

# Executive Report

Cabinet Report – 6 February 2024

## **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
Report author	<b>Vicky Errington</b> Senior Finance Manager – Corporate Accounting

Exempt / confidential / not for publication	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 recommends the Revenue Budget for 2024/25, sets out the latest Medium Term Financial Forecast between 2024/25 to 2027/28, Capital Programme, Housing Revenue Account Budget for 2024/25, Dedicated Schools Grant 2024/25 for approval by Cabinet and recommendation to Council.

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.
4. The report proposes that the maximum rent increase for 2024/25 under the rent standard is applied at 7.7% and 7% for shared ownership properties.
5. The final budget set out in this report, now includes the impact of the Provisional Local Government Finance Settlement which was published on the 18 December 2023 and a small number of other changes which are set out in this report.
6. The capital programme has been updated to reflect any new schemes and funding requests since the draft budget was approved on the 19 December 2023.

## 1. Decision/s to be made

### 1.1 Cabinet is asked to note and support the following recommendations to Council:

- (a) The Council has consulted on its draft budget proposals and a summary of these responses are included at **Annex A** for Cabinet to consider before agreeing its recommendations to Council (**to follow**).
- (b) Cabinet notes the report and recommendations from the Budget and Resources Scrutiny Committee at **Annex B** and considers these as part of its final recommendations to Council (**to follow**).
- (c) That the Revenue Budget for 2024/25 totalling £256.114m be approved (**Annex I**).
- (d) That the Council Tax Band D of £1,676.09 for the Milton Keynes element of Council Tax, be approved. This is an increase of 4.99% increase on the previous year (2.99% plus a 2.00% Adult Social Care Precept);
- (e) That the Council Tax requirement for the Council's own purposes for 2024/25 (excluding parish precepts) of £162.908m, be noted.
- (f) That the position for the Dedicated Schools Grant of £367.347m and the Schools funding block for 2024/25 be noted and the budget and formula allocations for the High Needs Block and Early Years Block be approved (section 3.29 – 3.32).
- (g) That the forecast parking surplus be noted (**Annex J**).
- (h) That the Housing Revenue Account Budget for 2024/25 be approved (section 3.29 to 3.32 and **Annex K**).
- (i) That increases to housing rents are set at 7.7% for tenants (an average increase of £7.50 per week) and 7% for shared owners (an average increase of £3.92 per week), the maximum level allowable under the Rent Standard (CPI + 1%) (para 3.26) at **Annex K** be approved.
- (j) That following consultation with tenants and leaseholders, changes to Housing Revenue Account service charges be approved and implemented from 1 April 2024 (section 3.27, **Annex K3**).
- (k) The Housing Rent Affordability and Market Context Report be noted (**Annex K2**).
- (l) That the fees and charges for 2023/24 (including those fees and charges which are exceptions to the Income and Collection Policy) be approved (**Annex F**).
- (m) That the Capital Strategy be approved (**Annex L**).
- (n) That the Capital Programme for 2024/25 to 2028/29 be approved (**Annex M**).
- (o) That the resource allocation for the 2024/25 Tariff Programme be noted and approved (**Annex N**).

- (p) That the Treasury Management Strategy for the 2024/25 to 2027/28 and the Treasury Policy Statement, including the Minimum Revenue Provision Policy, Borrowing Limits be approved (including the Half Year Report) (**Annex O**)
- (q) That the financial forecast set out in the Medium Term Financial Plan (MTFP), in relation to both the resources and expenditure, be noted. (**Annex T**).
- (r) That the equalities impact assessments for the Budget Reduction proposals, as set out in Section 4 be noted.
- (s) That the final 2024/25 Business Rates Baseline estimate as reported in the NNDR1 return and detailed in Table 3.0 is noted.

## 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

### 3.1 The Council published its draft budget on the 12 December and has carried out a 6 week public consultation. The feedback from the Consultation is set out at **Annex A** – to follow.

### 3.2 The consultation engagement included the following:

- Key budget information contained on the Council website and shared through social media alerts.
- Public scrutiny through the Budget and Resources Scrutiny Committee.
- Key budget information to the Business Council.

### 3.3 Since the draft budget was published the government has set out in the Provisional Local Government Finance Settlement the proposed grant determinations and retained business rates funding for 2024/25.

- 3.4 On the 24 January 2024, the Government made a further announcement in the House confirming an additional £600m of funding for local government to be added into the Final Settlement. This includes £500 million of new funding for councils with responsibility for adults and children’s social care, distributed through the Social Care Grant. The proposed budget includes MKCC’s estimated share of this grant funding [**£1.892m**]. Details on the other changes are not expected to have any material impact on the budget and we will reflect any changes in the final budget papers at Full Council.
- 3.5 DLUCH have also announced as part of the settlement that local authorities will be required to produce productivity plans which will set out how they will improve service performance and ensure every area is making best use of taxpayers’ money. The Government will monitor these plans, and funding Settlements in future years will be informed by performance against these plans.
- 3.6 DLUCH are also establishing an expert panel to advise the Government on financial sustainability in the sector which will include the Office for Local Government and the Local Government Association. Further information on these requirements will be set out in the final settlement.

*Provisional Local Government Settlement*

- 3.7 The Provisional Local Government Finance Settlement confirmed our assumptions in the draft budget proposals. **Table 1.0** sets out the provisional figures for MKCC and also includes the estimated share of Social Care Grant following the announcement on the 24 January 2024 of an additional £500m increase to be added into the final settlement. The shows how these compare with the assumptions made in the draft budget.

**Table 1.0 Core Funding Movements**

<b>Core Funding</b>	<b>Budget 2023/24 £M’s</b>	<b>Draft Budget 2024/25 £M’s</b>	<b>Provisional Settlement 2024/25 £M’s</b>	<b>Change from Draft Budget 2024/25 £M’s</b>
<b>Settlement Funding Assessment (SFA)</b>	<b>(54.941)</b>	<b>(58.017)</b>	<b>(58.017)</b>	<b>0.000</b>
- RSG	(6.731)	(7.177)	(7.177)	0.000
- Baseline Funding Level*	(48.210)	(50.840)	(50.840)	0.000
Services Grant	(1.879)	(1.568)	(0.296)	1.272
Social Care Grant***	(12.452)	(14.768)	(16.357)	(1.589)
Market Sustainability Fund	(0.900)	(3.664)	(3.973)	(0.309)
ASC Discharge Fund	(0.866)	(1.463)	(1.443)	0.020
Homelessness Prevention Grant	(2.083)	(2.083)	(2.165)	(0.083)
New Homes Bonus**	(4.542)	(5.000)	(5.377)	(0.377)
<b>Total</b>	<b>(77.663)</b>	<b>(86.563)</b>	<b>(87.629)</b>	<b>(1.066)</b>

*\*This reflects the baseline funding fixed in the settlement and therefore excludes any Business Rates growth that is set out in **table 3**.*

*\*\* No impact on General Fund budget as matched by expenditure*

*\*\*\*The Social Care Grant now includes our estimated share of the additional £500m announced by the Prime Minister on the 24 January 2024.*

3.8 The Social Care Reform (SCR) has been delayed from October 2023 to October 2025. The original SCR funding has been repurposed and baselined in the budget for 2023/24 and 2024/25. However, there is continuing uncertainty on the future funding system for social care, whilst short term pressures need to be managed. Any decision to proceed with the SCR will be dependent upon the outcome of the next General Election; if the SCR does go ahead the implementation of the reform will require additional funding, as well as time to implement.

### Social Care Funding

3.9 The most significant service pressure within the budget, relates to the rising costs of Social Care (demand, rising inflation etc). The table below summarises the overall increase in the costs of social care provision for 2024/25 compared with 2023/24, based on our assessment of inflation and demand pressures, how this is being funded through the additional resources provided through the settlement (including the proposed ASC Precept (2%) and additional social care funding), and the residual gap that is being met from wider resources.

**Table 2.0 – MKCC Social Care Costs and Funding Change**

<b>Costs and Funding</b>	<b>Adults Social Care £M's</b>	<b>Children's Social Care £M's</b>	<b>Total £M's</b>
New Demand Pressures	7.336	6.967	14.303
BCF Discharge Funding	0.580	0.000	0.580
Contractual Inflation	7.420	2.395	9.815
One-Off Pressures	1.043	0.225	1.268
Less Savings	(0.400)	(0.492)	(0.892)
<b>Net Increase in Budget</b>	<b>15.979</b>	<b>9.095</b>	<b>25.074</b>
Less Funding:			
BCF Discharge Funding	(0.580)	0.000	(0.580)
ASC Precept (2%)	(3.103)	0.000	(3.103)
<b>Net Cost after Deducting Funding</b>	<b>12.296</b>	<b>9.095</b>	<b>21.391</b>
Additional Social Care Grant (not split by area)			(3.905)
<b>Net Cost Funded through General Budget</b>			<b>17.486</b>

## Other Specific Government Revenue Funding

3.10 Since the provisional settlement was published, we have received details on a few key specific government grants:

- The Homelessness Prevention grant has increased by £0.083m in 2024/25 to £2.165m.
- The Market Sustainability and Improvement grant for Adult Social Care has increased by £0.309m from the draft budget to a 2024/25 allocation of £3.973m.

3.11 At the time of publication, we had not received details of the Public Health Grant. Any additional Public Health Grant will be offset by an increase in expenditure.

## New Homes Bonus (NHB)

3.12 The government have confirmed the NHB provisional allocations. There are no changes to the methodology from 2023/24. The grant is a one-off payment. The provisional allocation for MKCC is £5.377m. We have applied £1.358m to fund one-off budget pressures and transferred the balance to fund future commitment in the Capital Programme.

## Business Rates

3.13 The provisional settlement has now confirmed how the s31 grant will work for the various reliefs and differential approach taken to the small and main business rate multipliers. **Table 3.0** below shows the movement from the assumptions that were made in the draft budget:

**Table 3.0 - Business Rates Comparison Draft vs Final Budget (NNDR1)**

	<b>2024/25 Draft £M's</b>	<b>2024/25 Final £M's</b>	<b>Change £M's</b>
MKCC Business Rates Baseline	(226.481)	(228.718)	(2.237)
50% Central Share paid to government	113.240	114.359	1.118
1% share paid to BMKFR	2.265	2.287	0.022
Deduction of Tariff paid to Government	39.878	40.474	0.596
Levy paid to Central Government/Section 31 grant receivable	(8.054)	(8.506)	(0.452)
Renewable energy (100% retained)	(0.268)	(0.252)	0.016
<b>MKCC retained forecast including growth</b>	<b>(79.420)</b>	<b>(80.356)</b>	<b>(0.937)</b>

## Council Tax

- 3.14 The provisional settlement confirmed the referendum limits as previously announced (2.99% general and 2% ASC). This is in line with the draft budget proposals and no changes are proposed in the final budget.
- 3.15 The Council Tax Base was set at Cabinet on the 5 December 2023 at 97,194.98 and the Council share of the precept will be £162.907m.
- 3.16 Overall Council Tax income is anticipated to increase by £12.530m in 2024/25; this total comprises of £7.743m generated from a 4.99% increase to the charge, and an increase of £4.787m arising from the increased tax base.

## General Fund - Changes since Draft Budget

- 3.17 The changes from the Draft Budget, which need to be reflected in the Final Budget, are detailed in **Table 4.0** below and include the changes from the provisional LGFS described above and changes to service budgets which are explained in 2.16.

**Table 4.0: MTFP Update - Movements since Draft Budget**

	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m
<b>MTFP – Draft Budget</b>	<b>0.000</b>	<b>4.121</b>	<b>18.037</b>	<b>2.710</b>	<b>24.868</b>
Changes:					
Demand Pressures	3.328	0.002	(0.002)	0.030	<b>3.358</b>
Inflation Cost Pressures	0.250	0.002	0.002	0.003	<b>0.257</b>
Business Rates	(0.937)	(1.488)	2.256	(0.388)	<b>(0.557)</b>
Grant Funding	(1.066)	0.377	0.000	0.000	<b>(0.689)</b>
Contingency and Other Corporate	(1.575)	(0.377)	0.015	0.015	<b>(1.922)</b>
<b>Final Budget</b>	<b>0.000</b>	<b>2.637</b>	<b>20.308</b>	<b>2.370</b>	<b>25.315</b>

- 3.18 A summary of the main changes since the draft budget to service budgets are as follows:

### Demand Pressures

- Children’s Social Care Placement **£3.148m** – residential placements have continued to increase in addition to increasing costs per placement.
- Home to School Transport **£0.063m** – slight increase based on the new academic year cohort of children entitled to transport.
- Homelessness Prevention Grant Expenditure - **£0.083m** – The Homelessness Prevention grant has increased by £0.083m in 2024/25 to £2.165m.
- ASC Internal Training **£0.034m** - Pressure due to an income budget for medical students no longer being achieved as the training is no longer being delivered.

## Inflation Cost Pressures

- Foster care rate **£0.250m** - the government sets the minimum allowances that we pay to foster carers each year. The increase was announced just before Christmas, confirming that allowances will be increased by 6.88%, which is higher than we previously estimated in the draft budget.

## Medium Term Financial Plan

3.19 The overall position is summarised below in **Table 5.0** and broken down by movement in **Table 5.1**. Further details of this forecast can be found in the Councils MTFP in **Annex T**:

**Table 5.0: Medium Term Financial Plan – Summary**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Service Budgets	252.489	263.910	277.959	290.773
Corporate Budgets	6.497	3.700	3.700	3.700
Sources of Funding	(256.114)	(262.101)	(255.842)	(266.286)
Recharge to HRA	(2.872)	(2.872)	(2.872)	(2.872)
<b>Budget Gap (cumulative)</b>	<b>0.000</b>	<b>2.637</b>	<b>22.945</b>	<b>25.315</b>

**Table 5.1: Medium Term Financial Plan – Movements since 2023/24**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Government Funding Adjustments	(13.207)	1.889	13.897	(2.389)	0.190
Local Funding Sources	(12.530)	(7.876)	(7.638)	(8.056)	(36.100)
Pay, Contract and Other Inflation	18.067	8.184	9.321	8.323	43.895
Budget Service Pressures	18.700	5.724	4.939	4.884	34.247
Capital Financing Costs	(4.903)	0.740	(0.157)	(0.408)	(4.728)
Corporate Measures	0.843	(5.512)	0.015	0.015	(4.639)
One-off Pressures	3.592	1.359	0.546	0.476	5.973
<b>Total Pressures</b>	<b>10.562</b>	<b>4.508</b>	<b>20.923</b>	<b>2.846</b>	<b>38.839</b>
Total Service Budget Reductions and Income Proposals	(6.970)	(0.512)	(0.069)	0.000	(7.551)
Less Reserves applied to one-off pressures	(3.592)	(1.359)	(0.546)	(0.476)	(5.973)
<b>Budget Gap</b>	<b>0.000</b>	<b>2.637</b>	<b>20.308</b>	<b>2.370</b>	<b>25.315</b>
<b>Budget Gap (cumulative)</b>	<b>0.000</b>	<b>2.637</b>	<b>22.945</b>	<b>25.315</b>	

3.20 The detailed assumptions were set out in the 19 December draft budget decision report and included within the MTFP in **Annex T**.



### ***Debt Financing***

- 3.21 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.
- 3.22 The Council's Treasury Management Strategy is set out at **Annex O**. This includes the Prudential Indicators and details of the Debt Financing Budget.

### ***Parking Account***

- 3.23 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.
- 3.24 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.
- 3.25 Parking income during 2023/24 has continued to recover but it is still not forecast to recover to pre-pandemic levels, meaning that many services previously funded by parking income will need to continue to be funded from other sources. The forecast on-street parking surplus will 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.
- 3.26 **Annex J** outlines the forecast parking surplus and the proposed use of this surplus as part of the final Budget 2024/25.

### **Housing Revenue Account**

- 3.27 The draft Housing Revenue Account budget was presented to Cabinet on 5 December 2023 and was subject to consultation with tenants and leaseholders alongside the wider budget, and the outcome of this is set out in **Annex A**.
- 3.28 The core assumptions remain as per the draft budget; however, we have made a small number of amendments to reflect the most up to date information and these are summarised in **Annex K** and **K1**. The overall position of the HRA business plan remains as per the draft budget – the business plan is balanced across the MTFP but our borrowing limit (against an interest cover ratio of 1.25), is met in 2024/25 and 2025/26, but exceeded thereafter, based on the current capital programme. A review of SHDF2 is underway and is likely to result in significant reductions in expenditure due to affordability, value for money and meeting the terms of the grant. This reduction is expected to be sufficient to balance the headroom gap in future years, but if not, further reviews of revenue and capital expenditure will need to be undertaken.

There are also several material assumptions within the business plan, including the outcome of future rent policy, and therefore the business plan will be subject to an ongoing rolling refresh.

- 3.29 As a result of the wider financial and economic position, rents will be increased in 2024/25 by 7.7% for existing tenants and 7% for shared owners (the uplift for shared owners lags one year behind tenant rents as per the terms of leases), the maximum allowable under the Rent Standard. This is an average increase of £7.50 per week to £104.95 per week for tenants and an average increase of £3.92 per week to £59.94 per week for shared owners. Further information on our current social housing and open market rented properties sector for Milton Keynes and neighbouring areas is included in **Annex K2**.
- 3.30 We have recently consulted with tenants and leaseholders on changes to service charge setting and several changes will be implemented for 2024/25 and these are outlined in **Annex K3**, together with summary information on the consultation response. There will be ongoing periods of consultation on specific elements in 2024, for example reviewing sinking funds and localised priorities for open space maintenance.
- 3.31 The quarterly review of the Business Plan will continue into 2024/25 to ensure that risks are kept under review and to reflect changes against the plan, including considering any mitigating actions. This will inform decisions on the prioritisation, timing and appropriateness of investment, including those elements of funding in the capital programme (**Annex K1 and M**) which are still subject to further decisions, including the Social Housing Decarbonisation Fund (SHDF2) programme. To remain at or above an ICR of 1.25, reductions to some of these budgets / re-phasing will be necessary. This will be confirmed through a Delegated Decision in March 2024 once the review of the SHDF programme has been completed.

### **Dedicated Schools Grant**

- 3.32 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 2024. The grant and expenditure is monitored closely by the Schools Forum (a committee of the Council), and in some cases, they are delegated decision making on areas of the budget.
- 3.33 The estimated grant for 2024/25 is £367m (an increase of £33m from 2023/24). Part of the 2024/25 DSG allocation is still provisional due to the recalculation of parts of the funding factors, where they are recalculated on later census data. This will affect the whole of the early years block and the import and export element within the high needs block.

**Table 6.0: DSG Funding Allocations**

Block	2023/24 £m	2024/25 £m	Increase £m
Schools	249.110	268.153	19.043
Central Services	1.829	1.928	0.099
High Needs	59.959	61.825	1.866
Early Years	23.166	35.441	12.275
<b>Total</b>	<b>334.064</b>	<b>367.347</b>	<b>33.283</b>

3.34 The main changes to the budget and funding formulas are:

- Schools Block:** Formula allocations are driven by the national funding formula (NFF) set by DfE, and the Schools Forum approve growth funding criteria. We are fully in line with the NFF requirements, except for a top slice on basic pupil funding of 2.1% which is due to our growth in MK and the lagged nature of funding. There has been an increase of £7.871m compared to the provisional settlement due to the allocation being updated to reflect the October 2023 census, which has seen an increase of 858 pupils compared to October 2022. The formula was submitted on 22 January (after delegated approval was given at December Delegated Decision, in order to comply with DfE timescales).
- Early Years:** The hourly funding rate to providers has increased by £2.12 for disadvantaged two-year-olds, to £7.80. From April 2024 (as per the entitlement expansion), working parents of two-year-olds will be able to access 15 hours of free childcare which will also be payable at £7.80. For three and four-year-olds the increase to the hourly funding rate is £0.59, to £5.50. Further key changes for 2024/25 include extending the eligibility for EY Pupil Premium and Disability Access Fund (DAF) to eligible children aged 2 and under, as well as expanding the Inclusion Fund to the new entitlements. The funding received does not include the extension planned for September 2025, for eligible working parents of children aged nine-months and above who will be able to access 30 hours. This block is volatile as our funding is based on two fixed census snapshots, but funding is paid to providers based on actual take up, which can fluctuate during census periods. Despite the volatility on the block, due to an in-year surplus, we can pass on the full increase to providers in 2024/25.
- High Needs:** Minimum funding increase requirements for special and alternative provision settings were introduced from 2023/24. This requires a minimum funding increase of between 0% - 0.5% when compared to the 2023/24 funding baseline. The high needs block remains under significant pressure (nationally and locally); however, we have set a balanced budget for 2024/25. To achieve this there has been no rate increase for special schools where there has been a significant amount of the increase in high needs funding already allocated to meet the increase in demand and complexity of need. There has however been a 2% increase to mainstream top-up rates as well as additional unit places commissioned to meet demand locally.

Due to these changes and increased demand, it has resulted in a reduced in-year demand reserve being built into the 2024/25 budget in order to set a balanced budget. The budget remains highly volatile and will continue to be monitored closely.

3.35 The Schools Forum considered the budget and funding formulae for 2024/25 on 18 January and detailed papers can be found on the following [link](#).

### Capital Programme

3.36 **Table 7.0** summarises the Council’s capital resources and expenditure needs and **table 7.1** shows the changes made to the capital programme since the draft budget. The detailed Capital Programme and changes are available in **Annex M**.

**Table 7.0: Forecast Summary of Capital Resources and Expenditure**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Capital Resources	253.330	131.609	52.891	62.151	43.133
Capital Expenditure	220.256	126.156	52.396	61.346	41.965
<b>Net Position (surplus) / deficit</b>	<b>(33.074)</b>	<b>(5.453)</b>	<b>(0.495)</b>	<b>(0.805)</b>	<b>(1.168)</b>
Cumulative Position (surplus) / deficit	<b>(33.074)</b>	<b>(38.527)</b>	<b>(39.022)</b>	<b>(39.827)</b>	<b>(40.995)</b>

3.37 The only changes to the position reported in the draft budget are detailed in the table below:

**Table 7.1: Capital Programme changes since draft budget.**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Draft Budget</b>	<b>218.595</b>	<b>125.184</b>	<b>53.266</b>	<b>60.280</b>	<b>42.794</b>
<b><i>Feb 24 Cabinet Changes</i></b>					
H10 Bletcham Way Extensions	0.610	0.000	0.000	0.000	0.000
East West Rail	(5.540)	0.000	0.000	0.000	0.000
Towns Fund - 3. Transport Hub	3.540	2.000	0.000	0.000	0.000
<b><i>Additions since Draft Budget</i></b>					
Reema buybacks	0.025	1.081	(0.767)	1.044	(0.828)
HRA Planned AMP	0.831	(0.142)	(0.146)	0.000	0.000
The Lakes Estate Regeneration	2.011	(2.011)	0.000	0.000	0.000
Local Authority Tree Fund - Queens Canopy	0.185	0.044	0.044	0.022	0.000
<b>Final Budget</b>	<b>220.256</b>	<b>126.156</b>	<b>52.396</b>	<b>61.345</b>	<b>41.966</b>

- 3.38 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 2024/25 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 £32.139m of receipts are assumed within the financing of the 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 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.
- 3.39 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.
- 3.40 Whilst **Table 7** 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 2028/29 where ring-fenced funding has been identified.
- 3.41 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.
- 3.42 The Capital Strategy has been revised and is included at **Annex L**.

### **Capital Funding**

- 3.43 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**

- 3.44 We reported the position as part of the draft budget proposals. There are no changes included in the Final Budget proposals.

- 3.45 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.
- 3.46 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.
- 3.47 A total of £0.326m new S106 funding has been allocated within the Capital Programme.

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

- 3.48 We reported the position on the Milton Keynes Tariff as part of the draft budget proposals. There are two changes to the Final Tariff Programme as follows:
- **CMK Junction Improvements** - £1.000m has been moved back a year from 2024/25 to 2025/26 as works expected to start towards the end of 2024/25.
  - **Expansion Area Flooding & Drainage Schemes** – Funding of £0.633m has been bought forward to 2023/24 to progress with the Grant Funding Agreement(s) with the Buckingham & River Ouzel Internal Drainage Board (IDB) to secure long term maintenance arrangements for the main watercourses providing ultimate discharge for the Magna Park, Broughton Gate and Western Expansion Area developments. The remaining budget has been reprofiled across the MTFP.
- 3.49 **Annex N** 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.
- 3.50 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 £9.912m 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.
- 3.51 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**

- 3.52 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.
- 3.53 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**

- 3.54 A detailed risk assessment was carried out as part of the draft budget and used to inform the Councils approach to the budget and also level of reserves. We have reviewed this assessment as part of the final budget proposals and have not made any changes.
- 3.55 The full budget risk assessment is set out at **Annex R** 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
- 3.56 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*

- 3.57 A full review of the Councils reserves was carried out as part of the draft budget and reported to Cabinet. We have not made any changes with the final budget proposals.
- 3.58 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.

3.59 The overall movement in the Councils revenue reserves is summarised in **Table 8.0** below:

**Table 8.0: 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)	(33.048)	(33.048)	(33.048)	(33.048)
Earmarked Reserves – non distributable	(74.542)	(131.359)	(125.875)	(125.583)	(129.031)
Earmarked reserves – distributable	(15.685)	(7.304)	(1.882)	(1.112)	(1.006)
<b>Total GF Reserves</b>	<b>(119.894)</b>	<b>(171.711)</b>	<b>(160.805)</b>	<b>(159.744)</b>	<b>(163.085)</b>
HRA Reserves	(52.598)	(14.865)	(8.016)	(8.176)	(8.340)
<b>Total Reserves</b>	<b>(172.493)</b>	<b>(186.576)</b>	<b>(168.821)</b>	<b>(167.920)</b>	<b>(171.425)</b>

3.60 **Table 8** shows the distributable General fund reserves reducing from £15.685m at the beginning of 2023/24 to £1.006m 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 £163.085m 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, funding for future asset renewals and the timing differences between the Collection Fund and General Fund which manages the volatility of Business rates income and the impact of the Business Rates reset set to happen in 2026/27.

3.61 In balancing the 2024/25 budget, the Council has not use unearmarked reserves. The final budget does include the planned use of earmarked reserves for non-recurrent expenditure.

### **Robustness and Risks**

3.62 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.

3.63 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 final Budget report and associated annexes outlines the assessment of the adequacy of reserves and robustness of the final Budget.



- 3.64 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.
- 3.65 The final Budget adequately reflects known issues and assessment of the budget requirement and funding.
- 3.66 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.
- 3.67 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.
- 3.68 The Council produced its 2022/23 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.
- 3.69 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 R**) and in-depth review of the adequacy of the Council's level of reserves which is set out in **Annex Q** to the report.
- 3.70 The General Fund Balance of £32.779m is estimated to be adequate to meet the Council's financial needs in 2024/25.
- 3.71 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 final Budget 2024/25.

**Table 9.0: Section 151 Officers Assessment on the Adequacy of Reserves**

<b>Reserve</b>	<b>Forecast Balance at 31/3/2024 £m</b>	<b>Forecast Balance at 31/3/2025 £m</b>
GF Working Balance*	33.048	33.048
% Net Revenue Budget	<b>13.38%</b>	<b>12.37%</b>
Specific Risk Reserves**	36.645	35.819
Total Reserves Available to meet known and unknown budget risks	<b>69.693</b>	<b>68.867</b>
% Net Revenue Budget**	<b>28.21%</b>	<b>25.79%</b>

*\*See **Annex Q** 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.*

- 3.72 The Council Tax Adjustment figure (one-off) of £2.6m is being held in contingency to meet any unforeseen costs not provided for within this budget. In the draft budget there was a base budget contingency of £3.8m, as a result of the changes set out in this report, the balance has reduced to **£2.726m**.
- 3.73 An equivalent assessment for the HRA has been undertaken and the Prudent Minimum Balance of £8.016m is estimated to be adequate to meet the HRA's financial needs in 2024/25. This has been supported with a detailed risk assessment (**Annex K and K1**).

#### 4. 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 S** 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 2.59 to 2.68.

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

There are 85 pressures, reductions and income proposals of which 81 were considered as being 'significant' of which 12 are 'relevant' to equality.

As part of the consultation process six in-depth assessments will be conducted.

The majority of significant pressures are related to demographic changes and the financial constraints. The 2024/25 budget continues a focus on meeting the needs of the most vulnerable and it is significant that many of the pressures are amongst the most vulnerable groups in Milton Keynes. The major factor in having due regard to equality of opportunity remains the changing demography of Milton Keynes, although the funding of work to tackle health inequalities promises to address wider inequality too.

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 there are further opportunities to meet the objectives set out by the Child Poverty Commission in 2020. Further details of the Equality aspects of this budget will appear on our Equality pages on the MKCC website after the budget consultation.

## 5. Timetable for Implementation

- 12 December 2023 to 31 January 2024 - Budget Consultation commenced.
- 6 February 2024 - Final Budget and Capital Programme report to Cabinet.
- 21 February 2024 - Final Budget and Capital Programme report to Council.

---

## List of Annexes

Note: Only the addendum and revised Annex I are included in the agenda. All other annexes are available [here](#), or on request.

Summary of Budget Consultation	Annex A
Budget and Resources Scrutiny Committee Report 2023/24	Annex B
Cabinet member response to the Budget and Resources Scrutiny Committee Report 2023/24 – (to follow)	Annex B1
2024/25 Budget Pressures	Annex C
2024/25 Budget Reductions and Income Proposals	Annex D
2024/25 One-off Budget Pressures	Annex E
Detailed Fees and Charges for 2024/25	Annex F
Fees and Charges: Exemptions to the Policy	Annex G
2024/25 – 2027/28 General Fund Forecasting Model	Annex H
2024/25 General Fund Budget Summary	Annex I
2024/25 Parking Account Summary	Annex J
2024/25 HRA Budget Report	Annex K
2024/25 HRA Budget Tables	Annex K1
HRA Rent Affordability and Market Context Report	Annex K2
HRA Service Charge Consultation	Annex K3
Capital Strategy	Annex L
Medium Term Capital Programme	Annex M
Tariff Resource Allocation	Annex N
Treasury Management Strategy	Annex O
General Fund Working Balance Reserve Assessment	Annex P
Earmarked Reserves	Annex Q
General Fund Budget Risk Assessment	Annex R
Legal Framework	Annex L
Medium Term Financial Plan 2024/25 – 2027/28	Annex T
Addendum	