

BUDGET & RESOURCES SCRUTINY COMMITTEE

When: Wednesday 4 January 2023 (19:00 hrs)
Tuesday 10 January 2023 (19:00 hrs)
Thursday 12 January 2023 (19:00 hrs)
Tuesday 17 January 2023 (19:00 hrs)

**Where: Room 1.02, Civic, 1 Saxon Gate East, Milton Keynes,
MK9 3EJ,**

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Membership

Councillor Hume (Chair)

Councillors Cannon, Clarke (Vice-Chair), Geary, Imran, M Khan, N Khan, Taylor and Wardle (Vice-Chair)

Enquiries on this agenda:

Please contact Elizabeth Richardson, Overview and Scrutiny Officer on 01908 252629 or Elizabeth.Richardson@milton-keynes.gov.uk

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AGENDA

1. Welcome and Introductions

The Chair to welcome members of the Committee, officers, any external witnesses, and the public to the meeting and introduce committee members, officers and witnesses who are present.

2. Apologies

To receive any apologies.

3. Disclosures of Interest

Councillors to declare any disclosable pecuniary interests, other registerable interests, or non-registerable interests (including other pecuniary interests) they may have in the business to be transacted, and officers to declare any interests they may have in any contract to be considered.

4. Draft Council Budget 2023/24 and Medium-Term Financial Plan 2023/24 to 2026/27

The attached report (Item 4) (**pages 5 to 36**) sets out the narrative on the draft 2023/24 budget proposals and covers both the immediate proposals for 2023/24 and for the Council's Medium-Term Financial Plan up to 2026/27. Additional information about the Council's finances is set out in a number of annexes which are also included in this pack as follows:

Annex A*	2023/24 Budget Pressures
Annex B*	2023/24 Budget Reductions and Income Proposals
Annex C*	2023/24 One-off Budget Pressures
Annex D*	2023/24 Fees and Charges
Annex E	2023/24 - 2026/27 Forecasting Model (page 37)
Annex F	2023/24 GF Draft Budget Summary (page 38)
Annex G	2023/24 Draft Parking Account (page 39)
Annex H*	2023/24 Capital Programme
Annex I	Draft Tariff Resource Allocation (pages 40 – 42)
Annex J*	2023/24 GF Risk Assessment
Annex K*	Earmarked Reserves
Annex L	2022/23 Draft Budget Risk Register (pages 42 – 46)
Annex M	Legal Framework (pages 47 – 49)

**Annexes A, B, C, D, H, J & K are included as a separate pack of A3 sized documents and are page numbered separately.*

These documents were prepared for a Delegated Decision taken by Councillor Middleton on 20 December 2022 in which the Cabinet noted and endorsed the draft budget proposals set out in the report and supporting annexes, subject to the outcomes of the current public consultation which commenced on 13 December 2022 and will run until 31 January 2023.

Having scrutinised the anticipated income and inflationary pressures on the 2023/24 budget at its October meetings, the Committee will concentrate its scrutiny on the savings/reductions and revenue raising proposals in the 2023/24 draft budget, where appropriate discuss these with the relevant Cabinet Members and Senior Officers of the Council, satisfy itself as to their robustness and make recommendations to Cabinet at its meeting on 7 February 2023.

The proposed timetable for the January meetings is set out below:

Date	
04 January	a) Presentation on how the Housing Revenue Account (HRA) works, where the money comes from, how rents are calculated, and how the Council arrives at a fully balanced budget
	b) Scrutiny of the HRA 2023/24 draft budget proposals and implications of the 7% rent cap
10 January	Scrutiny of the proposed savings/reductions in the draft 2023/24 budget (Annex B)
12 January	a) Explanation of the different types of Fees and Charges levied by the Council, what a “surplus” is and what the Council can and can’t do with the money raised
	b) Scrutiny of the proposed Fees and Charges in the draft 2023/24 budget (Annex D)
17 January	Recommendations and Report Writing

The Committee may need to consider excluding the public and press in accordance with Part 1 of Schedule 12A of the Local Government Act 1972, should it wish to discuss specific proposals which would identify individual members of staff.

Members of the Committee are reminded that this set of papers covers **all** the January Challenge meetings and that they should bring these papers with them to each session.

Delegated Decisions Report



20 December 2022

QUARTER 2 FORECAST OUTTURN, 2022/23 GENERAL FUND REVENUE, HOUSING REVENUE ACCOUNT, DEDICATED SCHOOLS GRANT AND CAPITAL PROGRAMME

Name of Cabinet Member	Councillor Rob Middleton (Cabinet member for Resources)
Report sponsor	Steve Richardson Director - Finance and Resources
Report author	Anna Rulton Head of Finance (Deputy Section 151 Officer) Anna.Rulton@Milton-Keynes.gov.uk 01908 252482

Exempt / confidential / not for publication	No
Council Plan reference	1 – “A Balanced Budget”
Wards affected	All wards

Executive Summary

This report sets out the draft Milton Keynes City Council (Revenue) Budget for 2023/24, the latest Medium Term Financial Forecast for the period 2023/24 to 2026/27, the draft Capital programme for 2023/24 to 2026/27 and the draft Housing Revenue Account Budget for 2023/24. The public consultation on these draft documents commenced on the 13 December 2022.

The context for the 2023/24 budget is severe and the level of uncertainty both nationally & globally is stark. In particular:

1. The predicted UK recession may last up to 2 years;
2. The highest inflation in a generation is expected to continue throughout 2023;
3. At the time of publishing this report Central Government has still not published its Policy Statement nor the Provisional Local Government Finance Settlement;
4. MKCC has therefore formulated its draft budget & its Medium Term Financial Plan based on a series of assumptions arising from the Chancellors Autumn Statement on 17 November 2022.

The budget was developed in line with the political direction of the Progressive Alliance and in accordance with the following headline objectives:

1. to balance MKCC's budget in the coming financial year & over the medium term against a backdrop of continuing austerity in Local Government;
2. to continue to deliver the Progressive Alliance's priorities as set out in the adopted Council Plan;
3. And to make more financial support available, over and above that already provided to date, to help to ease the hardship created by the UK's deepening Cost of Living Crisis.

This draft Budget proposes:

1. A below-inflation 2.99% General Council Tax increase, plus an increase of 2.00% in our Adult Social Care Precept which is earmarked to help offset part of the rapidly increasing cost of providing adult social care services;
2. An additional £750k of financial support to help support our city's residents & communities during the UK's Cost of Living Crisis & economic recession;
3. An additional £150k funding pot to support MK's Community & Parish Councils to continue their programme of support for residents;
4. An additional £150k to enhance children's and young personal mental health provision;
5. A £500k economic development fund to support local businesses;
6. A renewed programme of support for MK's high streets totalling £100k;
7. Additional funding to support the cultural profile of CMK;
8. An additional £250k of targeted footpath repairs across MK's local communities.

A rent increase of 7% is proposed for HRA tenants in 2023/24, in line with the Government's rent cap. Current and forecast inflation, far in excess of this cap causes significant pressures in the HRA (both in-year and predicted across the MTFP) which means that we are reviewing all spending priorities to absorb this impact.

The details in this report have been prepared in accordance with the framework set out in the Medium Term Financial Outlook approved by Cabinet in September 2022.

1. Decision/s to be made

The Cabinet notes and endorses the following draft budget proposals, which are subject to the outcomes of consultation, which commenced on the 13 December 2022 and confirmation of the Local Government Finance Settlement. The decision includes noting the Capital Programme and additional schemes and changes to the programme with it noted that the decision to release funding will be made by the s151 Officer once confirmation of available funding has been received:

- 1.1 The draft Revenue Budget for 2023/24 (**Annex F**) and latest MTFS forecast for 2023/24 to 2026/27 (**Annex E**).

- 1.2 That the provisional Council Tax at Band D of £1,596.43 for the Milton Keynes element of the Council Tax be agreed for consultation, a 4.99% increase on the previous year (2.99% plus a 2.00% Adult Social Care Precept).
- 1.3 The Council's current estimate of the 2023/24 Business Rates Baseline, retaining the delegation to the Director of Finance and Resources to finalise this Baseline, based on the latest data for submission to Department for Levelling Up, Housing and Communities (DLUHC) in January 2023.
- 1.4 The estimated position for the Dedicated Schools Grant and the planned consultation with schools and the Schools Forum.
- 1.5 That the Director of Children's Services to make decisions around the school funding formula, the funding arrangements for pupils with high needs and the early year's single funding formula for 2023/24 in consultation with the Cabinet Member for Children and Families and the Director for Finance and Resources (Paras. 4.57 - 4.64).
- 1.6 The draft Housing Revenue Account Budget updated for technical adjustments and revenue pressures and savings, including a rent increase of 7% for tenants and 4.1% for shared owners.
- 1.7 The proposed fees and charges for 2023/24, which are exceptions to the Income and Collection Policy (**Annex D**).
- 1.8 The draft forecast parking surplus of £6.764m (**Annex G**).
- 1.9 The draft Capital Programme for 2023/24 to 2026/27. (**Annex H**).
- 1.10 The resource allocation for the draft Tariff Programme. (**Annex I**).
- 1.11 The equalities impact assessments for the draft Revenue Budget 2023/24, as set out in Section 5.

2. Why is the decision needed?

- 2.1 The purpose of this report is to:
 - Ensure that the Council meets its legal obligations to set a robust balanced budget for 2023/24.
 - Update and extend the Council's financial forecasts for the period 2023/24 to 2026/27
 - To set out our approach to addressing the financial challenges over the medium term and managing short term uncertainty.
- 2.2 The Council has a clear ambition as set out in the Council Plan and has made a commitment to continue to grow and enhance Milton Keynes through the MK Futures programme. These commitments are alongside the continued financial challenges for the Council.

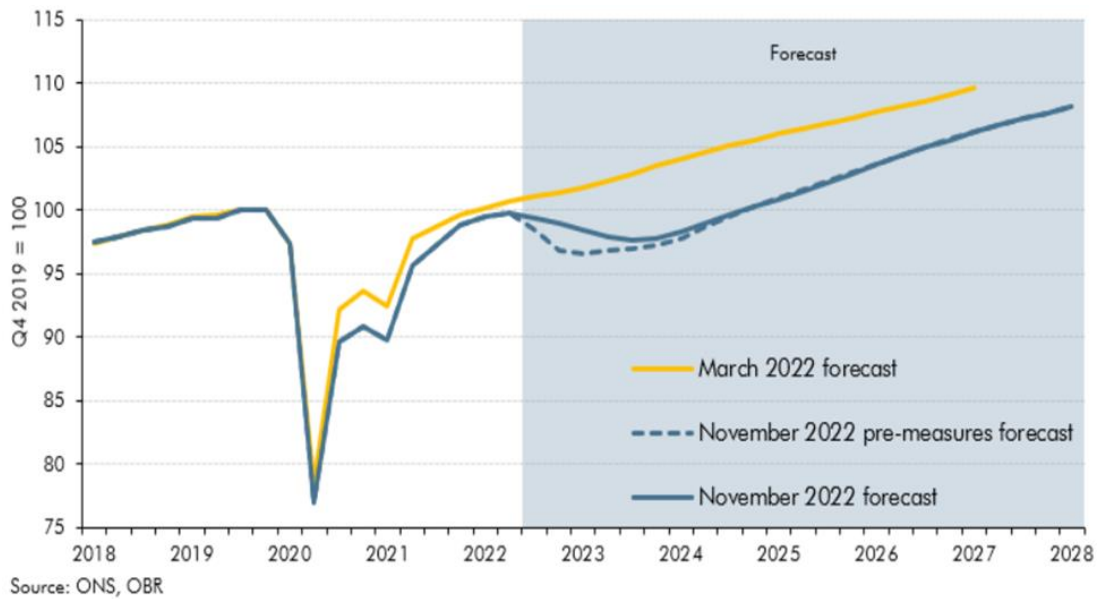
3. Background

National Economic Position

- 3.1 The economic outlook has continued to deteriorate throughout 2022 due to a combination of factors including persistent high inflation, a tight labour market

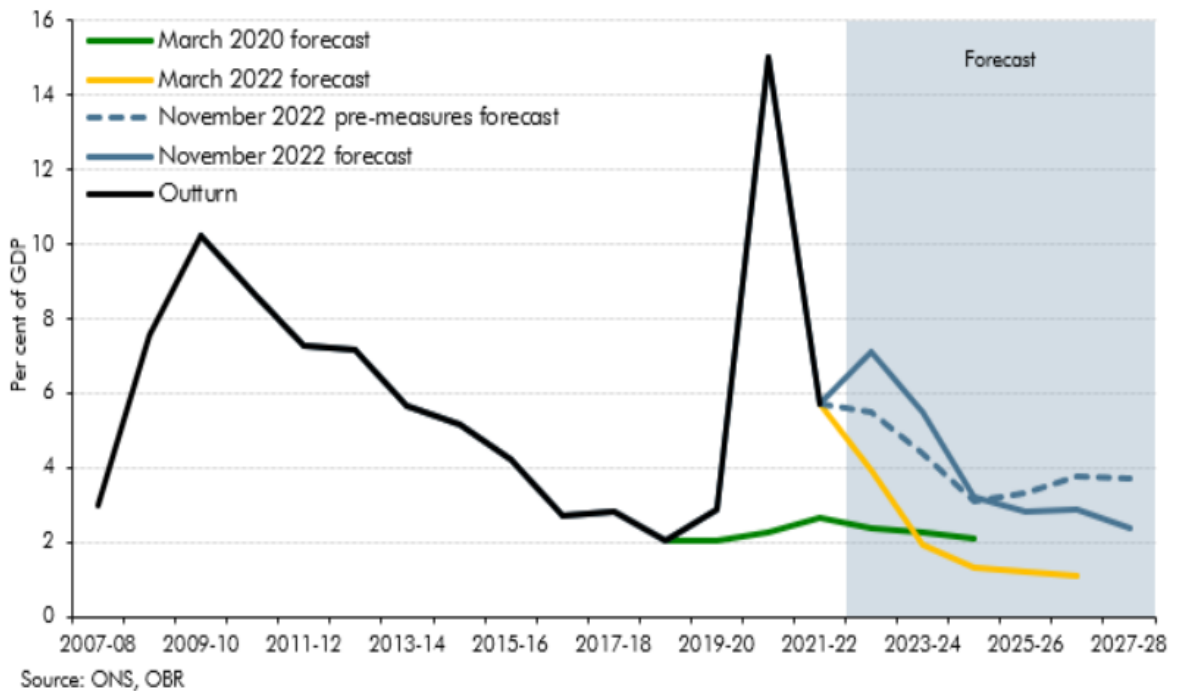
and global factors including the war in Ukraine. The economy is already in recession and GDP is not expected to return to growth until 2024.

Chart 1: Gross Domestic Product (GDP)



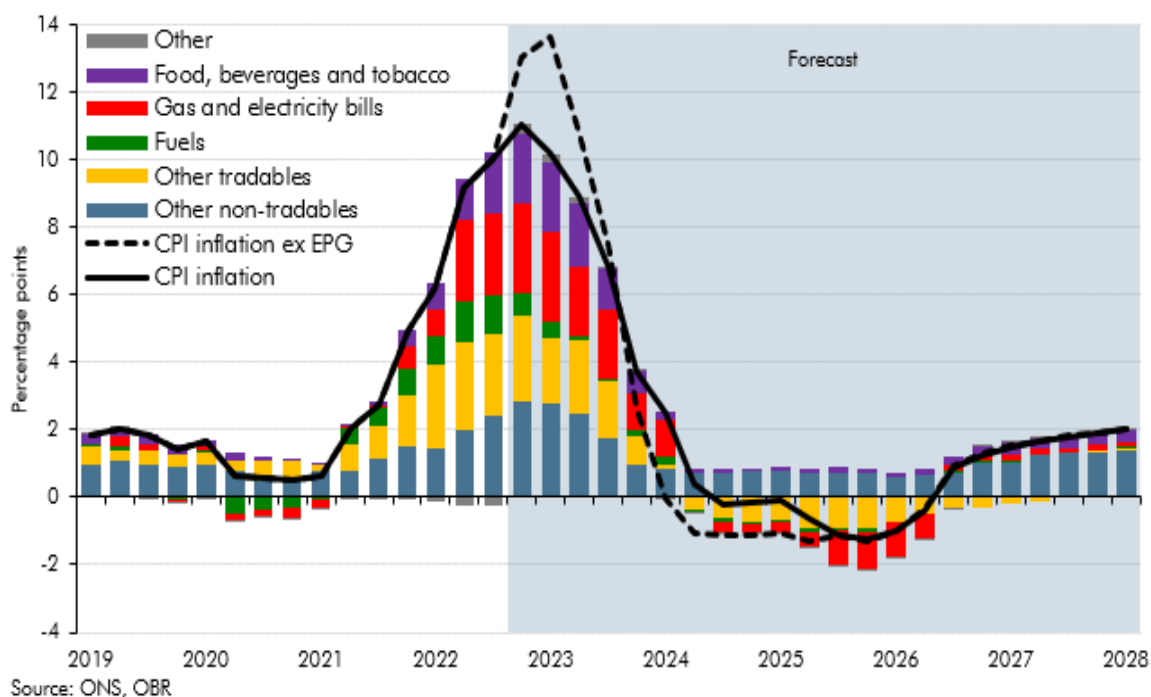
3.2 Government spending decisions regarding energy and other cost of living support schemes, and higher interest rates have increased the OBR March government borrowing forecast by £64.2 billion in 2022-23 and £39.8 billion in 2023-24. Public sector net borrowing (PSNB) rises sharply from £133.3 billion (5.7 per cent of GDP) in 2021/22 to £177.0 billion (7.1 per cent of GDP) in 2022-23.

Chart 2: Public Sector Net Borrowing



3.3 The OBR expect inflation to peak at a 40-year high of 11.1 per cent in the fourth quarter of 2022, revised up from the peak of 8.7 per cent in their March forecast. High inflation is expected to continue in 2023 and drop down to target in 2024.

Chart 3: CPI Inflation Forecast



3.4 It is extremely difficult to predict what impact the current economic challenges, both globally and nationally, are going to have over the medium term, and this represents the most significant financial issue for the Council. However, we continue to face a number of other significant financial concerns:

- The overall funding envelope for local government in 2023/24 and 2024/25 has now been confirmed. Core elements of this will be cash flat and given the sharp increase to inflation, this represents a very tight settlement for local government. However, this has been offset by significant additional funding for social care over the same period, the funding outlook beyond this is now expected to be even more challenging with significant public expenditure cuts planned from April 2025.
- The promised Fair Funding Review has not taken place and it is not currently known if and when this will now take place. We have revised our core view within the MTFP and assumed that any change to the system will now not take place **until at least 2025/26**, including the reset of the business rates system. This is consistent with the views of experts in the sector.
- The Council's budget in key areas of demand is still fluid (as a result of Covid-19 and now the wider economic climate) and there remains significant questions about future changes, timing and scale, in particular for adult and children's social care.
- Continuing financial pressures arising from homelessness and the costs of temporary housing. The anticipated savings from the Invest to Save business case have been reviewed and significantly reduced as a result of the rising costs of provision and lower than expected levels of prevention.
- There are continuing risks around reducing income as a result of lower economic activity, behaviour change and increased risks on debt collection.

- Whilst the government has now confirmed that the proposed Social Care Reforms are to be delayed by two years, this leaves a very uncertain position, with any decision to proceed dependent upon the outcome of the next General Election and potential lead in times for introducing any reforms, including a funding package which meets the full cost of change.

4. Medium Term Financial Outlook

4.1 The Medium Term Financial Plan (MTFP) was refreshed in September 2022. This budget and refreshed Medium Term Financial Plan (MTFP) have been updated to reflect the governments Autumn Statement on 17 November and further changes to the budget following work with Budget Holders.

4.2 Given the volatility and unprecedented level of economic uncertainty our budget approach has taken account of this to balance the need to deliver a realistic level of budget savings, limited use of one-off resources in the short term and retaining a prudent level of contingency and reserves to deal with short term changes to budget assumptions.

Corporate Planning Assumptions

4.3 Corporate planning assumptions have been reviewed based on the available data at this time. As detailed in the September MTFO we have seen significant increases in inflation and demand for 2022/23. These have been reflected in the 2023/24 draft base budget.

4.4 The draft MTFP is summarised in Table 1 and broken down by movement in Table 1a. Over the four years we currently have a base budget funding gap of £17.5m, with £14m of this arising in 2025/26. This is an improved position since we published our 4 year outlook in September. Whilst we have had to add in further cost pressures (demand, inflation and some specific pressures), these have been more than offset by the delivery of £5m of new savings, additional estimated social care funding, positive changes to our core assumptions on the timing of a Fair Funding Review / Business Rates Reset and a proposed increase in Council Tax of 4.99%. This now means that the gap in 2023/24 and 2024/25 has been completely removed. The projected gap over 4 years since September has reduced from £28.0m to £17.5m.

Table 1: Medium Term Financial Plan - Summary

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Service Budgets	221.544	233.713	241.962	251.063
Corporate Budgets	13.401	15.275	18.082	22.056
Sources of Funding	(232.653)	(246.383)	(243.723)	(253.302)
Recharge to HRA	(2.292)	(2.292)	(2.292)	(2.292)
Budget Gap (cumulative)	(0.000)	0.313	14.030	17.526

Table 1a: Medium Term Financial Plan - Movements

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Government Funding Adjustments	(24.593)	(6.152)	10.528	(2.000)
Local Funding Sources	(12.974)	(10.547)	(7.868)	(7.579)
Pay, Contract & Other Inflation	20.532	11.378	8.861	10.141
Budget Service Pressures	16.283	5.872	3.903	3.277
Capital Financing Costs	3.324	(3.175)	(1.190)	(0.375)
Corporate Measures	5.421	0.475	(0.135)	0.000
Reserves Movements	3.492	4.000	0.000	0.000
One-off Pressures	5.267	1.667	0.729	0.350
Total Pressures	16.752	3.518	14.829	3.814
Total Service Budget Reductions & Income Proposals	(11.485)	(1.538)	(0.383)	0.032
Less Reserves applied to one-off pressures	(5.267)	(1.667)	(0.729)	(0.350)
Budget Gap	(0.000)	0.313	13.717	3.496
Budget Gap (cumulative)	0.000	0.313	14.030	17.526

4.5 In 2023/24 the draft budget includes additional £5.3m of net savings. We had also proposed using one-off surplus business rates income to help manage the savings delivery profile over the four year plan period. Given the improved outlook (see Table 1) we no longer expect to use one off resources in the first two years of the plan and will review this ahead of finalising the budget in February. Resources that have been freed up as the result of the improved outlook have been held to support the delivery of the capital programme.

General Fund Expenditure

4.6 Our baseline assumptions of demand, demography and inflation, together with a revised view of income and funding, were refreshed in the September update of the MTFP. Any further changes from September are summarised in Table 2.

Table 2 - MTFP Update – Movements since September Cabinet

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
MTFP – September 22	0.000	0.000	0.000	13.024	13.024
Changes:					
Demand Pressures	3.293	2.459	0.500	(0.333)	5.919
Choice Based Pressures	(0.657)	0.109	(0.150)	(0.006)	(0.704)
Inflation Cost Pressures	(4.179)	1.143	(1.629)	0.015	(4.650)
Capital Financing	2.850	(3.900)	(1.735)	(0.170)	(2.955)
Business Rates	(4.880)	(6.946)	12.528	0.000	0.702
Other Government Funding	(7.413)	(4.183)	0.116	0.000	(11.480)
Council Tax	(2.624)	(3.202)	(0.289)	(0.279)	(6.394)
Budget Reductions	0.154	9.512	5.982	(0.173)	15.475
Contingency and Other Corporate	7.678	1.060	(0.150)	0.000	8.588
Business Rates Smoothing Removed	5.778	4.261	(1.457)	(8.582)	0.000
Draft Budget	0.000	0.313	13.717	3.496	17.526

Key Movements Since September

Changes to Demand Cost Pressures

- 4.7 **Adult Social Care** - Demand pressure for care home placements has increased by £0.876m. This is due to increases in the number of placements being made, and an increase in the average cost, which is linked to capacity in the market. Since September 2022, the average weekly cost of an older persons' care home placement has increased by 18% and during October 2022, there was a net increase of nine additional care home placements made.
- 4.8 **Homelessness** - Homelessness demand pressure has increased by £0.395m in 23/24 since the September position. Overall savings anticipated as part of the invest to save project, in 23/24, 24/25 and 25/26 have been reduced by a total of £1.918m. This has been due to lower levels of move on and prevention than anticipated, increased hotel and accommodation unit costs (due to inflation) and the costs of void properties (repairs and duration of void). There is the additional risk that the cost-of-living impact will increase the pressure in 23/24 further, therefore this area remains high risk and will need to be monitored closely. We have reflected this risk in the contingency budget (see para 4.102).
- 4.9 **Children's Social Care, Placements** – The demand pressure has increased by £0.340m, due to the increasing number of residential placements made, largely due to increased complexity of need. During the previous four financial years, the average number of residential placements remained stable at 17, however, this year, this has increased month on month, reaching 28 in October compared with 19 in April. The cost of placements has also increased by 6.6% since 2021/22.

Table 3: Budget Pressures 2023/24 – 2026/27

Budget Pressures by Category	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Demography	8.274	4.156	3.603	3.808
Demand Exceptional	1.501	0.000	(0.150)	(0.450)
Demand – New	2.916	0.300	0.000	0.000
Policy Choice	0.579	0.109	0.450	(0.081)
Contractual Change	0.902	0.000	0.000	0.000
Total Ongoing Service Pressures	14.172	4.565	3.903	3.277
Funded by BCF	2.111	1.307	0.000	0.000
Total Pressures	16.283	5.872	3.903	3.277

Changes to Inflation Cost Pressures

4.10 **Pay Inflation** - We have reviewed our assumptions on pay and in line with most other Councils increased the provision for 2023/24 to 4% (previously 3%). We have made an allowance in the following years of the MTFP of 3%, 3% and 3% respectively.

4.11 **Pensions** - The draft budget takes into account the recent Funding Revaluation of the Local Government Pension Scheme (LGPS) by the Pension Actuary. This is carried out currently on a 3-year cycle and determines the funding position of the whole scheme (Bucks Pension Fund) and the position for each employer in the scheme. The results of this are summarised below for MKCC:

Table 4: Pension Fund Revaluation Results Summary (MKCC)

	2019 Valuation		2023 Draft Valuation	
Funding Position	95.6%	(£28.8m) deficit	105.6%	£41.5m surplus
Employer Contributions:				
Primary Rate	18.8%		20.1%	
Secondary Rate	2.8%		-	
Employer Rate	21.6%		20.1%	

4.12 We have met and discussed the valuation with the Pension Actuary who has confirmed to us that they do not anticipate any changes to the draft valuation report which is due to be certified at the end of March 2023. The overall impact of the revaluation is favourable and will result in the Council's contribution rate reducing by 1.5% compared with 2022/23. This has been fully reflected in the draft budget. The positive valuation results mean that we have removed the pressure of £1.6m in 2023/24 and have also been able to reduce the future pensions budget by a further £1.1m following the removal of the secondary rate (fund in surplus) and lower than expected increase to the primary rate.

- 4.13 The next valuation will not take effect until 1 April 2026, we have made a £1m cost provision for this and will keep this under review. This is £200k higher than in September. Overall, our provision for pension costs has reduced by £2.5m compared with September 2022.
- 4.14 **ASC and Children’s Services** - Inflation has been recalculated to take account of updated rates (CPI) and increases to the National Living Wage (from £9.50 to £10.42). The overall impact between 2023/24 to 2026/27 is an increased pressure of £0.650m (£0.300m in 2023/24; £0.536m in 2024/25; (£0.072m) in 2025/26 and (£0.116m) in 2026/27). There has been no announcement on the Foundation Living Wage (FLW) rise, therefore we have assumed an increase of 8.6%, based on the proposals made by the Living Wage Foundation. However, if the rate were to be apportioned on the same basis as the NLW increase, this would rise to 14.4% (although unlikely due to the impact this would have on employers).
- 4.15 **Waste** -The new Integrated Environmental Services contract commences on the 4 September 2023 with the decision to award the new contract taken on the 6 December 2023. Based on the preferred bidder financial model, the Waste Collection, Recycling, Street Cleansing, Landscape and Play Area budgets have all been inflated to best reflect the contractual inflationary indices. The total inflation pressure has increased by £0.882m since September 2022.
- 4.16 **Energy Price Inflation** - As seen elsewhere in the economy, MKCC has experienced significant increases in the cost of energy. The Council procures gas and electricity using LASER energy purchasing contracts which uses Flexible baskets to help mitigate market risk. All sites purchase using the Purchase in Advance (PIA) process, whereby energy is purchased prior to the start of the year starting October in batches over the preceding two years. This has helped to smooth out the normal fluctuations in the market and whilst the increases are high, the purchases made prior to the start of the current energy crisis have mitigated the increases to some extent. Increases of 66% for electricity and 224% for gas have been included within the budget assumptions.
- 4.17 The summary of our key inflation assumptions for the draft budget are set out in Table 5,6, & 7 below for 2023/24:

Table 5: Forecasting Assumptions 2023/24

	2023/24
General Pay Inflation	4.0%
General Non-Pay Inflation*	0.0%
Fees and Charges	9.0%
Water	20%
Electricity	66%
Gas	224%

*assumes must be contained within existing budgets

4.18 Exemptions to the 9.0% increase in fees and charges are listed in **Annex D**.

Contractual and Utility Inflation

4.19 Contractual inflation is based on existing contract agreements. Some of the larger contracts are detailed in Table 6.

Table 6: Contractual Inflation Assumptions 2023/24

	2023/24
Waste Collection - DTI Indices	9.34%
Street Cleansing - DTI Indices	9.34%
Food and Garden Waste - DTI Indices	9.34%
Landscape - DTI Indices	9.34%
Ringway - highways works	10.0%
Ringway - street lighting works	13.5%
Excel Care	9.39%
Extracare	13.32%

4.20 Higher inflation forecasts have had a significant impact on the projected cost of contractual inflation and energy inflation as detailed in Table 7 and 7a.

Contractual Inflation Financial Summary 2023/24

Table 7: Contractual Inflation – 2023/24

	February 2022 £m	Draft Budget £m	Increase £m
Adult Services			
- <i>National Living Wage</i>	<i>2.108</i>	<i>5.380</i>	<i>3.272</i>
- <i>Other</i>	<i>0.328</i>	<i>0.814</i>	<i>0.485</i>
Children's Services	0.934	1.754	0.820
Environment & Property	1.238	5.111	3.873
Other	0.028	0.359	0.331
TOTAL	4.636	13.418	8.782

Table 7(a): Utility Budget Inflation – 2023/24

	February 2022 £m	Draft Budget £m	Increase £m
Electricity	0.042	0.531	0.489
Gas	0.018	0.963	0.945
Water	0.008	0.039	0.031
TOTAL	0.068	1.533	1.465

- 4.21 Over the medium term it is estimated that contractual inflation will rise to a budget pressure of £32.819m, an increase of 219% from February 2022, which is a significant risk to the Councils financial position.
- 4.22 It has been assumed in the MTFP that the increase in National Living Wage of 9.78% for 2023/24 is an exceptional increase, with increases in 2024/25 and beyond falling in line with historical levels.

Environmental Services Commissioning

- 4.23 The Council is in the process of awarding a new Integrated Environmental Services contract for waste collection, street cleansing, landscape maintenance and play area inspections and maintenance services which will commence from 4th September 2023. The draft budget takes account estimates of both in year inflation pressures on the current contract and price adjustments for the new service.
- 4.24 The contract will provide a one city approach through integration of the services, a new wheelie bin service, co-location of depots and the energy generation and recovery from MK Waste Recovery Park (MKWRP) will electrify the council owned fleet. In preparation for the start of the contract, decisions have been made to make a significant investment by the Council in the purchase of vehicle fleet, depot facilities, and electric charging infrastructure. The costs of which have also been approved in the capital programme. As with any capital asset, the fleet will require replacement in the future as it reaches its end of life. To plan for this future liability, a sinking fund is being created with provision being set aside within the base budget for annual contributions of £3.918m, of which £2.8m is an additional pressure to that reported in September 2022. This sum includes assumptions on the expected life of vehicles, and a move to full electric RCV's when refreshed.
- 4.25 The award of this contract represents a significant investment by the Council to modernise and improve our waste, landscaping and street cleansing services which will improve further our waste management and recycling performance across Milton Keynes.

Income & Reductions

Income Recovery

4.26 Income levels are still significantly behind pre-Covid levels. We have reviewed our assumptions based on current levels of activity and income received assuming that there will be no further improvement in income levels after 2023/24.

Table 8 – Income Budgets

	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Movement £m	2023/24 Budget £m
Car Parking	(13.835)	(5.374)	(8.000)	(0.850)	(8.850)
Planning	(2.498)	(1.824)	(2.480)	0.600	(1.880)
Other	(1.141)	(1.171)	(0.705)	0.000	(0.705)
Total	(17.474)	(8.369)	(11.185)	(0.250)	(11.435)

Reductions

4.27 The 2023/24 budget includes total new budget reductions of **£6.750m** (£6.278m excluding additional fees and charges income), including the £5.000m target that was agreed in September 2022. We have also reviewed and updated all existing proposed budget reductions that were approved as part of the February 2022 budget report. This has seen the total of planned savings reduced from **£4.454m to £2.101m**. Therefore, the overall net increase in total budget reductions since February 2022 is **£4.525m**. Details of all the new and revised budget reductions are set out at **Annex B**.

Table 9 - Reductions & Income Growth - Annex B

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Being Smarter	(0.950)	(0.053)	0.000	0.000
Working Together	(1.332)	(0.600)	0.000	0.000
Thinking Differently	(4.443)	(0.900)	(0.528)	(0.173)
TOTAL	(6.725)	(1.553)	(0.528)	(0.173)

*This does not include additional income raised through higher fees and charges of £0.560m compared with the planned increase of £0.088m based on a 2% increase.

4.28 Work is being progressed to identify and deliver further budget reductions and additional income for the remainder of the MTFP. Proposals will be brought forward as they are developed to Cabinet for consideration and prioritisation to enable early implementation to ensure timely delivery.

One-off Pressures

4.29 In addition, a further £5.267m of one-off expenditure has been identified in 2023/24 (**Annex C**). The funding for one-off expenditure is detailed in Table 10.

Table 10: Funding for One-Off Expenditure 2023/24 - 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Events Reserve	0.000	0.050	0.000	0.000
COVID-19 Support Grant	0.268	0.000	0.000	0.000
Strategic Public Health Reserve	0.811	0.652	0.150	0.000
S.106	0.230	0.000	0.000	0.000
Strategic Development Reserve	0.460	0.319	0.139	0.350
One Off Pressures Funding Reserve	0.827	0.350	0.000	0.000
Social Care Grant	0.150	0.150	0.000	0.000
New Political Priorities Funding	2.521	0.146	0.440	0.000
Total One-off Funding	5.267	1.667	0.729	0.350

4.30 New policy choices have been added to the draft one-off schedule with specific funding allocations. Once confirmed Directors will need to develop business cases and follow normal governance processes before funding is released.

Summary of Forecast Financial Position

4.31 The draft budget sets out the Council's financial plans for 2023/24 and how these are funded. This includes a prudent estimate of what we believe the Council will receive through the LGFS. In balancing the 2023/24 budget, the Council will not use unearmarked reserves. The draft budget does include the planned use of earmarked reserves for non-recurrent expenditure, which is summarised in Table 11.

Table 11: Planned use of reserves

Reserve	Balance 1/4/22 £m	Forecast 31/3/23 £m	Forecast 31/3/24 £m	Forecast 31/3/25 £m	Forecast 31/3/26 £m
GF Working Balance	(29.247)	(29.727)	(29.727)	(29.727)	(29.727)
Earmarked Reserves – non distributable	(109.339)	(64.870)	(140.586)	(138.757)	(143.728)
Earmarked reserves - distributable	(15.067)	(4.514)	(2.379)	(1.104)	(0.887)
Total GF Reserves	(153.653)	(99.110)	(172.692)	(169.588)	(174.342)
HRA Reserves	(71.298)	(40.456)	(17.780)	(26.825)	(36.417)
Total Reserves	(224.951)	(139.566)	(190.472)	(196.412)	(210.759)

4.32 Table 11 shows the distributable General fund reserves reducing from £15.067m in 2022/23 to £0.887m in 2025/26 as funding is drawn to finance projects approved in previous budget decisions. Total General Fund reserves will increase from £153.653m in 2022/23 to £174.342m in the same period, this

includes the use of funding set aside for the approved capital programme, use of 3rd party funding and use of Government grant funding allocated to offset business rate reductions due to COVID-19.

4.33 Over the Medium Term the Council has a projected budget gap of £17.5m with a balanced position in 2023/24.

Government Funding

Autumn Statement/OBR Fiscal Outlook

4.34 On the 17 November, a number of measures were announced that directly impact local government which have helped to inform this draft budget, these include:

- Confirmation that the CSR21 will be adhered to and therefore that the funding previously announced for local government will be forthcoming in 2023/24 and 2024/25. This means that core grant funding will be cash flat, which is in line with our MTFP. The government have also confirmed that the funding provided to offset the impact of the ER NIC increase / ASC Levy will be removed following the decision to abolish this measure (£200m reduction).
- That local government will receive its share of the business rates uplift for 2023/24. At the time of preparing this report it was not confirmed if this would be based on CPI or RPI. The MTFP is based on CPI and is a lower amount (10.1%).
- That the Social Care Reforms will be delayed until October 2025.
- Additional funding for Adults and Children's Social Care for 2023/24 and 2024/25 through the Better Care Fund, Social Care Grant and Fair Cost of Care reforms. At the time of preparing the draft budget allocations had not been confirmed. We have therefore made estimates of MKCC's share based on the government using the current formula and included these within the draft budget. These are subject to potential change through the provisional settlement.
- For local government, approximately £6.5 billion will be made available for local authorities to deliver core services in 2023/24 and 2024/25. This is in addition to what was agreed at the 2021 Spending Review. This includes:
 - Up to £1.8 billion in further flexibility for councils on council tax
 - £3.2 billion from delaying the rollout of adult social care charging reform from October 2023 to October 2025
 - £1.9 billion in new grant funding for adult social care

4.35 At the time of preparing the draft budget, the Provisional Local Government settlement had not been announced. We currently expect the settlement to be announced on the 20 December 2022.

4.36 The total ongoing resources forecast to be available over the medium-term are updated in Table 12.

Table 12: Government Grant & Taxation 2023/24 – 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Revenue Support Grant	(5.801)	(5.801)	(8.667)	(8.667)
Retained Business Rates	(73.933)	(75.933)	(65.405)	(67.405)
Council Tax (including parish precepts)	(161.012)	(172.143)	(180.619)	(188.790)
Lower Tier Services Grant	(0.362)	(0.362)	-	-
Services Grant	(2.504)	(2.504)	-	-
Total Ongoing Resources¹	(243.612)	(256.743)	(254.691)	(264.862)
Social Care Funding				
Better Care Funding ²	(17.809)	(19.117)	(19.117)	(19.117)
Social Care Funding ³	(8.715)	(9.630)	(9.630)	(9.630)
Social Care Reform Funding ⁴	(4.575)	(6.536)	(6.536)	(6.536)
Total Social Care Grant Funding	(31.099)	(35.283)	(35.283)	(35.283)

¹Public Health Grant now included in net service expenditure

²Better Care funding – as this funding is not directly controlled or used to fund MKCC services we have made a corresponding increase to the expenditure line in the budget.

³Social Care funding is assumed to be an increase to the Council's baseline funding and has been included as such.

⁴Social Care reform funding has been applied to meet the fee increase recently approved by Delegated Decision (4 October) and one-off costs associated with the reforms.

Business Rates Baseline

4.37 The Local Government Finance Act 2012 gave local authorities the power to retain a proportion of funds obtained from business rates in their area. The changes under the 'Localisation of Business Rates' mean that from April 2013 local authorities retain a share of the income they collect from business rates, as funding to meet the cost of service provision.

4.38 The DLUHC guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline reflects the authority's estimate of the business rates it forecasts to collect in the following financial year, offset by any reductions such as reliefs and the estimated cost of successful rateable value appeals.

4.39 The calculation of the Council's 2023/24 Business Rate Baseline must be formally approved, and then be submitted to DLUHC, through a statutory return by 31 January 2023.

- 4.40 The 2023/24 Business Rates Baseline will need to take account of the impact of the 2023 Revaluation that has been undertaken by the Valuation Office. The draft rating list was published on the 17 November 2022 and will be used to set the Councils new Business Rates Baseline and Tariff. The draft rating list shows that the rateable values have increased by 15.4% compared with the current 2017 list. This will mean the Councils baseline and tariff will need to increase from April 2023.
- 4.41 In the absence of the provisional settlement, we have estimated the baseline and tariff using advice from Pixel Consulting – see Table 13 below.

Table 13: Business Rates Baseline Distribution

	2023/24 £m
Milton Keynes Council Business Rate Baseline (total business rates collected after deductions)	(205.11)
<i>50% Central share paid to Government</i>	<i>102.56</i>
<i>1% share paid to Buckinghamshire and Milton Keynes Fire Authority.</i>	<i>2.05</i>
<i>Deductions for Tariff paid to Central Government</i>	<i>35.55</i>
<i>Levy paid to Central Government/Section 31 grant receivable</i>	<i>(8.85)</i>
<i>Renewable energy (100% retained)</i>	<i>(0.13)</i>
Milton Keynes Council forecast retained Business Rates Funding	(73.93)

- 4.42 We have revised the forecasted business rates income following both the publication of the Autumn Statement and Draft Rating List working with our advisors on interpreting the data but more significantly the assumptions used as the DLUHC have yet to confirm some of the key issues. We will continue to review this through to the publication of the final budget and may need to make revisions to this estimate once government confirm their position through the settlement and for any errors that may come to light in the draft rating list. At this stage we have used the governments assumed appeals loss provision on the draft rating list of 3.7% as there is no other more meaningful data currently available. We will be reviewing this further with our advisors to determine if this is best estimate or if this is likely to reflect the risks inherent in the MKCC rating list.
- 4.43 The improved position reflects some significant growth expectations for known development currently in progress and a cautious view on approved schemes yet to commence. We will review this again before the final budget is set.
- 4.44 The Autumn Statement also confirmed a number of other important measures in relation to Business Rates, worth £13.6bn including:

- An increase from 50% to 75% relief for businesses in the retail, hospitality and leisure sector for 23/24.
- A freeze to the business rates multiplier for 23/24
- A new Transitional Relief scheme limiting the rate at which bills can increase due to the revaluation and funded, for the first time, by the Exchequer
- A Supporting Small Business scheme to cap bill increases for businesses that lose other relief due to the revaluation.

4.45 These measures all reduce the level of business rates income and the government confirmed that they will fully compensate Councils for the lost revenue through s31 grant. We have estimated this loss and included an equivalent grant for this within the draft budget. This is likely to need revision once the LGFS is published.

4.46 Although no official announcement has been made, we have revised our core assumption in respect of the business rates reset and have pushed this back to 2025/26 given this is now highly unlikely to take place in this parliament.

Council Tax

4.47 The Autumn Statement confirmed that the Referendum Limits for 2023/24 and 2024/25 will now rise to 2.99% for the general increase (currently 1.99%) and 2.00% for the Adult Social Care Precept (currently 1.0%). We have updated the MTFP to reflect this level of increase for both 2023/24 and 2024/25.

4.48 The draft budget includes the following Council Tax increases:

Table 14 – Council Tax

	2023/24	2024/25	2025/26	2026/27
MKCC Band D	2.99%	2.99%	1.99%	1.99%
ASC Precept	2.00%	2.00%	1.00%	1.00%
Total Increase	4.99%	4.99%	2.99%	2.99%

4.49 A report was brought to Cabinet on the 1 November 2022, setting out the estimate Council Tax Base for 2023/24. This has resulted in a Tax Base of 94,196.22 Band D equivalent properties, an increase of 3,832 from 2022/23. Further details are available in the Tax Base report [Council Tax Base](#).

4.50 Overall Council Tax income is anticipated to increase by £12.973m in 2023/24; this total comprises £7.147m generated from a 4.99% increase to the charge, and an increase of £5.826m arising from the increased Tax base.

Debt Financing

4.51 The Council's debt financing budget manages both the requirement for external debt and associated repayment of loans and the investment of council resources. Several items have been included with the 2023/24 budget proposals to reflect changes to external interest rates and internal accounting

requirements. This also takes account of projected cashflows and investment balances. We have not assumed any new external debt will be taken and that maturing external debt will be repaid on maturity. As new Capital Funding proposals are brought forward, funding where through borrowing will be considered and presented to Cabinet and Council where appropriate.

4.52 The Council's Treasury Management Strategy will be presented to Cabinet as part of the Final Budget Proposals in February 2023.

Parking Account

4.53 The Council provides car parking to serve local residents, businesses and visitors with charges set for parking management purposes in accordance with sections 45 and 122 of the Road Traffic Regulation Act 1984.

4.54 As in previous years, the Council has estimated the likely income it will receive from car parking in 2023/24, the costs that are required to manage car parking, and has considered the need for additional car parking.

4.55 Parking income during 2022/23 has seen some recovery against the amounts received in 2021/22 but it is still not forecast to recover to pre-pandemic levels, meaning that many services previous funded by parking income will need to continue to be funded from other sources. The forecast on-street parking surplus will to be transferred to the General Fund for use (subject to the level of surplus) in accordance with section 55(d) of the Road Traffic Regulation Act 1984 to fund:

- Off street parking provision;
- Public transport;
- Highways and road improvements;
- Environment Improvements.

4.56 **Annex G** outlines the forecast parking surplus and the proposed use of this surplus as part of the draft Budget 2023/24.

Dedicated Schools Grant

4.57 The Chancellor has announced that school budgets will increase by £2.3bn in each of the next two years, however this is expected to be a net increase of £2.0bn after the removal of compensation for employer costs of the Health and Social Care Levy is taken into account. Local councils will get an extra £400m for high needs budgets. Average funding per pupil for mainstream schools will increase by approximately 5% overall, in the next financial year compared to 2022/23. A typical primary school with 200 pupils will get approximately £0.028m and secondary schools with around 900 pupils will receive approximately £0.170m. In addition, schools and colleges in England will be allocated a share of £500m to spend on energy efficiency upgrades. Estimations show that on average, a primary school will receive approximately £0.016m, a secondary school will get £0.042m and a further education college group will benefit from £0.290m. For MK schools this will be an extra £2.416m which will be received in 2022/23.

- 4.58 The Dedicated Schools Grant (DSG) is a ring-fenced grant supporting individual schools, academies and other pupil related expenditure as defined in the School and Early Years Finance (England) Regulations 2022. The grant and expenditure is monitored closely by the Schools Forum (a committee of the Council), who also have responsibility for decision making in some areas.
- 4.59 Due to the extremely short national timescales required to make decisions around schools funding, this report requests that delegated authority is given to the Director of Children’s Services (in consultation with the Cabinet Member for Children and Families and the Director of Finance and Resources) for approval of the final arrangements in respect of the school funding formula, the funding arrangements for pupils with high needs and the early years single funding formulae for 23/24.
- 4.60 Delegated authority is required because the timescales (set by Department for Education) do not align with our budget setting timescales and because there are several areas where the Schools’ Forum has a decision-making role, that it will exercise at the meeting on 19 January 2023. The deadline for submitting the final schools budget allocation via the authority proforma tool (APT) to the Education and Skills Funding Agency (ESFA) is 20 January 2023 which, is before the formal ratification of our budget takes place.
- 4.61 Final funding allocations for the Schools, Central Services and High Needs blocks will not be received until late December as these will be updated reflecting the latest October pupil census data. Several other proposed changes by the DfE are currently only estimated and will not be confirmed until the final allocation is received. It is expected that there will be a pressure on the growth fund (as in previous years) and a consultation with all schools has taken on options to manage this shortfall.
- 4.62 The high needs block allocation of £57.128m has been fully committed into the 2023/24 budget with £0.771m allocated to the in-year demand contingency budget (compared to the £0.896m set in 2022/23). This shows that the additional allocation (£2.503m) has already been required to meet predicted demand growth in 2023/24, without an increase in rates paid from the block. A majority of the additional income will be needed to meet top-up funding agreements as a result of an increase in demand together with a higher level of funding needed to support children with more complex needs. There is currently no banding rate increase due to the pressure on the high needs block.
- 4.63 The Early Years block is based on a national funding formula and the final allocations for 2023/24 will not be confirmed until July 2024 due to being driven by specific census data. There is expected to be an increase in the funding rates and these will be confirmed in December.
- 4.64 The 2023/24 draft DSG budget can be found within the Schools Forum reports on the following [link](#).

Housing Revenue Account

- 4.65 The Housing Revenue Account (HRA) is a ring-fenced account, which includes income and expenditure relating to the provision of housing to tenants and leaseholders. It is funded by rents and service charges, rather than from Council Tax.
- 4.66 Like the General Fund, the HRA has been significantly impacted by the rapid increase in inflation. This has resulted in additional costs relating to pay awards, utilities and through our contracts, due to material, fuel, and labour cost increases, both in the current financial year, as well as across the MTFP. The position has been further impacted by the government's cap on rent increases, which limits these to 7%, a rate far below inflation. This has forced us to review all areas of expenditure and our priorities and unfortunately will mean we will need to make difficult decisions on the level and timing of investments into existing and new stock.
- 4.67 In August 2022, government launched a consultation on a proposed cap on rents (for existing tenants but excluding shared owners) for both 23/24 and 24/25. This was due to the high rate of inflation in September 22 (and forecast in September 23) as this rate currently determines the maximum increase, landlords can apply each year. Without a cap in place, we would have been able to increase rents by up to 11.1% in 23/24.
- 4.68 A cap on rents will have significant impacts on all providers of social housing given costs will be rising at a far greater rate than income and this coupled with higher borrowing costs, will affect local investment plans. The Government acknowledged in the consultation that a cap on rents "will leave Registered Providers of social housing with less money to invest in providing new social housing, improve the quality and energy performance of existing homes and providing services to tenants" but believe this is a reasonable trade off when balancing the impact on tenants and general taxpayers (i.e., by limiting welfare costs, i.e. housing benefit) – around 60% of social tenants (across all providers of social housing are in receipt of housing benefit or universal credit).
- 4.69 We did not agree with the proposal to cap rents at any level and felt that local providers should be able to make decisions appropriate to the issues and needs in their areas and target support to tenants that need it, which we believe would be a more effective use of resource and limit the catastrophic effect this would have on investment into social housing. We responded to government to this effect, including evidence of the potential impact on our ability to invest in our stock in MK, which is ageing given the creation of MK as a New Town, 60 years ago.
- 4.70 The government (as part of the autumn statement) confirmed that rents would be capped at 7% for 23/24 and a further review would be undertaken before confirming whether a cap will also be applied in 24/25. In March 2025, the current Rent Standard (which sets a maximum increase for annual rent uplifts) comes to an end, which effectively means that we have no understanding of the rent position beyond next financial year. Rents account for 94% of our resource available for running our day-to-day landlord service as well as improving our

stock and building more. We estimate that the cap on rents in just 23/24 (and assuming this is also applied in 24/25) **will reduce resources for investment in the HRA by £124m over the next 10 years.** This is in addition to the reduction in available resources because of the wider economic climate.

- 4.71 The cap has forced us to undertake a full review of the HRA budget including our development schemes, planned maintenance and decarbonisation programmes as well as our operational costs. We will have to make difficult choices. This work is still on-going and will report on progress in the final budget report setting out how a viable business plan can be delivered. The budgets reported in the rest of this section of the report are a snapshot draft position and will change when reported in February. The significant reduction in resources could also result in the repayment of 141 Retained Right to Buy receipts as well as potential abortive costs on schemes if we have to put them on hold or delay them.
- 4.72 As a result of this position, we propose to increase rents by 7% for existing tenants in 23/24. For shared owners there will be an increase of 4.1% as under the lease terms, shared ownership rent setting lags one year behind tenant rent. We recognise that this level of increase will be challenging for some of our tenants and therefore we will continue the Working Tenant Support Fund, which we put in place in 2022/23.
- 4.73 Service charge setting is not included within the scope of the government consultation on the rent cap. Tenants and leaseholders who pay service charges will see a significant increase in their charges predominately because of the inflation increases on utilities. If we don't fully recover these costs, the HRA position will worsen further as in effect these costs become top-sliced from all tenants, rather than those in direct receipt of the service. Further information will be included in the Rent and Service Charge Policy in February 23 and will be communicated directly to all tenants and leaseholders.
- 4.74 Given the uncertainty of government policy direction as well as the wider economic climate, this is going to make future investment decisions very challenging, given these are significant, long-term investments and we need to ensure the long-term viability of the HRA (where we are required to set a 30-year business plan).
- 4.75 The 30-year business plan has been refreshed to take account of the changes referenced in this report, regarding inflation and other cost pressures. These include the same assumptions as reported in Table 5 (section 4.17), on areas such as energy and general inflation as well as others specific to the HRA. These include significant increases on materials in the construction market where there have been increases between 11-50% on some components.
- 4.76 The outcome of our refresh of these core assumptions and the financial impact they have is shown in Table 15.

Table 15: Summary of the Draft HRA Budget

HRA Draft Revenue Budget – December Snapshot	2022/23 £m	2023/24 £m	Change
Dwelling Rents	(56.193)	(59.585)	(3.392)
Other Income	(2.559)	(4.390)	(1.831)
Total Income	(58.751)	(63.975)	(5.223)
Repairs and Maintenance	11.079	14.444	3.365
General Management & Special Services	16.023	18.984	2.961
Interest and Repayment of Borrowing	11.211	10.934	(0.277)
Bad Debt Provision	0.842	0.930	0.088
Funding for Capital Repairs (depreciation charge)	13.831	17.036	3.205
Revenue Contribution to Capital (for investment)	5.765	1.647	(4.118)
Total Expenditure	58.751	63.975	5.223
Net Budget	0	0	0

4.77 Although the HRA revenue budget is balanced (as shown in the table above), the capital programme currently exceeds our borrowing limit and further savings are required to ensure we have a balanced position - this is explained further below.

4.78 The HRA capital programme (component replacement and decarbonisation improvement in existing stock, providing additional housing, and undertaking regeneration) is funded from available funding in the revenue budget, after we have funded our operating costs (which we contribute to a ring-fenced HRA capital reserve) or through borrowing. The maximum amount that we can borrow is determined by the level of spare revenue money we have to pay for interest costs on borrowing (and a prudent allowance for repayment of debt).

4.79 The impact of cost pressures has reduced the amount we are able to contribute to reserves and that we have available to fund borrowing costs and the increase in interest rates on borrowing mean higher interest costs, reducing borrowing capacity further.

4.80 The outcome of these changes, results in a headroom gap of £36m in 23/24 which would require revenue savings of £1.6m to get to a balanced position. This currently assumes that there will be some delays to the development programme, but these have not been decided nor approved. There is also a headroom gap in 25/26 of £12m (compared to available headroom of £115m that we had when we started this financial year).

4.81 The draft budget provides an initial view at a point in time and there will be further changes ahead of the final budget, but this will require further revisions during the year as new information becomes available, we are clearer of the outcomes of critical procurement activity and the on-going work we are doing around asset management surveys, confirms the level of expenditure required.

Therefore, we will need to take a prudent approach to investment decisions to ensure that these are affordable and made at the right time to optimise the use of resources.

Capital

- 4.82 Table 16 summarises the Council's capital resources and expenditure needs. The detailed Capital Programme is available at **Annex H**.
- 4.83 Whilst no new capital projects have been added as part of these budget proposals, several service critical projects were approved as part of the 2022/23 Capital Programme. These projects are currently reliant on future capital receipts and a prudent assumption of government grant. Capital receipts, whilst forecast using latest data, are reliant on completion of land sales, and therefore the timing is not certain. A total of £40.121m of receipts are assumed within the financing of the 2022/23 capital programme. Receipts received to date in 2022/23 are significantly lower than planned, but similarly many of the projects funded by receipts are also forecasting to slip into 2023/24. To mitigate potential timing delays for cash being received, any short-term gains on investment income, achieved by current interest rates, over and above, that built into the draft budget will be used to contribute to the financing of the programme. The decision to release funding will be made by the s151 Officer once confirmation of available funding has been confirmed, in the event of delays or lower levels of receipts the addition of new projects may require future scrutiny.
- 4.84 Inflation is having a significant impact on major projects within the programme, with tenders being submitted at higher prices, and reduced interest by contractors in bidding for new works. With uncertainty on future prices there is a risk that the current programme will cost more than planned. It is therefore essential that any additional funding that is received in the short term is held back to cover the risk on the funding of these projects.
- 4.85 The decision to award the Environmental Services Contract on the 6 December included additional funding for vehicles in line with the successful tender bid. Funding has been identified for this cost, but the additional resource allocation has not been included draft programme due to confidentiality whilst the tender is being awarded. This will be updated in the Capital Programme presented with the final budget in February 2023.
- 4.86 Whilst Table 16 shows an excess of resources over planned expenditure, all £40.353m of this funding is either Education or Integrated Transport specific, meaning there is no unallocated funding to fund any new Capital projects within the current Programme. Projects within the existing programme have been reviewed and where necessary expenditure profiles revised. Rolling programmes have been added in 2027/28 where ring-fenced funding has been identified.
- 4.87 No changes have been made to the HRA capital programme for the draft budget. The HRA business plan is currently being refreshed and any amendments to the existing programme will be included within the business

plan and brought as part of the final budget proposals in February 2023. This is to ensure that all financial implications of financing the programme have been built into the longer-term financial plan.

- 4.88 There are a number of projects which are not currently included within the capital programme and will require funding in the future, therefore increasing the overall funding shortfall. A pipeline programme has been developed, these still either need to be worked up further or require funding before they can be considered for inclusion in the main programme.
- 4.89 The Capital Strategy approved in February 2022, sets out the approach that the Council takes in prioritising its Capital Investment Programme including financing and the way that this activity is managed across the organisation. The expected increase to the financial pressures over the medium term on the revenue budget will mean that a key priority will be focused around schemes that deliver financial returns or reduce existing asset lifecycle costs. The Capital Strategy is currently being reviewed and will be presented to Cabinet in February 2023.

Table 16: Forecast Medium Term Summary of Capital Resources and Expenditure

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Capital Resources	195.857	101.170	21.132	14.527	11.693
Capital Expenditure	159.588	100.217	19.995	13.378	10.849
Net Position (surplus) / deficit	(36.269)	(0.953)	(1.137)	(1.149)	(0.844)
Cumulative Position (surplus) / deficit	(36.269)	(37.222)	(38.359)	(39.508)	(40.352)

Capital Funding

- 4.90 The capital programme is funded from various sources including Single Capital Pot Grant and other specific Government grants, capital receipts, revenue contributions and prudential borrowing. The scale of development within Milton Keynes means that the Council receives considerable sums of developer contributions which are also used in the financing the capital programme.

S106 Funding

- 4.91 S106 funding is a key resource in supporting the Council to mitigate the impact of growth. The use of S106 funding must be managed carefully to address both local and strategic needs. Developer Contributions (S106) are included in the Capital Programme or to fund projects which meet the specification outlined in the S106 agreement.
- 4.92 The S106 funding received from developers is often a contribution toward total project costs. As appropriate schemes are developed through the Capital

Programme processes, these resources are used towards the delivery of the full project.

- 4.93 S106 funding is closely monitored, with a greater focus on those schemes nearing their expiry date to ensure all available resource is used to deliver community facilities and infrastructure as intended.
- 4.94 The development of the capital programme has incorporated consideration of S106 funding, so resources are used in the most effective manner to address necessary schemes. This process has also included reviewing unidentified funding to ensure that this is allocated to future projects. Work is still ongoing to identify individual schemes and future allocations will be updated as schemes are developed.
- 4.95 A total of £0.186m new S106 funding has been allocated within the Capital Programme.

Tariff

- 4.96 The Milton Keynes Tariff is a unique s106 based 'umbrella' arrangement covering development in the expansion areas covered by the previously designated 'Urban Development Area'. Through the Tariff mechanism, the Council will collect over £310m in developer contributions over its lifetime, which will be re-invested in a Programme of strategic and local infrastructure covering a total of 18 'portfolios', 11 of which are delivered through the Council.
- 4.97 The Capital Programme includes resourcing of various Council led projects from the Tariff. As the operator of the Tariff, the Council is also responsible for controlling expenditure across the whole Tariff mechanism. This is managed by approving Resource Allocation for future schemes as part of a medium term plan, with a spend approval stage before individual projects commence.
- 4.98 **Annex I** shows a breakdown of the Tariff resource allocation for 2023/24 and indicative allocation for the next four years, both for projects to be delivered by the Council and those managed by our partner organisations. The allocation of tariff resources was agreed in the original Tariff Delivery Plan. Changes to the timing of delivery of these projects have been made to reflect actual housing delivery and infrastructure requirements.
- 4.99 Tariff resource allocation includes both amounts to be financed through cash and others to be completed by works in kind. Tariff allocations to the Council's projects totalling £8.056m are included within the Capital Programme. New requests for use of tariff funding will be sought on a project by project basis in line with the agreed process for entry into the Capital Programme.
- 4.100 The current long stop date of the Tariff is 2031 for the delivery programme to be completed. The Council maintains an All Risk Reserve for the Tariff which is held in case there is any shortfall in contributions or scheme delivery costs exceed the level of contributions received.

Risks

- 4.101 A key part of the draft budget is the review of key financial risks. We have reassessed the budgetary risks and where possible looked to mitigate these. It should be noted however that most of the significant risks are not within the direct control the Council and it is therefore critical in setting a robust and legal budget that we make sufficient provision within service budgets using available evidence to manage reasonable variations.
- 4.102 Our full budget risk assessment is set out at **Annex L**. The key external risks are summarised below:

Inflationary Pressures – Our most significant risk is that inflation is higher than our current assumptions. Some economic forecasters have predicted that CPI could rise to 15% at the start of 2023, mainly driven by the rise in the energy cap. We have set aside a general contingency sum of **£3m** (1.2% net budget) to be used in the first instance should inflation and other pressures be higher than anticipated.

Wider Government Funding – The government, through the Autumn Statement, has provided greater clarity over the short term. However, from 2025/26 significant public spending cuts have been assumed in the Governments Medium Term Financial Plan. These public spending cuts will be made after the next general election, and it is therefore extremely uncertain how and when these reductions will be made. There is now no clear view over the fair funding review or the future of business rates which could be replaced, New Homes Bonus scheme or how and when the reform of social care will take place. It is clear that funding will be extremely challenging and that further significant savings will be required from 2025/26.

Social Care Funding - Social Care Reforms have now been delayed from October 2023 to October 2025. We are currently assuming a nil impact on the budget for the Fair Cost of Care. Both demand and costs are rising fast reflecting the lack of capacity in the system, particularly with Care Homes. In the short term the government has provided additional funding and given councils the ability to increase Council Tax further to mitigate immediate cost pressures. However, the system is under extreme pressure in terms of staffing and capacity (beds) and this will not deliver a sustainable model as there is still no clear plan.

Rising Demand on key front line services across Adults' and Children's Social Care and Homelessness – The Council is continuing to experience rising demand, both in terms of volume and complexity, across Adults' and Children's Social Care. This is driven by a combination of factors including demographics, rising population, family resilience and breakdown and pressures on other public services. The draft Budget reflects our current view on expected levels of demand for these services, but these are both volatile and difficult by nature to forecast.

Commissioning Risks – The Council is engaged in a number of significant procurements on major services. The current economic volatility and supply

side issues poses a greater level of risk on the outcome and cost of future service provision. To help manage this risk we will need to review and potentially adjust our approach as we go through this activity to contain cost escalation. This may require changes to future service provision and or revisions to the risk profile on some of our major contracts.

Contract Sustainability – The Council hold a number of significant service contracts which deliver key services to residents. Whilst the nature and complexity of these contracts vary, there are contingent risks within these that in the event of contract viability / contractor failure would impact materially on the Council's MTFP.

Reserves

General Reserves

4.103 The Finance team have reviewed the level of reserves, which is included in **Annex J**. This review shows the level of risk exposure for the Council on known issues and an assessment of the adequacy of the level of General Fund Balances. The draft risk assessment carried out alongside the development of this draft Budget, shows that the minimum prudent level of General Fund reserves is £29.6m. This will be reviewed again as part of the Final Budget report to reflect any material changes to the Councils risk profile.

Earmarked Reserves

4.104 In addition to the General Fund and HRA working balances, the Council maintains a number of earmarked reserves to enable it to meet a range of different policy objectives as follows:

- To manage known financial risks;
- To enable the Council to invest in services to generate future savings as part of its budget strategy;
- To manage one-off expenditure which has allowed the Council to make on-going revenue savings;
- To build up funding to support delivery of large projects such as capital programme schemes;
- To manage known timing differences between the receipt of funding and the profile of expenditure; and
- To hold ring fenced balances for example, specific grants, trusts, school balances etc.

4.105 The earmarked reserves are listed in **Annex K**. They have been reviewed to ensure that they remain relevant, have clear objective(s) and where appropriate an expiry date has been shown as to when the funds should be fully utilised.

Robustness and Risks

4.106 Section 25 (1) of the Local Government Act 2003 requires that 'the Chief Finance Officer of the authority must report to it on the following matters –

- i. the robustness of the estimates made for the purposes of the calculations, and
- ii. the adequacy of the proposed financial reserves.

- 4.107 Section 25 (2) requires that an authority shall have regard to the report when making decisions about the calculations in connection with which it is made (i.e. setting its budget). This element of the draft Budget report and associated annexes outlines the assessment of the adequacy of reserves and robustness of the draft Budget.
- 4.108 In preparing the Budget for 2023/24, where a clear financial impact has been identified, this has been dealt with through the actions set out in this report. Where the impact is not known this has been highlighted as a risk.
- 4.109 The draft Budget adequately reflects known issues including the best forecast position at this point in time. The demand pressures and other issues will continue to be reviewed before the Budget is finalised in February and reviewed if necessary.
- 4.110 The Council remains under significant financial pressure and in determining the budget for 2023/24 the Council has avoided needing to make any further significant cuts or reductions to services, whilst containing the Council Tax increase below inflation. The MTFP identifies significant gaps from 2024/25 onwards and consequently difficult decisions will need to be made to ensure that the Council continues to remain financially secure. Given the size of the projected budget gap and risks around the budget, the Council will need to ensure it has very tight control over spending in year and progresses with plans to make material reductions to its cost base.
- 4.111 A Budget Risk Register is included in **Annex L**, which sets out the potential risks and issues and an assessment of the adequacy of the Council's level of reserves is set out in **Annex J**.
- 4.112 The General Fund Balance of £29.7m is estimated to be adequate to meet the Council's financial needs in 2023/24.
- 4.113 This view takes account of the reserves included in the Council's accounts (subject to audit) as at 31 March 2022; the movement of these reserves since that date (as tracked through the Budget Monitoring process); and the proposed use of reserves as part of the draft Budget 2023/24.

Table 17: Section 151 Officers Assessment on the Adequacy of Reserves

Reserve	Balance at 31/3/2023 £m	Forecast Balance at 31/3/2024 £m
GF Working Balance	(29.727)	(29.727)
% Net Revenue Budget	13.65%	12.20%
Specific Risk Reserves*	(20.387)	(16.084)
Total Reserves Available to meet known and unknown budget risks *	(50.114)	(45.811)
% Net Revenue Budget	23.02%	18.81%

See **Annex K which sets out details of these reserves held to manage specific known budgetary risks.*

*** This excludes schools budgets (DSG) and the HRA for which a separate reserve is held. It should however be noted that the Council continues to underwrite certain financial risks around schools funding, a provision for which is included within the risk assessment.*

5. Implications of the decision

Financial	Yes	Human rights, equalities, diversity	Yes
Legal	Yes	Policies or Council Plan	Yes
Communication	Yes	Procurement	Yes
Energy Efficiency	Yes	Workforce	Yes

a) Financial implications

The Council's Budget and Medium Term Financial Strategy are the financial expression of all the Council's policies and plans.

b) Legal implications

The annual Budget decisions are among the most important of those which local authorities are required to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a committee or to Officers.

They affect every household and service user and the manner in which decisions must be made is closely prescribed by law. **Annex M** of this report

sets out the relevant legal considerations which affect the Council Budget and Council Tax decisions

Councillors should note these requirements as part of approving the Budget. Councillors will be required to give careful consideration to the information set out in the Budget Report, its annexes, and the equality impact assessments.

In addition, the Local Government Act 2003 places a specific personal duty on the Chief Financial Officer which in the case of Milton Keynes is the Director of Finance and Resources, to report to the Council on the robustness of the budget and the adequacy of reserves.

Councillors are advised that due regard has been given to the requirements of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of General Fund reserves, and to the robustness of the budget proposals in paragraphs 4.106 to 4.113.

The Budget has again been developed at a detailed level based on information supplied by Directors and has been subject to scrutiny by the Corporate Leadership Team. Budget and Resources Scrutiny Committee have scrutinised the budget process and will be reviewing the specific budget proposals prior to Cabinet considering the final budget proposals in February 2023.

A number of the capital schemes in the programme are necessary to fulfil the Council's legal or statutory obligations. The legal and statutory issues relating to each scheme are set out in the individual project business cases.

c) Other implications

The pressures, reductions and income proposals have been reviewed of which 70 were considered as being 'significant' of which 7 are 'relevant' to equality.

Six in depth assessments will be conducted.

These assessments are likely to recommend:

- In five (5) green areas proposal (Homeless Prevention & Access, Fair Cost of Care, Family Support Team Expansion, Housing Benefit Subsidy and SEN team capacity) should continue, as there is a potential to improve the advancement equality of opportunity.
- In one (1) green-amber areas, adjustments have been/are made to remove barriers or better promote equality: Facilities Rationalisation
- There are no (0) amber areas, where a proposal should continue despite having identified some potential for an adverse impact or a possible missed opportunity to promote equality.
- There are no (0) red areas, where it is recommended that proposals should not continue as there is a potential for unlawful discrimination or continue with adjustments.

The majority of significant pressures are related to demographic changes.

The 2023/24 budget continues a focus on meeting the needs of the most vulnerable. The major factor in many decisions is the changing demography. The budget decisions should also be considered for its effect on (child) poverty

and in particular the response in the budget to changing needs is very evident in particular the Family Support Team Expansion. However, it is possible that opportunities have been missed - or been put on hold - to increase access to affordable childcare. Further information will be made available on the Council's Accessibility and Equality web pages.

6. Timetable for implementation

- 13 December 2022 – 31 January 2023 - Budget Consultation
- 7 February 2023 – Final Budget & Capital Programme report to Cabinet
- 22 February 2023 – Final Budget & Capital Programme report to Council

List of annexes

2023/24 Budget Pressures	Annex A
2023/24 Budget Reductions and Income Proposals	Annex B
2023/24 One-off Budget Pressures	Annex C
Fees and Charges: Exemptions to the Income Policy Additional Concessions	Annex D
2023/24 – 2026/27 Forecasting Model	Annex E
2023/24 GF Draft Budget Summary	Annex F
2023/24 Draft Parking Account	Annex G
Draft Medium Term Capital Programme	Annex H
Draft Tariff Resource Allocation	Annex I
GF Reserves Assessment	Annex J
Earmarked Reserves	Annex K
2023/24 Draft Budget Risk Register	Annex L
Legal Framework	Annex M

	2023-24	2024-25	2025-26	2026-27
	£000's	£000's	£000's	£000's
Government Funding				
Core Government Grant	700	0	0	0
Business Rates Growth & Inflation	(13,955)	(2,000)	(2,000)	(2,000)
Business Rates Impact of Revaluation/Reset	(4,880)	0	12,528	0
Additional Social Care Funding (Autumn Statement)	(8,094)	(4,183)	0	0
New Homes Bonus - End of legacy payment	1,970	0	0	0
Other Grants Movements	(334)	31	0	0
Total Government Funding Adjustments	(24,593)	(6,152)	10,528	(2,000)
Local Funding Choices				
Council Tax -2.99% 23/24 - 24/25; 25/26+ 1.99%	(4,283)	(4,583)	(3,261)	(3,408)
Council Tax - adult social care precept 2% 23/24 - 24/25; 25/26+ 1%	(2,865)	(3,066)	(1,639)	(1,713)
Council Tax Base uplift	(5,826)	(2,898)	(2,968)	(2,458)
	(12,974)	(10,547)	(7,868)	(7,579)
Estimated Variance in Resource Base	(37,567)	(16,699)	2,660	(9,579)
Inflation Assumptions				
Pay Inflation (4%,3%,3%,3%)	6,916	3,184	3,280	3,378
ER Pension Contribution -Revaluation	(1,100)	0	0	1,000
Contractual inflation - National Living Wage	6,195	4,769	2,991	3,228
Contractual Inflation - Other	7,222	3,562	2,457	2,395
Utilities	1,533	243	140	146
Insurance	163	62	64	66
Shared Service Partnership Indexation	128	58	60	62
Fees & Charges (9%/7%/2%/2%)	(560)	(536)	(168)	(171)
Other Forecasting Assumptions	35	36	37	38
Demand Budget Pressures				
Adult Social Care - Demographic/Cost pressures	6,060	2,503	2,260	2,308
Adult Social Care - Pressure Funded by additional Better Care Fund	2,111	1,307	0	0
Children's Social Care (Placements/emergency beds)	2,021	601	332	339
Children's Social Care Legal Costs	522	0	0	0
Home to School Transport - Demographic/Cost pressures	632	312	375	407
Homelessness - Cost Pressure	901	0	0	0
Environment & Property - Demographic/Cost pressures	681	740	636	754
Planning Income Loss	600	0	(150)	(450)
Customer & Community - Cost Pressures	30	0	0	0
Finance & Resources - Cost Pressures	1,244	300	0	0
Other Pressures	1,481	109	450	(81)
One Off Pressures (funded by reserves)	2,671	1,446	289	350
Political Priorities One Off Pressures	2,596	221	440	0
Corporate				
Capital Financing Costs	3,324	(3,175)	(1,190)	(375)
Planned Changes Contingency Budget	5,421	475	(135)	0
Waste - Capital Asset Renewal Fund	3,918	0	0	0
Transfer to/from reserves				
- Planned use of Collection Fund Cashflow Reserve	(2,000)	4,000	0	0
- One off adjustments - Reversal Feb 22 budget	1,574	0	0	0
Total Pressures	54,319	20,217	12,169	13,393
Sum Required to Balance Budget	16,752	3,518	14,829	3,814
Treasury Management Investment Income	(4,760)	15	145	205
Reductions & Income Growth	(6,725)	(1,553)	(528)	(173)
Funding for one off pressures	(5,267)	(1,667)	(729)	(350)
Budget Gap Draft Budget	(0)	313	13,717	3,496

ITEM 4: Annex F

2023/24 General Fund Draft Budget Summary

	Net Budget 2022/23 £000	Movements £000	Net Budget 2023/24 £000
SERVICES:			
Adult Services	79,398	5,807	85,205
Public Health	(282)	282	(0)
Children's Services	44,960	4,328	49,288
Customer and Community Services	8,745	656	9,401
Housing and Regeneration	(0)	0	(0)
Planning and Placemaking	593	760	1,353
Environment and Property	71,501	5,152	76,653
Finance and Resources	18,953	1,123	20,076
Law and Governance	4,711	888	5,599
Corporate Items (Pay Inflation etc)	5,037	11,538	16,575
Total	233,615	30,534	264,149
Contribution to/(from) Reserves			(6,497)
Levies			525
Debt Financing costs including MRP			2,796
Asset Management			(26,030)
Recharges to HRA			(2,292)
Parish Precepts Paid			10,960
Total Expenditure			243,612
FUNDED BY:			
Revenue Support Grant			(5,801)
Retained Business Rates			(73,933)
Council Tax (including parish precepts)			(161,012)
Services Grant			(2,504)
Lower Tier Services Grant			(362)
Total Funding			(243,612)
Budget Gap			(0)

*At the time this draft budget was produced the Government had not issued the Provisional Settlement.

ITEM 4: Annex G

2023/24 Car Parking Surplus

Budgeted Income	-8,850,000
CMK Parking Management costs	2,055,584
Decriminalisation of Parking	15,000
Surveys and fees	15,000
Budgeted 2023/24 Car Parking Surplus	<u><u>-6,764,416</u></u>

Allowable notional spend of 2023/24 Car Parking Surplus - Section 55 1984 Road Traffic Act

Highways and Street lighting in on-street parking areas	261,000
Cleansing in on-street parking areas	880,000
Landscaping in on-street parking areas	42,000
Investment in off-street parking	0
Running costs of off-street car parks	1,108,301
Passenger Transport Team	468,658
Concessionary Fares	3,677,862
Bus Subsidies	1,022,308
Publicity	55,383
Other Passenger Transport Projects	262,150
Highway Improvement Design & Project Management	343,810
Sustainability funding for Highways Improvements Works	4,721,901
Improvements and maintenance of land in the vicinity of roads and work on recreational facilities available to the public with no charge	845,522
Total allowable expenditure of 2023/24 Car Parking Surplus	<u><u>13,688,895</u></u>

Funded from Car Parking Reserve	-6,764,416
Funded from General Fund	-6,924,479

Parking Reserve

Balance brought forward from 2021/22	-101,000
Planned use on Brooklands Pavilion Parking Project	15,000
Planned use on car parking lining	86,000
Forecast carry forward into 23/24	<u><u>0</u></u>

Tariff Resource Allocation - 5 Year Programme	2023/24 Programme - Draft Budget					
Scheme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Cash Investment						
Roads and Highways						
Monkston Junctions	350	4,000	163	0	0	4,513
Brinklow Junction	400	2,050	0	0	0	2,450
Crownhill & Loughton Junctions	307	200	1,800	0	0	2,307
WEA Junction Improvements	3,000	2,000	2,280	1,500	0	8,780
CMK Junction Improvements	0	3,005	0	0	0	3,005
A422 Junction Improvements	1,000	2,000	1,500	1,500	1,500	7,500
Tariff Local Roads	200	0	0	0	0	200
H10 connection to Church Farm	720	0	0	0	0	720
Kents Hill School Redway Connections	(250)	0	0	0	0	(250)
Total Roads and Highways	5,727	13,255	5,743	3,000	1,500	29,225
Public Transport						
P T Patronage and Subsidy	500	500	750	750	995	3,495
Demand Responsive Transport	600	600	600	600		2,400
Total Public Transport	1,100	1,100	1,350	1,350	995	5,895
Schools						
Early Years	0	0	500	0	0	500
WEA Primary 2 (Calverton Lane)	372	0	0	0	0	372
WEA Primary 3 ('Gravesend')	0	110	3,528	790	0	4,428
Total Schools	372	110	4,028	790	0	5,300
Leisure and Culture						
Fairfields Community Meeting Place	1,250	600	0	0	0	1,850
Whitehouse (Area 10) WEA Leisure Facilities	850	400	0	0	0	1,250
CMK Library	500	0	0	0	0	500
Fairfields LP4	787	0	0	0	0	787
Wavendon Playing Fields	50	0	0	0	0	50
Brooklands Allotments	147	0	0	0	0	147
Whitehouse Allotments	357	0	0	0	0	357
SLA Allotments	75	0	0	0	0	75
Brooklands Connections	150	150	0	0	0	300
Green Spaces	1,750	1,750	1,500	750	0	5,750
Total Leisure and Culture	5,916	2,900	1,500	750	0	11,066
Social Care and Health						
Childrens Respite Care facility	450	164	0	0	0	614
Strategic Land GP Surgery	10	0	0	0	0	10
Social Care Facilities	630	750	750	750	200	3,080
MKUH Radiotherapy Unit	5,700	0	0	0	0	5,700
Total Social Care and Health	6,790	914	750	750	200	9,404
Other Services						
Expansion Area Flooding & Drainage Schemes	440	375	300	250	250	1,615
University for Milton Keynes	0	3,052	3,000	0	0	6,052
Phase 2 Expansion Teaching & Learning	2,000	2,500	0	0	0	4,500
Cemetery capacity - West Flank	0	150	0	0	0	150
Cemetery capacity - East Flank	0	150	0	0	0	150
Community Recycling Facility	1,920	0	0	0	0	1,920
Carbon Offset Schemes	0	550	492	0	0	1,042
Voluntary Sector	250	250	250	0	0	750
Expansion Area Public Art	110	90	80	0	0	280
Inward Investment	240	240	240	240	240	1,200
Total Other Services	4,960	7,357	4,362	490	490	17,659
Total Cash	24,865	25,636	17,733	7,130	3,185	78,549

Works in Kind						
TP Open Space and Play	180	0	0	0	0	180
V2 Extension	3,000	0	0	0	0	3,000
Total Works in Kind	3,180	0	0	0	0	3,180
Running Costs	160	160	160	170	170	820
Total Tariff Programme	28,205	25,796	17,893	7,300	3,355	82,549

2023/24 General Fund Draft Budget Risk Matrix

Likelihood	1	2	3	4	5
5		2,19		17	15
4		18		8,10,12,13,21,23	20
3		7,9,14,22	1,5,6	16	3,11
2		4			
1					
	1	2	3	4	5

No	Risk Title/Description	Control	Residual Risk Level
Income Risks			
1	Council Tax Reduction Scheme Costs	A Local Council Tax Scheme has now been in place since April 2013. An allowance has been made to reflect the potential financial impact of the cost of living crisis based on the latest demand and a review of the last economic downturn in 2008. There remains uncertainty over the level of future support that the Council will need to provide through this scheme during the current economic cycle.	9
2	The implementation of Universal Credit and further Welfare Reforms	The Revenue and Benefits service is monitoring the impacts on the service (which includes the financial impacts) of the introduction of universal credit. The drop off in housing benefit caseload is matched by a shift in overpayment recovery with a decrease in recovery from ongoing benefit and increase in the amount of debt being recovered by invoice which has a lower collection rate	10
3	Impact of the business rates retention funding mechanism	Due to the inherent risks with Business Rates, the Council is exposed to material volatility in business rates income through changes from successful appeals by ratepayers and the potential on-going risk of a system reset. These risks mitigated through the setting aside of an appeals provision.	15
4	Estimated income from Fees and Charges or new Income Generation schemes is not achievable.	Budgets are set on a prudent basis considering current income being achieved or a robust proposal for new income generation. Regular budget monitoring will identify any deviation from the anticipated income levels. There is a risk that the financial crisis may see some parts of the Councils income reduce due to falling demand for some of our services. Options for corrective management action will be considered.	4
5	Parking income lower than anticipated	The level of parking income is still significantly lower than the pre-pandemic level. We have modelled an income level for 2023/24 based on activity levels in the summer and early autumn period. Whilst income has recovered some of the losses, there is now further risk that income may be impacted by the cost of living crisis.	9
6	Clients contributions for Adult Social Care are lower than anticipated	Income from client contributions is volatile and can fluctuate significantly dependent on an individual's assets and whether they are assessed as being able to contribute towards the cost of their care. There is a risk that service users who currently fund their care may become the financial responsibility of the local authority in the future once there capital has depleted. The income budget for client contributions is £7.4m.	9
Expenditure Risks (including Demography & Legislation)			

No	Risk Title/Description	Control	Residual Risk Level
7	Home to school travel financial pressures	Home to school transport has seen the number of pupils eligible for transport increase by 2.0% from 1,377 in Sept 21 to 1,399 in Sept 22. However there has been a 10% increase in the number of children with an EHCP which often results in needing HTST, possibly out of borough. The average weekly cost of transport has increased by 3.7% from £145k in 21/22 to £150k at September 22. Actions to address this issue includes - continuing to review and amalgamate contracts, targeting independent travel training to older children, recommissioning contracts, transport exceptions and appeals panel, volunteer driver service, a review of out of borough contracts for special educational needs placements and mapping of contracts to be reviewed as they are up for renewal to ensure best possible use of each route for individual schools.	6
8	Increase in demand for children's social care services as a result of demographic and demand pressures	As at April 22 there were 363 LAC and during the year this has decreased by 13 bringing the total number of LAC to 350 in November 22. There has been an increasing number of referrals and children requiring support from children and family services. There are significant problems with lack of supply, nationally in accessing residential beds for children/young people for both standard and specialist provision, which includes Secure Beds. Due to the lack of capacity, the unit costs are increasing, as the providers respond to the high demand.	16
9	Unaccompanied Asylum seeking Children	Local authorities have a duty to safeguard and promote the welfare of children in need within their area. Children seeking asylum (UASC) who have no responsible adult to care for them are separated or 'unaccompanied', and are therefore 'in need'. Local authorities have a gateway duty to assess such children under section 17 and then to accommodate them. The number of UASC nationally has been increasing in recent years. In July 16 the national transfer scheme was introduced so that UASC are no longer necessarily cared for in the local authority in which they first present but instead may be transferred to a local authority with greater capacity. The scheme is based on the principle that no local authority should be asked to look after more UASC than 0.1% of its total child population. For MK this would equate to around 69. In MK we are currently supporting 27 UASC which is an decrease of 1 since April 22. The grant towards the costs of the placements and support is paid at a daily rate per UASC but similar to the social care placements there is a national shortage of specialist placements alongside increasing costs from providers.	6
10	Homelessness – continuing growth in demand leads to disproportionate cost increases	Demand remains volatile, and is anticipated to increase as some covid measures ease (for example lifting of restrictions on evictions). Managing cost pressures relies on the success of the investment to save program to manage demand and reduce unit costings in addition to an increase in our prevention offer.	16

No	Risk Title/Description	Control	Residual Risk Level
11	Social Care Reforms with the introduction of a Cap of £86k, new means testing and local authority commissioning for private payers.	The government has confirmed that these reforms will now be deferred until October 2025, which is after the next General Election. The government have confirmed that the funding in 23/24 and 24/25 will continue to be directed to local government to support social care. It is not known what will happen to this funding after this point and if this is to be directed to the reforms or extended to support the provision of adult social care.	15
12	Managing increased demand for Adult Social Care services as a result of demographic pressures	The anticipated pressures in Adult Social Care are quantified and managed through the following: <ul style="list-style-type: none"> - investment in reablement services - ensuring timely and accurate data collection to inform financial planning assumptions - regular review of service delivery models (internal and external) to ensure best value - commissioning services that are cost effective and achieve best value - continued investment in preventative services, including re-enablement models, to enable people to remain in their homes for as long as possible - robust processes for agreeing all care and support. 	16
13	Market Sustainability for Adult Social Care Services including impact of the Living wage, rising inflation creating pressures for providers and in addition to increased demand	Contractual inflations pressures include a fee uplift to care providers to reflect the pressures from the increase in Living Wage. There is a risk of additional financial pressures to the Council if providers request fee uplifts over and above the % uplift offered. This would only be awarded if providers can evidence and provide justification for the request.	16
14	Market Price for Recycling Materials	The Council is now responsible for the quality and price of recycling materials. Falls in the market price will have a direct impact on the Councils contract payment for the Waste Transfer Station.	6
15	Residual Waste Treatment Facility	The Council has a contract in place until 2031. The facility is owned by the Council and was designed and built by Arney. If the facility does not perform in line with the business model, there is a risk that the Council could be exposed to financial and service risk in the event of the operator ceasing or increased costs to the Council.	25
16	Risks 2023/24 - 2026/27 Inflation	General inflation has been rising sharply over recent months and is currently projected to remain elevated well into 2023. This will be dependent upon a number of external and domestic factors. If inflation continues to remain higher for longer then this will further impact the Councils cost base, put pressure on service demand (reduce income) whilst the majority of the Councils income is fixed.	12

No	Risk Title/Description	Control	Residual Risk Level
17	Economic Downturn	There is an increased likelihood of a prolonged period of economic contraction which drives increased demand for services and also sees a fall to income collection rates by residents and businesses.	20
18	Fair Funding Review	The Fair Funding review could result in the Council receiving a smaller proportion of total funding. This has been deferred and there is currently no timeline in place for this.	8
19	HCA Asset/Tariff Risk Reserve	A Tariff risk reserve has been established to protect the Council to the level of the risk sharing agreement. Due diligence on the assets and Tariff have been undertaken to assess any unknown risks. The risk reserve was reviewed with the Ministry for Housing, Communities and Local Government and the Communities Agency and the risk sharing agreement currently remains in place.	10

2023/24 REVENUE BUDGET AND COUNCIL TAX

THE LEGAL FRAMEWORK GOVERNING BUDGET DECISIONS

- 1) The Council is required to set a Council Tax for 2023/24 before 11 March 2023. It may not be set before all precepts have been issued or before 1 March 2023, whichever is the earlier, and the decision cannot be delegated to a committee or to Officers. Before setting the level of the tax the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years, and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the consolidated revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.
- 2) In reaching decisions on these matters, Councillors are bound by the general principles of administrative law. Where there is discretion, it must not be abused or fettered. All relevant considerations must be taken into account and no irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself, could have reached. Councillors must also balance the interests of service users against those who contribute to the Council's finances. The full resources available to the Council must be deployed to their best advantage and Councillors must act prudently and in a business like manner at all times.
- 3) Among the relevant considerations, which Councillors must take into account in reaching their decisions are the advice of officers. In considering the advice of officers, and the weight to be attached to that advice, Councillors should have regard to the personal duties placed upon the Director of Finance and Resources, the Council's Section 151 Officer. The Council may take decisions which are at variance with his advice, providing there are reasonable grounds to do so. However, Councillors may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.
- 4) The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore Section 25 of the Local Government Act 2003 requires the Director of Finance and Resources to comment on the robustness of the budget estimates and the adequacy of reserves.
- 5) Councillors must also have regard to and be aware of the wider duties placed upon the Council by various statutes governing the conduct of its financial

affairs. These include the distinction between revenue and capital expenditure, specified within the Local Government and Housing Act 1989. The Local Government Act 2003 requires that the prudential borrowing limits are set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code ("the code"). This sets out a framework for self-regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable. To facilitate this arrangement the code requires the Council to agree and monitor a number of prudential indicators.

- 6) Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Councillor with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Councillor concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Councillor concerned must also, of course then abstain from voting. The application of Section 106 is very wide and there have already been several successful prosecutions under this legislation. It can include meetings held at any time during the year, not just the annual budget meeting, and it may include meetings of committees or subcommittees as well as Council meetings. Councillors should be aware that the responsibility for ensuring that they act within the law at all times rest solely with the individual Councillor concerned.
- 7) Having set a budget at the beginning of the year, the Council is also under a duty to monitor that budget during the course of the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources. Councillors should also be aware of the duty of the Section 151 Officer under Section 114(3) of the 1988 Act to report to the Council if it appears that this will happen, and of the impact of Section 115(6) which prohibits any new agreement which would incur expenditure from being entered into following the issuing of such a report and pending its consideration by the Council. The Councillors of the Council, having received a Section 114 report are obliged to take all reasonable practicable measures to bring the budget back into balance.
- 8) A Section 114 report can create great instability within an authority and can only be avoided by prudent budgeting and effective budgetary control. This adds emphasis to the need for an adequate contingency provision and a strong corporate commitment to holding chief officers accountable for containing expenditure within cash limits approved during the budget process.
- 9) Finally, Councillors are reminded of their fiduciary duty to weigh the needs of the interests of service users against those who contribute to the authority's

funds, and to act prudently at all times. Lawful discretions must not be abused or fettered, and in reaching their decisions Councillors must take account of all relevant considerations, disregard irrelevant considerations, and not come to a decision which no reasonable authority could reach. Among the relevant considerations which Councillors must take into account are the views of commercial ratepayers which are set out in Appendix 10 of the report.

- 10) It is the duty of the Director of Finance and Resources as the Section 151 Officer to provide the relevant financial information, which is or ought to be available and advise on the financial prudence of options before Councillors, and Councillors must take account of such information and advice in reaching their decisions. However, officers are not permitted to second guess the wisdom of the Council's Policy or to substitute their judgement for that of Councillors. The Council is therefore free to take decisions which are at variance with the advice of those officers, providing there are reasonable grounds to do so.
- 11) The Director of Finance and Resources must consider whether in his view the Council has agreed a balanced budget which is capable of delivery taking all known factors into account. In the event that he considers this not to be the case, then he has a personal duty to indicate this by issuing the Council with a notice under Section 114.