

# Executive Report



Delegated Decisions - 19 December 2023

## **DRAFT COUNCIL BUDGET 2024/25 AND MEDIUM TERM FINANCIAL PLAN 2024/25 TO 2027/28**

Name of Cabinet Member	<b>Councillor Lauren Townsend</b> (Cabinet member for Resources)
Report sponsor	<b>Steve Richardson</b> Director of Finance and Resources
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Exempt / confidential / not for publication	<b>No</b>
Council Plan reference	<b>1 – “A Balanced Budget”</b>
Wards affected	<b>All wards</b>

### Executive Summary

This report sets out the draft Milton Keynes City Council (Revenue) Budget for 2024/25, the latest Medium Term Financial Forecast for the period 2024/25 to 2027/28, the draft Capital programme for 2024/25 to 2027/28 and the draft Housing Revenue Account Budget for 2024/25. The public consultation on these draft documents commenced on 12 December 2023.

The context for the 2024/25 budget is severe and the level of uncertainty both nationally and globally is stark. In particular:

1. Growth is expected to remain very low during 2023 and 2024.
2. Inflation has remained significantly higher than anticipated during 2023 and whilst falling into 2024 will remain higher than the BoE target during 2024 adding further pressure to budgets.
3. At the time of publishing this report Central Government has still not published the 2024/25 Provisional Local Government Finance Settlement.
4. The government have not published spending plans beyond 2024/25.
5. The Council has therefore formulated its draft budget and its Medium Term Financial Plan based on a series of assumptions arising from the Chancellors Autumn Statement on 22 November 2023.

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 the Council's budget in the coming financial year and 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. The core assumption remains of 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.

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 2023.

The draft Budget for the HRA was considered at the Cabinet meeting on the 5 December 2023 and forms part of the wider budget consultation process which commenced on the 12 December 2023 and ends on the 23 January 2024.

## 1. Decisions to be Made

- 1.1 That Cabinet notes and endorses the following draft budget proposals, which are subject to the outcomes of consultation, which commenced on 12 December 2023, 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:
  - a) the draft Revenue Budget for 2024/25 (attached at **Annex F** to the report) and the latest MTFS forecast for 2024/25 to 2027/28 (attached at **Annex E** to the report);
  - b) the provisional Council Tax at Band D of £1,676.09 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);
  - c) the Council's current estimate of the 2024/25 Business Rates Baseline at para 4.37, 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 2024;
  - d) the estimated position for the Dedicated Schools Grant and the planned consultation with schools and the Schools Forum;
  - e) that the Director - Children's Services make decisions around the school funding formula, the funding arrangements for pupils with high needs and the early year's single funding formula for 2024/25 in consultation with the Cabinet Member for Children and Families and the Director for Finance and Resources (paragraphs 4.55 - 4.63);

- f) the proposed fees and charges for 2024/25, which are exceptions to the Income and Collection Policy (attached at **Annex D** of the report);
- g) the reserves position, reserves risk assessment and budget risk register (attached at **Annexes J, K & L**).
- h) the draft forecast parking surplus of £7.993m (attached at **Annex G** of the report);
- i) the draft Capital Programme for 2024/25 to 2028/29 (attached at **Annex H** of the report); and
- j) the resource allocation for the draft Tariff Programme (attached at **Annex I** of the report).

## 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 2024/25;
- update and extend the Council's financial forecasts for the period 2024/25 to 2027/28; and
- 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.

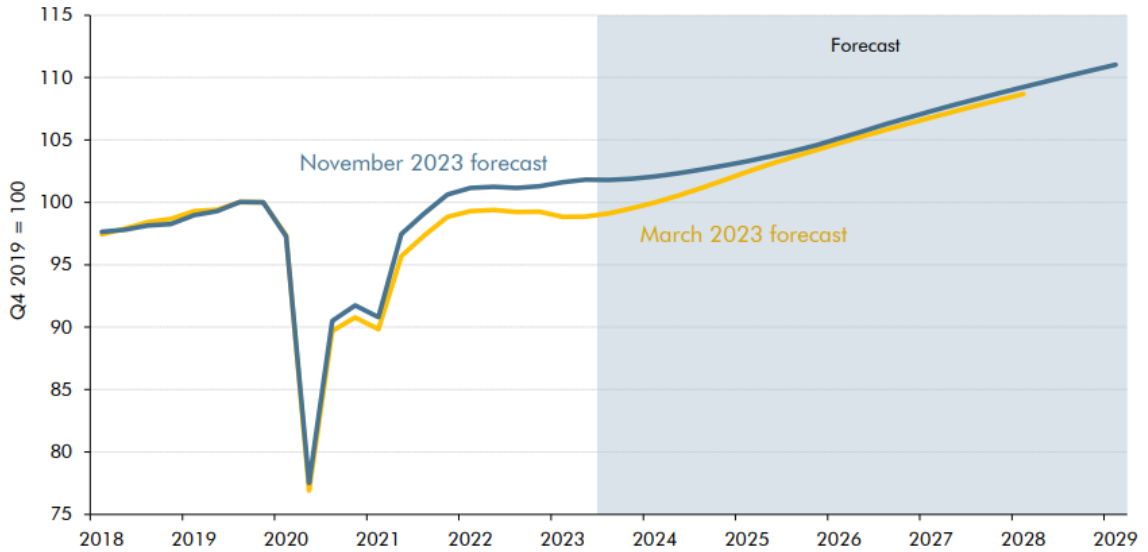
## 3. Background

### National Economic Position

### 3.1 The economy has proved to be more resilient to the shocks of the pandemic and energy crisis than anticipated. By the middle of this year, the level of real GDP stood nearly 2 per cent above its pre-pandemic level and around 3 per cent above the OBR March 23 forecast. It is now expected that the economy will grow more slowly over the forecast period, leaving the level of real GDP only ½ a per cent higher in the medium term than originally forecast.

### 3.2 Inflation is expected to be more persistent and domestically fuelled than we previously thought, falling below 5 per cent by the end of 2023/24 but not returning to its 2 per cent target until the first half of 2025, more than a year later than originally predicted. Markets now expect interest rates will need to remain higher for longer to bring inflation under control.

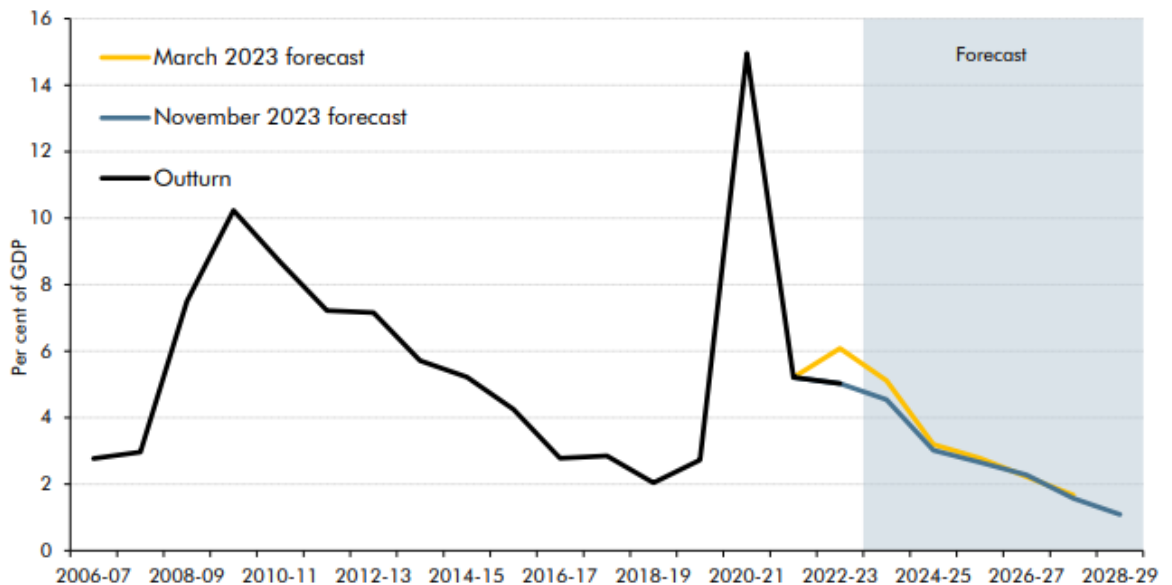
Chart 1: Gross Domestic Product (GDP)



Source: ONS, OBR

3.3 Borrowing is forecast to fall steadily from 5.0 per cent of GDP in 2023/24 to 1.1 per cent of GDP by 2028/29, which would be its lowest level since 2001-02. There is little changed from the forecast in March as the reduction in the pre-measures forecast is almost entirely offset by the cost of the Autumn Statement measures. Most of the 3.5 per cent of GDP decline in borrowing over the forecast period comes from the increase in income tax and NICs receipts driven by higher earnings and fixed tax thresholds (-1.0 per cent of GDP), the reduction in departmental expenditure as a share of GDP (-1.1 per cent of GDP), and debt interest costs falling back from their peak (-0.5 per cent of GDP). In cash terms, borrowing is forecast to fall from £128.3 billion in 2022-23, to £123.9 billion this year, to £35.0 billion by 2028-29.

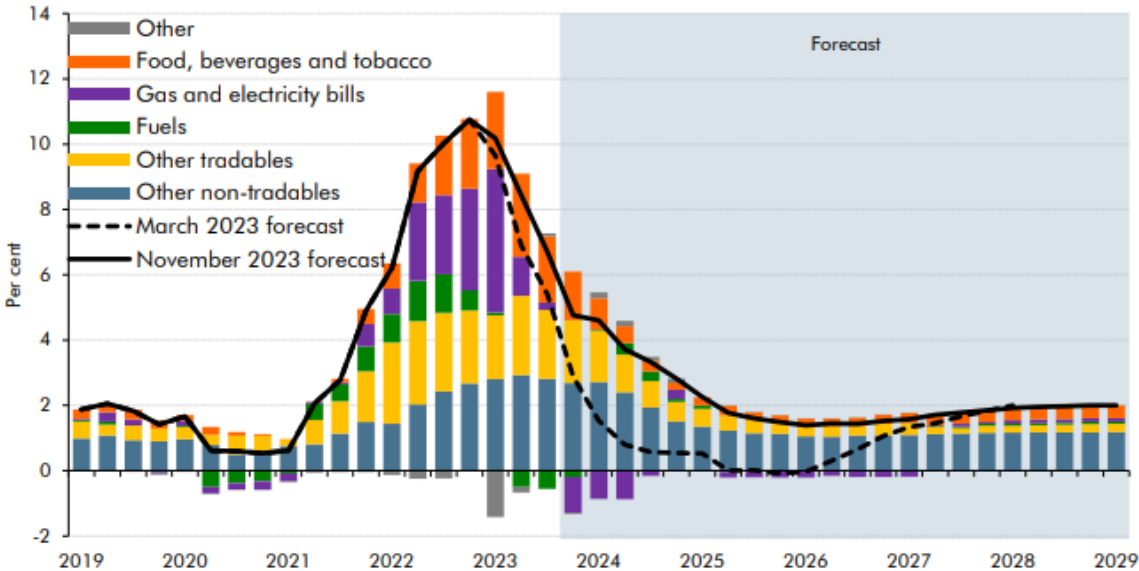
Chart 2: Public Sector Net Borrowing



Source: ONS, OBR

3.4 Inflation has fallen from its 41-year high of 11.1% in October 2022 to 6.7% in the third quarter of 2023. Although inflation is falling, it's not falling as sharply as expected. The OBR expect inflation to fall more gradually over the next few years with CPI forecast at around 4.8% in the final quarter of 2023 and to hit the 2% target by the second quarter of 2025. Risks around the outlook for inflation remain high, given both domestic and international uncertainty.

Chart 3: CPI Inflation Forecast



Source: ONS, OBR

3.5 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 significant uncertainty for the Council. However, we continue to face a number of other significant financial concerns:

- The government confirmed through the Autumn Statement that provisional 2024/25 settlement would be in line with their assumptions published as part of the 2023/24 funding settlement and no additional funding is expected as part of next year's settlement.
- In the Autumn Statement, the government set out overall public spending until 2028. This is expected to rise in real terms by 0.9%. However, if key departments are protected (Health, Schools, Defence and Overseas Aid), funding for unprotected departments will fall in real terms over the whole of this period. Pixel Consulting are currently estimating that government funding for Local Government will be cash flat for the full period of the MTPF after 2024/25.
- DLUCH published a Policy Statement on 5<sup>th</sup> December 2023, which confirmed the previous announcement made in the Final Settlement published in February 2023. Whilst we do expect some minor changes to be confirmed in the Provisional Local Government Finance Settlement these are not expected to be significant.

- We do not expect that the actual settlement to be published until at least the 18 December 2023.
- 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 2026/27**, including the reset of the business rates system. This is consistent with the views of experts in the sector.
- The budget in key areas of demand such as Adult and Children’s Social Care and homelessness has been significantly impacted by the ongoing effect of the pandemic, challenges in the health service and the wider economic climate and these budgets will need ongoing close monitoring.
- 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 previously confirmed that the proposed Social Care Reforms were 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. Any financial impact as a result of any future reforms are therefore not reflected in the draft 2024/25 budget.

## 4. Medium Term Financial Outlook

- 4.1 The Medium Term Financial Outlook was refreshed in September 2023. This budget and refreshed Medium Term Financial Outlook have been updated to reflect the governments Autumn Statement on 22 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 during 2023 and inflation projections are expected to remain elevated for longer than had been expected when the MTFP forecast was last refreshed. These have been reflected in the 2024/25 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 £24.912m, with £18.051m of this arising in 2026/27. The position has declined since the previous 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 £3.449m of new savings, positive changes to our core assumptions on the timing Business Rates Reset and a proposed increase in Council Tax of 4.99%. This now means that the gap in 2024/25 has been completely removed. The projected gap over four years since September has increased from £21.111m to £24.912m.

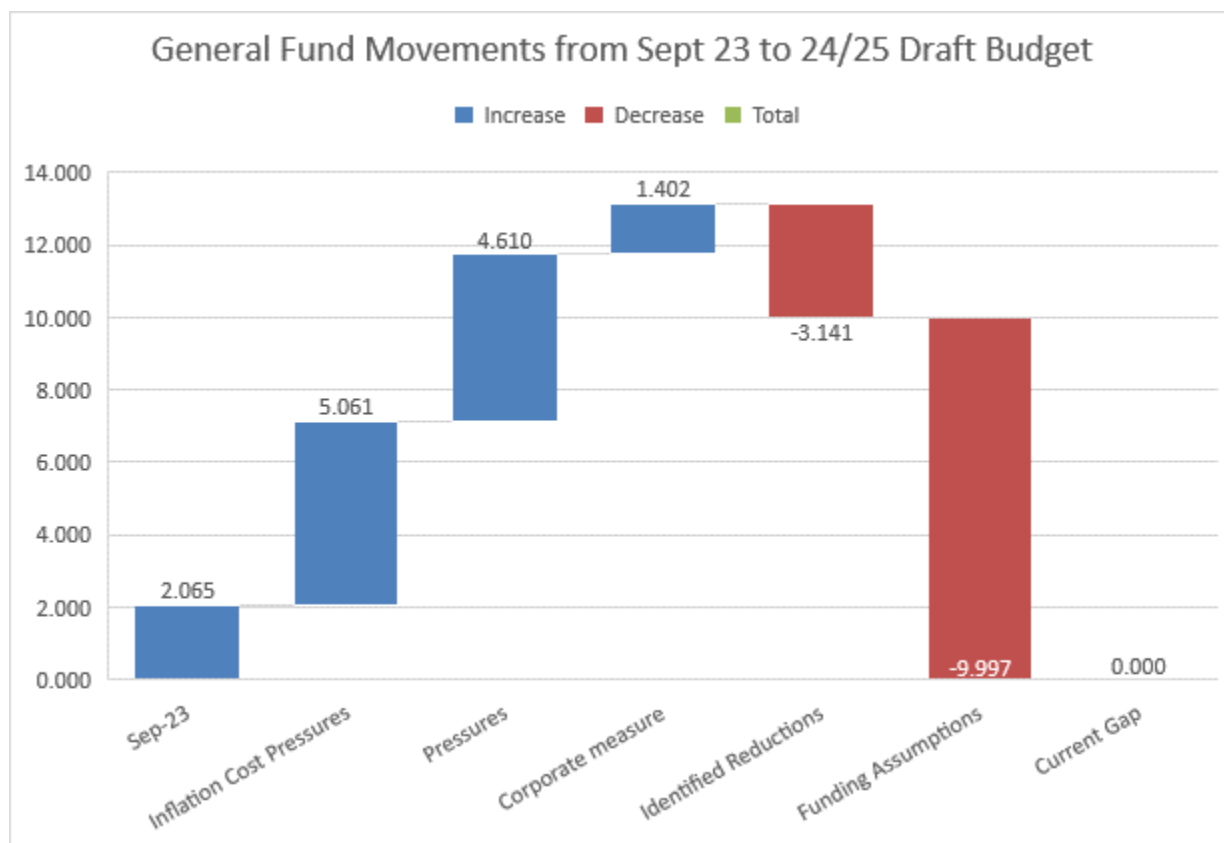
Table 1: Medium Term Financial Plan - Summary

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Service Budgets	243.466	257.712	271.918	284.684
Corporate Budgets	15.464	10.214	10.041	10.041
Sources of Funding	(256.073)	(260.934)	(256.916)	(266.956)
Recharge to HRA	(2.857)	(2.857)	(2.857)	(2.857)
<b>Budget Gap (cumulative)</b>	<b>0.000</b>	<b>4.135</b>	<b>22.186</b>	<b>24.912</b>

Table 1a: Medium Term Financial Plan – Movements since 2023/24

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Government Funding Adjustments	(11.786)	3.000	11.642	(2.000)
Local Funding Sources	(12.530)	(7.861)	(7.623)	(8.040)
Pay, Contract and Other Inflation	17.670	8.181	9.318	8.320
Budget Service Pressures	15.972	5.722	4.941	4.854
Capital Financing Costs	(4.903)	0.740	(0.157)	(0.408)
Corporate Measures	2.547	(5.135)	0.000	0.000
One-off Pressures	3.572	1.359	0.546	0.476
<b>Total Pressures</b>	<b>10.542</b>	<b>6.006</b>	<b>18.666</b>	<b>3.201</b>
Total Service Budget Reductions and Income Proposals	(6.970)	(0.512)	(0.069)	0.000
Less Reserves applied to one-off pressures	(3.572)	(1.359)	(0.546)	(0.476)
<b>Budget Gap</b>	<b>0.000</b>	<b>4.135</b>	<b>18.051</b>	<b>2.725</b>
<b>Budget Gap (cumulative)</b>	<b>0.000</b>	<b>4.135</b>	<b>22.186</b>	<b>24.912</b>

Chart 4: 2024/25 General Fund Movement from Sept 23 to Draft Budget



- 4.5 The significant increase to the Councils costs between 2023/24 and 2024/25 relating to inflationary pressures and demand are not sustainable over the medium term, given the level of projected government grant (predicted to be cash flat) and limits placed on Council Tax increases.
- 4.6 Total spending on Adults Social Care has increased by £14.239m, which is more than the total raised through the estimated increase of both the Adult Social Care Precept and increase to the Market Sustainability and Improvement Funding. The MTFO assumes that this grant funding will be permanent, this is yet to be confirmed.
- 4.7 The ability of the Council to manage demand and unit costs across social care and homelessness will be critical to the medium / long term sustainability of the budget.

### General Fund Expenditure

- 4.8 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 MTFO. Any further changes from September are summarised in Table 2.



Table 2 - MTFP Update - Movements since September Cabinet

	2024/25	2025/26	2026/27	2027/28	TOTAL
	£m	£m	£m	£m	£m
<b>MTFP – September 23</b>	2.065	0.559	16.643	1.843	<b>21.111</b>
<b>Changes:</b>					
Demand Pressures	4.679	1.373	1.527	0.871	<b>8.451</b>
Choice Based Pressures	(0.069)	0.460	(0.508)	(0.499)	<b>(0.616)</b>
Inflation Cost Pressures	5.061	0.413	0.286	0.419	<b>6.179</b>
Capital Financing	(1.148)	1.735	0.043	0.137	<b>0.767</b>
Business Rates	(2.917)	0.000	0.000	0.000	<b>(2.917)</b>
<b>Other Government Funding</b>					
Council Tax	(1.983)	0.007	(0.044)	(0.046)	<b>(2.067)</b>
Grant Funding	(5.555)	5.000	0.000	0.000	<b>(0.555)</b>
Budget Reductions	(3.641)	(0.412)	0.104	0.000	<b>(3.949)</b>
Contingency and Other Corporate	3.508	(5.000)	0.000	0.000	<b>(1.492)</b>
<b>Draft Budget</b>	<b>0.000</b>	<b>4.135</b>	<b>18.051</b>	<b>2.725</b>	<b>24.912</b>

### ***Key Movements Since September***

#### Changes to Demand Cost Pressures

4.9 **Adult Social Care** - Demand pressures for Adult Social Care have increased by £1.980m (the total demand pressure is £6.045m). The demand pressure for Older People placements and packages has increased by £1.043m, which in the main is attributable to support at home packages. This is due to an increasing number of packages and increasing complexity of need, resulting in a higher number of care hours being required and therefore an increase in the average cost. The average weekly cost of an older persons' home care package has increased by 5% between April 2023 and September 2023 and the number of home care packages has increased by 11% for the same time period. There has also been an increase of £0.473m in Mental Health and Autism placements and packages; at September 2023 there were 54 Autism packages being provided, compared to 47 in April 2023, an increase of 15%. Additional pressures have also been put forward for Mental Health Supported Accommodation (£0.072m) and staffing for Supported Housing for Older People (£0.295m).

- 4.10 **Homelessness** – Demand pressures have reduced by £0.301m (the total demand pressure is £1.174m). Additional budget is required due to low levels of move on accommodation and prevention, coupled with a higher number of homelessness applicants. Additionally, increased accommodation unit costs (due to inflation) and the costs of void properties (repairs and duration of void) are resulting in overspends. However, the reduction in pressure is a result of leases with Enhanced Private Sector Landlords ending in 2024/25, where the Council incurs repairs costs. However, there is the additional risk that the cost-of-living impact will increase the pressure in 2024/25 (and future years) further, therefore this area will need to be monitored closely.
- 4.11 **Children’s Services Demand** - Demand pressures for Children’s Services have increased by £0.819m (the total demand pressure is £2.798m). The demand pressure for Children’s social care placements and packages has increased by £0.603m. Continued difficulty in increasing national placement sufficiency has resulted in some children needing to be placed in external, higher cost placements. In addition, due to the nature of children's needs and presenting risks to self or others, specialist high-cost placements such as secure and residential placements are also required. As at September 2023 there continues to be a rise in the overall number of residential placement numbers, currently at 24 compared to 21 in May 2023. Children with Disabilities packages of support pressure has increased by £0.163m, this is mainly due to a 3% increase in the average cost of a package between April 2023 and September 2023 due to children’s greater complexity of needs. Home to School Transport has increased by £0.053m and is an area that continues to see demand pressures, largely correlated to the Education Health Care Plans increased numbers.
- 4.12 **Children’s Services Staffing** - Additional staffing is required across Children’s Services where pressures have increased by £0.234m (the total pressure is £0.958m). The staffing teams requiring additional resource due to increased caseload demand are Multi Agency Safeguarding Hub (£0.058m), Children with Disabilities Team (£0.041m) and Independent Reviewing Officers (£0.130m). This will enable the service to continue to meet statutory timelines as per the regulatory guidance and ensure capacity can meet increasing demand.
- 4.13 **Residual Waste Treatment Facility** – The Council has been working with its Operator to agree a mutual termination arrangement which will see this contract end in March 2026, but with a contingent extension of a further 2 years in favour of the Council. We have reflected the financial implications of this termination in the 2024/25 draft budget and also in the draft Capital Programme. This has required an additional net £1.493m to be added in as a pressure for 2024/25. An additional £17.5m has also been added into the draft capital programme to finance additional lifecycle and enhancement to the facility to ensure that it continues remain operationally effective. A procurement will now be undertaken during 2024 to appoint a new operator for the facility.

To mitigate the increased risk to MKCC should a catastrophic event happen at the residual waste treatment facility before a new contractor is appointed, a new risk reserve of £10m has been created. Increased tonnage risks and the risk for business interruption have also been allowed for within the General Fund working balance.

#### Changes to Inflation Cost Pressures

- 4.14 **Pay Inflation** - we have reviewed our assumptions on pay and in line with most other Councils have made a provision for pay inflation of 3% in each of the next 4 financial years. This will be reviewed prior to the finalisation of the budget in February 2024.
- 4.15 **ASC and Children’s Services** - inflation has been recalculated to take account of CPI rate as at September 2023 and increases to the National Living Wage and Foundation Living Wage. The Foundation Living Wage has been announced to increase by 10% to £12 per hour, our current inflation assumptions have therefore taken this into consideration and the contractual inflation has increased by £1.176m. The National Living Wage has been announced to increase to £11.44 (9.8% increase), which has increased inflation by a further £0.540m. For spot care home inflation, we plan to inflate rates only for placements which are lower or equal to the weekly rates outlined below, which were calculated during the cost of care exercise (the rates have been inflated as per annual uplifts since the review); those above the rate will not receive an annual uplift for 2024/25.

<b>Median Quartile Rate</b>	<b>Amount</b>
Residential (Frail Elderly)	£ 928
Residential- Dementia EMH	£ 928
Nursing (Frail Elderly)	£ 1,172
Nursing - Dementia EMH	£ 1,253

- 4.16 **Environment & Property** - The Environment and Property teams manage significant contracts which are subject to contractual inflation increases. CPI, RPI and other indices for the new financial year have been updated to reflect the September CPI and current position. The Pay Inflation for the new waste contract has been added to the budget in 2024/25 of £0.494m.

#### **Inflation**

- 4.17 The table below provides a summary of the inflation pressures included in the draft budget.

Table 3: Inflation summary

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Pay Award	5.531	3.406	3.507	3.352
Pensions	0.000	0.000	1.000	0.000
Contractual Inflation	12.641	4.652	4.679	4.892
Utilities	(0.074)	0.121	0.127	0.133
Fees & Charges Inflation	(0.732)	(0.167)	(0.171)	(0.174)
Other	0.304	0.170	0.175	0.117
<b>Total</b>	<b>17.670</b>	<b>8.181</b>	<b>9.318</b>	<b>8.320</b>

- 4.18 The summary of our key inflation assumptions for the draft budget are set out in Tables 4 & 5 below for 2024/25:

Table 4: Forecasting Assumptions 2024/25

	2024/25
General Pay Inflation	3.0%
Fees and Charges	6.8%
Water	4.1%
Electricity	8.0%
Gas	-10.0%

- 4.19 Exemptions to the 6.8% increase in fees and charges are listed in **Annex D**.

#### Contractual Inflation

- 4.20 Contractual inflation is based on existing contract agreements. Some of the larger contracts are detailed in Table 5.

Table 5: Contractual Inflation Assumptions 2024/25

	2024/25
Waste Collection - DTI Indices	6.16%
Street Cleansing - DTI Indices	6.16%
Food and Garden Waste - DTI Indices	3.80%
Landscape - DTI Indices	6.16%
Ringway - highways works	6.33%
Ringway - street lighting works	3.35%
Excel Care (subject to change once updated rates/data released)	8.4%
Extracare (subject to change once updated rates/data released)	6.1%

- 4.21 Higher inflation forecasts have had a significant impact on the projected cost of contractual inflation as detailed in the table below.

Table 6: Contractual Inflation Financial Summary - 2024/25

	<b>Feb-23</b> <b>£m</b>	<b>Draft</b> <b>Budget</b> <b>£m</b>	<b>Increase</b> <b>£m</b>
Adult Services	4.832	7.420	2.588
- <i>National Living Wage</i>	4.239	6.081	1.842
- <i>Other</i>	0.593	1.339	0.746
Children's Services	1.127	2.144	1.017
Environment & Property	2.292	2.810	0.518
Other	0.143	0.267	0.124
<b>TOTAL</b>	<b>8.394</b>	<b>12.641</b>	<b>6.835</b>

- 4.22 Over the medium term it is estimated that contractual inflation will rise to a budget pressure of £26.9m, an increase of 37% from February 2023, which is a significant risk to the Councils financial position.
- 4.23 It has been assumed in the MTFP that the increase in National Living Wage of 8.83% for 2024/25 is an exceptional increase, with increases in 2025/26 and beyond falling in line with historical levels. This remains a material risk to the MTFO projection.

### Budget Pressure

- 4.24 The 2024/25 budget includes total new budget pressures of **£15.972m**, an increase of **£4.610m** since February 2023. Details of all the new and revised budget pressures are set out at **Annex A** to the report. The large increase in 2024/25 for demographic pressures takes account of the 2023/24 demand pressures as well as those in 2024/25. The contractual change increase in 2024/25 includes the impact of the new Environmental Services Contract.

Table 7: Budget Pressures 2024/25 - 2027/28

<b><i>Budget Pressures by</i></b> <b><i>Category</i></b>	<b>2024/25</b> <b>£m</b>	<b>2025/26</b> <b>£m</b>	<b>2026/27</b> <b>£m</b>	<b>2027/28</b> <b>£m</b>
Demography	11.579	5.341	5.241	5.304
Demand: Exceptional	0.190	(0.030)	(0.210)	(0.450)
Demand: New	0.796	0.000	0.000	0.000
Policy Choice	0.141	(0.088)	(0.090)	0.000
Contractual Change	2.666	0.499	0.000	0.000
<b>Total Ongoing Service Pressures</b>	<b>15.372</b>	<b>5.722</b>	<b>4.941</b>	<b>4.854</b>

## Income and Reductions

### Income Recovery

- 4.25 Income levels have improved in 2023/24. We have therefore reviewed our assumptions based on current levels of activity to bring the budget back in line with the steady state/recovered position since the Pandemic.

Table 8 - Income Budgets

	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>	<b>2024/25 Movement £m</b>	<b>2024/25 Budget £m</b>
Car Parking	(5.374)	(8.000)	(8.727)	(1.800)	(10.527)
Planning	(1.824)	(2.480)	(1.880)	(0.450)	(2.330)
MKDP Dividend	(1.203)	(1.203)	(1.203)	(0.600)	(1.803)
Other Savings	(1.976)	(2.031)	(2.015)	(0.335)	(2.350)
<b>Total</b>	<b>(10.377)</b>	<b>(13.714)</b>	<b>(13.825)</b>	<b>(3.185)</b>	<b>(17.010)</b>

### Reductions

- 4.26 The 2024/25 budget includes total new budget reductions of **£5.091m**. We have also reviewed and updated all existing proposed budget reductions that were approved as part of the February 2023 budget report. This has seen the total of planned savings decrease from **£2.513m** to **£1.879m**. Therefore, the overall net increase in total budget reductions since February 2023 is **£4.457m**. Details of all the new and revised budget reductions are set out at **Annex B** to the report.
- 4.27 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.
- 4.28 The Council set out 5 key themes as part of its financial outlook in September which will help to frame its approach to delivery of future budget reductions and improved efficiency over the medium term:
- Further improving productivity and reducing headcount
  - Procurement (small to medium) and achieving better value for money
  - Finding lower cost solutions to providing temporary accommodation
  - Increasing car parking income to fund public transport and offset some other highways pressures
  - Developing a social care 'company' to [provide an alternative to higher cost private sector placements
- 4.29 We will be updating Cabinet in future reports on future saving proposals as these are developed.

## One-off Pressures

- 4.30 In addition, a further £3.572m of one-off expenditure has been identified in 2024/25 (attached at **Annex C** to the report). The funding for one-off expenditure is detailed in Table 9.

Table 9: Funding for One-Off Expenditure 2024/25 - 2027/28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Events Reserve	0.050	0.000	0.000	0.000
Strategic Public Health Reserve	0.703	0.337	0.000	0.000
New Homes Bonus 2024/25	0.885	0.423	0.050	0.000
Strategic Development Reserve	0.454	0.159	0.496	0.476
One Off Pressures Funding Reserve	0.350	0.000	0.000	0.000
Social Care Grant	0.150	0.000	0.000	0.000
Improved Better Care Fund	0.384	0.000	0.000	0.000
Political Priorities Reserve	0.390	0.000	0.000	0.000
New Political Priorities Funding	0.206	0.440	0.000	0.000
<b>Total One-off Funding</b>	<b>3.572</b>	<b>1.359</b>	<b>0.546</b>	<b>0.476</b>

## Government Funding

- 4.31 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 between the 18<sup>th</sup> and 19<sup>th</sup> December 2023.
- 4.32 The total ongoing resources forecast to be available over the medium-term are updated in Table 10.

Table 10: Government Grant and Taxation 2024/25 - 2027/28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Revenue Support Grant	(7.177)	(8.745)	(8.745)	(8.745)
Retained Business Rates	(79.420)	(81.420)	(69.778)	(71.778)
Council Tax (incl parish precepts)	(162.908)	(170.770)	(178.393)	(186.433)
Services Grant	(1.568)	0.000	0.000	0.000
<b>Total Ongoing Resources</b>	<b>(251.073)</b>	<b>(260.934)</b>	<b>(256.916)</b>	<b>(266.956)</b>
<b>Social Care Funding</b>				
Improved Better Care Funding <sup>1</sup>	(6.176)	(6.176)	(6.176)	(6.176)
Social Care Grant <sup>2</sup>	(12.452)	(14.768)	(14.768)	(14.768)
Market Sustainability & Improvement (ASC) <sup>3</sup>	(3.664)	(3.664)	(3.664)	(3.664)
<b>Total Social Care Funding</b>	<b>(22.292)</b>	<b>(24.608)</b>	<b>(24.608)</b>	<b>(24.608)</b>

1. *Improved Better 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.*
2. *Social Care funding is assumed to be an increase to the Council's baseline funding and has been included as such, although final allocations will be determined in the settlement.*
3. *Market Sustainability and Improvement Grant - £2.400m of the grant will cover above inflationary fee increases in placement costs (the costs of which are already allowed for within the MTFP) and £0.600m will be held in ASC contingency for wider programmes that are currently being considered. We have assumed that this funding is base funding.*

### **Business Rates Baseline**

- 4.33 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.
- 4.34 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.
- 4.35 The calculation of the Council's 2024/25 Business Rate Baseline must be formally approved, and then be submitted to DLUHC, through a statutory return by 31 January 2024.
- 4.36 In the absence of the provisional settlement we have estimated the baseline and tariff using advice from Pixel Consulting - see Table 11 below.

Table 11: Business Rates Baseline Distribution

	<b>2024/25 £m</b>
Milton Keynes Council Business Rate Baseline (total business rates collected after deductions)	(226.480)
50% Central share paid to Government	113.240
1% share paid to Buckinghamshire and Milton Keynes Fire Authority.	2.265
Deductions for Tariff paid to Central Government	39.878
Levy paid to Central Government/Section 31 grant receivable	(8.054)
Renewable energy (100% retained)	(0.268)
<b>Milton Keynes Council forecast retained Business Rates Funding</b>	<b>(79.420)</b>

- 4.37 We have reassessed the appeals provision using an external assessment from our rating advisors and made a prudent estimate of new growth. The estimate has also been adjusted for inflation.



- 4.38 The improved position reflects the higher than expected rate of Inflation (6.7%) and a reduced appeals provision.
- 4.39 The Autumn Statement also confirmed a number of other important measures in relation to Business Rates:
- An extension to the 75% relief for businesses in the retail, hospitality and leisure sectors for 24/25.
  - A freeze to the small business rates multiplier for 24/25.
  - An increase to the main business rates multiplier of 6.7% in line with September CPI.
- 4.40 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.
- 4.41 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 2026/27 given this is now highly unlikely to take place in this parliament.

### **Council Tax**

- 4.42 The Referendum Limits were previously announced as part of the Finance Settlement in 2023/24. For 2025/26 the limit is 2.99% for the general increase and 2.00% for the Adult Social Care Precept.
- 4.43 The draft budget includes the following Council Tax increases.

Table 12 – Council Tax

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
MKCC Band D	2.99%	1.99%	1.99%	1.99%
ASC Precept	2.00%	1.00%	1.00%	1.00%
<b>Total Increase</b>	<b>4.99%</b>	<b>2.99%</b>	<b>2.99%</b>	<b>2.99%</b>

- 4.44 A report was brought to Cabinet on the 5 December 2023, setting out the Council Tax Base for 2024/25. It was confirmed that the 2024/25 Tax Base for 24/25 would increase to 97,194.98 Band D equivalent properties, an increase of 2.998.76 from 2023/24. Further details are available in the Tax Base report [Council Tax Base](#)
- 4.45 Overall Council Tax income is anticipated to increase by £12.530m in 2024/25; this total comprises £7.649m generated from a 4.99% increase to the charge, an increase of £4.403m arising from the increased Tax base, with a further £0.478m and additional income generated from the discretionary Council Tax in respect of long-term empty property premiums (£0.473m for MKCC).

### ***New Homes Bonus***

- 4.46 The Council expects to receive approx. £5m of New Homes Bonus Funding in 2024/25. £1.358m has been used to fund one off pressures in the draft budget, and the balance will be allocated to the funding of the capital programme. This allocation will be confirmed in the Settlement Announcement.

### ***Debt Financing***

- 4.47 The Council's debt financing budget manages both the requirement for external debt and associated repayment of loans and the investment of council resources. The Council operates separate loans pools for the General Fund and HRA.
- 4.48 The 2024/25 General Fund budget proposals include changes that reflect latest projections for external interest rates and internal accounting requirements, as well as projections for cashflow movements and consequential impact upon investment balances. No additional external debt is planned to be taken and existing external debt will be repaid upon maturity. As new capital funding proposals are brought forward, funding by borrowing will be considered and presented to Cabinet and Council where appropriate.
- 4.49 The Council's Treasury Management Strategy will be presented to Cabinet as part of the Final Budget Proposals in February 2024.

### ***Parking Account***

- 4.50 The Council provides car parking to serve local residents, businesses and visitors with charges set for parking management purposes in accordance with section 45 and 122 of the Road Traffic Regulation Act 1984.
- 4.51 As in previous years, the Council has estimated the likely income it will receive from car parking in 2024/25, the costs that are required to manage car parking, and has considered the need for additional car parking.
- 4.52 Parking income during 2023/24 has continued to recover 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.
- 4.53 **Annex G** outlines the forecast parking surplus and the proposed use of this surplus as part of the draft Budget 2024/25.

## **Dedicated Schools Grant**

- 4.54 The Chancellor has announced that school budgets will increase by £1.8bn in the upcoming financial year, with the total core schools budget totalling over £59.6bn in 2024-25. Local councils will get an extra £440m for high needs budgets. Average funding per pupil for mainstream schools will increase by approximately 1.9% overall, in the next financial year compared to 2023/24.
- 4.55 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 2023. 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.
- 4.56 The DfE published the provisional schools NFF for 2024/25 in July. However, in September the department uncovered an error made by DfE officials during the initial calculations of the National Funding Formula which was amended and revised provisional allocations were published in October. Specifically, there was an error processing forecast pupil numbers, which meant that the overall cost of the core schools budget would have been 0.62% greater than the funding allocated. The department has therefore issued new NFF allocations to correct that error while continuing to deliver, in full, the £59.6bn core schools budget that has been promised. The impact for Milton Keynes City Council is a reduction in the provisional funding allocation of £2.3m from that announced in July. Another area of ongoing risk continues to be the outcome of the Reinforced Autoclaved Aerated Concrete (RAAC) issue being seen nationally, regarding the historic use of unsafe concrete. Updated government guidance has been issued and requires further investigation to ensure our school estates are in a safe, working condition.
- 4.57 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 2024/25.
- 4.58 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 18 January 2024. The deadline for submitting the final schools budget allocation via the authority proforma tool (APT) to the Education and Skills Funding Agency (ESFA) is 22 January 2024 which, is before the formal ratification of our budget takes place.

- 4.59 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 been undertaken to consider the options to manage this shortfall.
- 4.60 The high needs block allocation of £61.531m is an increase of £1.566m compared to the 2023/24 allocation. Officers are currently setting the draft high needs budget ahead of Schools Forum meeting in December however it is anticipated that much of the additional funding allocated to MKCC will be required to meet predicted growth demand in 2024/25, without an increase in rates paid from the block. Focus has also been to bring on local commissioned places in order to continue to meet the needs of children presenting with more complex needs.
- 4.61 The Early Years block is based on a national funding formula and the final allocations for 2024/25 will not be confirmed until July 2025 due to being driven by specific census data. There is expected to be an increase in the funding rates but these will not be confirmed until December.
- 4.62 The 2024/25 draft DSG budget can be found within the Schools Forum reports on the following [link](#).

### **Capital Programme**

- 4.63 Table 13 summarises the Council's capital resources and expenditure needs. The detailed Capital Programme is available at **Annex H**.
- 4.64 Whilst only projects with ring fenced funding have been added as part of these budget proposals, several service critical projects were approved as part of the 2023/24 Capital Programme. Many of the project in the programme 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 £31.1m of receipts are assumed within the financing of the draft 2024/25 capital programme. 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.
- 4.65 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.

- 4.66 Whilst Table 13 shows an excess of resources over planned expenditure, all £40.995m 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 2029/29 where ring-fenced funding has been identified.
- 4.67 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.
- 4.68 The Capital Strategy approved in February 2023, 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 2024. This will include details of future significant investment requirements in Council infrastructure assets.

Table 13: Forecast Medium Term Summary of Capital Resources and Expenditure

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Resources	251.669	130.638	53.761	61.085	43.961
Capital Expenditure	218.594	125.185	53.267	60.280	42.793
<b>Net Position (surplus) / deficit</b>	<b>(33.075)</b>	<b>(5.453)</b>	<b>(0.494)</b>	<b>(0.805)</b>	<b>(1.168)</b>
<b>Cumulative Position (surplus) / deficit</b>	<b>(33.075)</b>	<b>(38.528)</b>	<b>(39.022)</b>	<b>(39.827)</b>	<b>(40.995)</b>

### Capital Funding

- 4.69 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**

- 4.70 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.
- 4.71 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.
- 4.72 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.
- 4.73 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.
- 4.74 A total of £0.326m new S106 funding has been allocated within the Capital Programme.

### **Tariff 1 – West and Eastern Expansion Areas**

- 4.75 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 £311m 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.
- 4.76 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.
- 4.77 **Annex I** shows a breakdown of the Tariff resource allocation for 2024/25 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.

- 4.78 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 £9.302m 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.
- 4.79 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.

## **Tariff 2**

- 4.80 The Council in February 2022 agreed a further tariff agreement (Tariff 2a) for the MK East development area in Milton Keynes. We anticipate that financial contributions will start to be received from 2025 onwards. The total tariff funding expected to be received (excluding indexation) is £180m and runs until 2049. The Council has already allocated £9.1m of this funding to part finance the social infrastructure Health Hub facility.
- 4.81 Tariff 2b relating to 3000 houses in South East Milton Keynes, is due for planning permission to be approved in 2024. This programme will run until 2044 with contributions expected to total £100m (excluding indexation). The first contributions are anticipated to be received in 2025.

## **Risks**

- 4.82 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.
- 4.83 Our full budget risk assessment is set out at **Annex L** to the report. We have identified 44 significant budget risks as part of this assessment, which have been categorised as follows:
- Service Cost – Demand and Pricing
  - Service – Fees and Charges
  - Commercial Contract Risks
  - Critical Service Performance Failure
  - Supporting our Residents
  - Government Funding
  - Balance Sheet Risks
  - Major Events

4.84 The risk assessment sets out the key controls, risk level and how the Council proposes to fund the impact of each risk in the event that this should materialise.

## **Reserves**

### *General Reserves*

4.85 The Finance team have reviewed the level of risk reserves and GF Working Balance), which is included in **Annex J** to the report. This review shows the level of risk exposure for the Council based on the Risk Assessment at **Annex L**. This has informed our assessment of the adequacy of the level of General Fund Balance.

4.86 The draft risk assessment carried out alongside the development of this Budget, shows that the minimum prudent level of General Fund reserves is £32.779m. This will be reviewed again as part of the Final Budget report to reflect any material changes to the Councils risk profile.

### *Earmarked Reserves*

4.87 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.

4.88 The earmarked reserves are listed in **Annex K** to the report. 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.

4.89 A summary of the planned use of reserve are shown in table 14 below.



Table 14: Planned use of reserves

<b>Reserve</b>	<b>Balance 1/4/23 £m</b>	<b>Forecast 31/3/24 £m</b>	<b>Forecast 31/3/25 £m</b>	<b>Forecast 31/3/26 £m</b>	<b>Forecast 31/3/27 £m</b>
GF Working Balance	(29.668)	(32.779)	(32.779)	(32.779)	(32.779)
Earmarked Reserves - non distributable	(74.542)	(135.046)	(129.192)	(128.799)	(132.246)
Earmarked reserves - distributable	(15.685)	(5.910)	(1.786)	(1.058)	(0.993)
<b>Total GF Reserves</b>	<b>(119.894)</b>	<b>(173.736)</b>	<b>(163.757)</b>	<b>(162.636)</b>	<b>(166.019)</b>
HRA Reserves	(52.598)	(15.086)	(15.171)	(15.331)	(15.495)
<b>Total Reserves</b>	<b>(172.493)</b>	<b>(188.822)</b>	<b>(178.929)</b>	<b>(177.967)</b>	<b>(181.514)</b>

4.90 Table 14 shows the distributable General fund reserves reducing from £15.685m at the beginning of 2023/24 to £0.993m in 2027/28 as funding is drawn to finance projects approved in previous budget decisions. Total General Fund reserves will increase from £119.894m at the beginning of 2023/24 to £166.019m in the same period, this includes the use of funding set aside for the approved capital programme, use of 3<sup>rd</sup> party funding and use of Government grant funding allocated to off-set business rate reductions due to COVID-19.

4.91 In balancing the 2024/25 budget, the Council has not use unearmarked reserves. The draft budget does include the planned use of earmarked reserves for non-recurrent expenditure, which is summarised in Table 9.

### **Robustness and Risks**

4.92 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:

- (a) the robustness of the estimates made for the purposes of the calculations; and
- (b) the adequacy of the proposed financial reserves.

4.93 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.

4.94 In preparing the Budget for 2024/25, 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.

- 4.95 The draft Budget adequately reflects known issues and assessment of the budget requirement and funding. The draft budget will continue to be reviewed before the Budget is finalised in February and revised where necessary.
- 4.96 The Council remains under significant financial pressure and in determining the budget for 2024/25 the Council has avoided needing to make any further significant cuts or reductions to services, whilst containing the Council Tax increase below inflation.
- 4.97 However, the latest MTFO identifies increasingly larger gaps from 2025/26 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.
- 4.98 The Council produced its Draft Statement of Accounts in June 2023. Due to the national audit issues in the sector these statements have not yet been subject to audit. The Councils last full audit was in respect of 2021/22, where an unqualified opinion was issued.
- 4.99 A significant amount of work has been undertaken across the Council to ensure that the budget is robust, appropriate assumptions and data used where available. This has been supported with a detailed risk assessment (**Annex L**) and in-depth review of the adequacy of the Council's level of reserves which is set out in **Annex J** to the report.
- 4.100 The General Fund Balance of £32.779m is estimated to be adequate to meet the Council's financial needs in 2024/25.
- 4.101 This view takes account of the reserves included in the Council's accounts (subject to audit) as at 31 March 2023; 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 2024/25.

Table 15: Section 151 Officers Assessment on the Adequacy of Reserves

Reserve	Forecast Balance at 31/3/2024 £m	Forecast Balance at 31/3/2025 £m
GF Working Balance*	32.779	32.779
% Net Revenue Budget	<b>13.27%</b>	<b>12.28%</b>
Specific Risk Reserves**	36.645	35.820
Total Reserves Available to meet known and unknown budget risks	<b>69.424</b>	<b>68.599</b>
% Net Revenue Budget**	<b>28.10%</b>	<b>25.69%</b>

- \* 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 4.93 4.102.

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 2024.

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 will be reviewed ahead of the publication of the final budget to identify any equalities impacts and these will be report as part of the final budget proposals.

## 5. Timetable for Implementation

- 5.1 12 December 2023 to 23 January 2024 - Budget Consultation commenced.
- 5.2 6 February 2024 - Final Budget and Capital Programme report to Cabinet.
- 5.3 21 February 2024 - Final Budget and Capital Programme report to Council.

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## List of Annexes

Annex A	2024/25 Budget Pressures
Annex B	2024/25 Budget Reductions and Income Proposals
Annex C	2024/25 One-off Budget Pressures
Annex D	Fees and Charges: Exemptions to the Income Policy
Annex E	2024/25 – 2027/28 Forecasting Model
Annex F	2024/25 GF Draft Budget Summary
Annex G	2024/25 Draft Parking Account
Annex H	Draft Medium Term Capital Programme
Annex I	Draft Tariff Resource Allocation
Annex J	GF Reserves Assessment
Annex K	Earmarked Reserves
Annex L	2024/25 Draft Budget Risk Register
Annex M	Legal Framework