance Policy Statement and Local Government Finance Settlement.

It was noted that there were a number of risks to the balanced budget position that had been reported at Cabinet on 3 December including government funding which had not yet been confirmed, a number of savings proposals being in early stages and requiring development, the potential for further evolution of in-year demand pressures and the impact of National Insurance increases. The Director of Finance and Resources advised that the publication of the policy statement on 28 November had given some further indication on how funding would be allocated but still did not provide clarity at the individual local authority level. He added that the provisional settlement had been received on 18 December but that whilst this had given more details on the allocation that Milton Keynes would receive in some cases the conditions for the funding had not yet been communicated and therefore there may need to be further amendments to the assumptions contained within the draft budget when this information was released.

The Assistant Director of Finance advised the Committee of the funding assumptions included within the draft budget including the Council Tax Base for the 2025/26 year which had been agreed by Cabinet on 5 November 2024, a 4.99% increase to Council Tax, a business rates main multiplier increase of 1.6% with the small business multiplier frozen. She outlined the breakdown of the £19.882m of ongoing service pressures, noting that a large majority (£12.851m) of the cost was due to exceptional demand in areas such as children's services which was not expected to continue into future years at the same level.

The Committee were also informed of the £11.926m of inflation related costs which included the pay award, which it was assumed would be 3%, and increases in National Insurance and Minimum Living Wage. The Assistant Director of Finance advised that it was assumed that the Council would be compensated for the direct costs incurred due to the increase in National Insurance but that the specific allocation for Milton Keynes had not yet been confirmed and therefore could have further impacts on the current budget position.

The Assistant Director of Finance then advised the Committee of the changes to the assumptions included in the budget as a result of the publication of the provisional settlement. She advised that there had been increases in the amount of funding allocated in certain grants in comparison to previous assumptions such as the Revenue Support Grant, Social Care Grant, Childrens Social Care Prevention Grant, Homeless Prevention Grant and Local Authority Domestic Abuse Duty Grant and reductions in others such as the Service Grant, Recovery Grant and Childrens & Families Grant but that ultimately the overall change was about £1.023m more funding than the assumptions built into the draft budget.

The Committee were also advised of two one-off funding streams that had been confirmed for the 2025/26 financial year, the New Homes Bonus (£3.917m) and the initial payment for the Extended Producer Allowance (£4.647m) which might increase further later in the year. It was noted that there were still some funding sources to be confirmed including business rates assumptions which would be updated to reflect the NNDR 1 return when available, the funding available for the direct cost of the National Insurance increase and the final Extended Producer Allowance.

The Director of Finance and Resources added that the disparity between the assumption of Recovery Grant funding and the actual amount allocated was because the Government had used Council Tax Base figures as part of the calculations and Milton Keynes did not have a particularly low Council Tax Base in comparison to other areas. He also added that this grant had been introduced for this financial year to bridge between this year and the proposed new system of allocating funds for which a consultation was currently underway.

Questions were asked by the Committee as to the level of risk attached to the National Insurance increase. The Director of Finance and Resources responded that the draft budget assumed that the direct costs of the National Insurance increase to the council would be covered by national funding forming part of the base budget but that the specific allocation for Milton Keynes had not yet been confirmed so this was not yet clear and would be kept under review. He advised that there was a secondary aspect to the impact of this increase which was the National Insurance costs of any contractor which may be

passed on to the Council in increases to the cost of contracts but this would be much more difficult to estimate with any degree of accuracy as the council did not have a full line of sight across all contractors and each contract had its own terms and conditions and duration so there may be a delayed impact to the Council itself should any of these costs be passed on.

In response to a question by the Committee the Director of Finance and Resources advised that the business rates data would be refreshed at the end of January as close as possible to the publication of the final budget to ensure that it was as accurate as possible.

The Assistant Director of Finance clarified that the Extended Producer Allowance was a new tax on producers of waste to compensate the council for the cost of disposing of the waste. She advised that the £4.647m figure had been confirmed by Government but that there may then be further funding available later in the financial year.

Members of the Committee asked about the level of flexibility of use of the grant funding that had been awarded to the council. The Assistant Director of Finance responded that each grant would have its own specific conditions attached to it and not all of these had been published at the time of the meeting so it was hard to say what level of ring-fencing would be in operation. She expanded that the assumption within the budget was that the council would be able to use all available funding for the works for which it was intended.

It was noted that the pothole grant was a capital allocation although filling potholes would be termed as a revenue expense and therefore consideration would need to be given to the use of the funding to make sure it was within the scope of the grant.

A question was asked by a Member of the Committee in relation to the level of risk associated with any equal pay action. The Director of Finance and Resources confirmed that this featured on the Council's Budget Risk Register but that there had been no challenges as yet and so it would not be an imminent risk to Milton Keynes City Council at this stage whilst acknowledging that a number of councils had been challenged by Trade Unions. He elaborated that the unions were fully involved in all job evaluation procedures in Milton Keynes so it was hoped that they had sufficient assurance that the procedure was robust.

RESOLVED –

1. That the Committee note the contents of the presentation.
2. That confirmation of any outstanding funding sources and their conditions be shared with the Committee when available.

#### **BR40 Draft Council Budget 2025/26 and Medium Term Financial Plan 2025/26 to 2028/29**

The Committee discussed further pressures, budget reductions and income proposals that remained to be discussed during the following two meetings of the Committee. It was noted that the meeting scheduled for the 9 January would discuss items in Childrens and Adults Services.

RESOLVED –

1. That recommendations in relation to specific items in the 2025/26 Draft Budget be included in the Committee's report on the draft budget proposals which will be presented to Cabinet and Council in February 2025.
2. Committee Members to advise of any further items to be added to the agenda of the meeting scheduled for 14 January.