

Cabinet report



2 February 2021

COUNCIL BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN 2021/22 TO 2024/25

| | |
|------------------------|--|
| Name of Cabinet member | Rob Middleton Cabinet member for Resources |
| Report sponsor | Steve Richardson Director of Finance and Resources |
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|---|----------------------------|
| Exempt / confidential / not for publication | No |
| Council Plan reference | 1 – Balanced Budget |
| Wards affected | All wards |

Executive Summary

This report recommends the Revenue Budget 2021/22 and latest Medium Term Financial Forecast 2021/22 to 2024/25, Capital programme for 2021/22 to 2024/25, Housing Revenue Account Budget 2021/22 and Prudential Indicators for the approval of Cabinet and recommendation to Council.

A summary of the feedback received during the consultation process can be found at Annex A.

The capital programme has been updated to reflect any new schemes.

The Housing Revenue Account (HRA) Budget includes for a rent increase of 1.5% (CPI + 1%) and continues to allocate resources for new build housing and regeneration.

1. Decision/s to be made

- 1.1 That the Revenue Budget 2021/22 totalling £210.434m be approved by Cabinet and recommended to Council. (**Annex I**).
- 1.2 That the Council Tax at Band D of £1,465.59, for the Milton Keynes element of the Council Tax, be approved by Cabinet and recommended to Council. This is an increase of 2.50%, consisting of a 1.99% general increase and 0.51% Adult Social Care Precept.
- 1.3 That the Council Tax requirement for the Council's own purposes for 2021/22 (excluding Parish Precepts) of £126.354m, be noted.
- 1.4 That the estimated position for the Dedicated Schools Grant for 2021/22 be noted.
- 1.5 That the forecast parking surplus be noted (**Annex J**).
- 1.6 That the Housing Revenue Account Revenue Budget 2021/22 be recommended to Council for adoption. (paras. 2.60-2.64 and **Annexes K-N**)
- 1.7 That the Housing Revenue Account Dwelling Rent 2021/22, an increase of 1.5% as set out in paragraph 2.63, an average of £1.33 per week, be recommended to Council.
- 1.8 That the advance payment of £17.606m employer pension contributions for 2021/22 be approved by Cabinet and recommended to Council. (Para 2.36).
- 1.9 That the fees and charges for 2021/22 (including those fees and charges which are exceptions to the Income and Collection Policy) be approved by Cabinet and recommended to Council. (**Annex F and Annex G**)
- 1.10 That the Capital Strategy be approved by Cabinet and recommended to Council (**Annex O**)
- 1.11 That the Capital Programme for 2021/22 to 2024/25 be approved by Cabinet and recommended to Council. (**Annex P**)
- 1.12 That the resource allocation for the 2021/22 Tariff programme be approved by Cabinet and recommended to Council. (**Annex Q**).
- 1.13 That the Treasury Management Strategy for 2021/22 to 2025/26 and the Treasury Policy Statement, including the Minimum Revenue Provision Policy, Borrowing Limits be approved by Cabinet and recommended to Council. (**Annex S**)
- 1.14 That the financial forecast set out in the Medium Term Financial Plan (MTFP), in relation to both resources and expenditure, be noted. (**Annex X**)
- 1.15 The equalities impact assessments for the Revenue Budget 2021/22, as set out in Section 3 be 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 2021/22.
- Update and extend the Council's financial forecasts for the period 2021/22 to 2024/25
- To set out our approach to addressing the financial challenges over the medium term and managing short term uncertainty.

Consultation Feedback and Resulting Changes

2.2 The Council has consulted on the proposals set out in the draft Budget 2021/22. This year's consultation ran from 18 December 2020 to 31 January 2021.

2.3 The Consultation engagement included the following methods of communication:

- Key Budget information contained on the Council website and shared through social media alerts.
- Public scrutiny through the Budget Scrutiny meetings.

2.4 A summary of the Budget engagement process and responses can be found in **Annex A**. The Budget & Resources Scrutiny Committee held a series of meetings in January and their report is included in **Annex B** (to follow), together with Cabinet's response to their recommendations.

Changes from the Draft Revenue Budget

2.5 The Provisional Local Government Finance Settlement (LGFS) was announced on 17 December, after the draft Budget had been published. The settlement confirmed details of our funding for 2021/22, which included:

- Council Tax Referendum Limits of 1.99% for the overall council tax increase and 3% for Adult Social Care. The budget includes a proposal for a 2.50% increase.
- New Homes Bonus (NHB) provisional allocations and no further reforms to the methodology for 2021/22.
- Allocations of a number of one-off grants announced in the November Spending Review (Table 2).

2.6 The Settlement confirmed that the Fair Funding Review and changes to the Business Rates Retention scheme would be delayed to at least 2022/23 as a result of COVID-19, including the planned reset of business rates.

New Homes Bonus

2.7 When the Draft Budget was prepared the NHB for 2021/22 had not been confirmed.

- 2.8 The provisional LGFS confirmed that an allocation would be made for 2021/22 under the current methodology and the growth baseline would remain at 0.4%. The new allocation earned for 2021/22 will only attract an NHB reward for that one year and legacy payments from previous allocations will cease by 2023/24. This is reflected in the MTFP.
- 2.9 The NHB allocation for 2021/22 is confirmed as £5.222m. This is £2.471m higher than we had allowed for in the draft budget. £2m of the additional amount has been allocated to fund Cabinet Investment Priorities as detailed in Table 5 and **Annex R**. The MTFP currently assumes a further £1.970m in NHB will be received after 2021/22.
- 2.10 The government has confirmed it will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.
- 2.11 The use of the NHB is summarised in Table 1.

Table 1 – New Homes Bonus Forecast

| | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|---------------------------------|-----------------|----------------|----------------|
| Estimated NHB | (6.673) | (5.222) | (1.970) |
| Balance Brought Forward | (6.469) | (1.237) | (1.065) |
| To be distributed | (13.142) | (6.459) | (3.035) |
| Commitments | | | |
| Base Budget Funding in Revenue | 6.000 | 2.751 | 1.970 |
| Waste Contamination | 0.414 | 0.000 | 0.000 |
| One off Funding in Revenue | 0.735 | 2.604 | 0.375 |
| Earmarked for Capital Programme | 2.787 | 0.039 | 0.219 |
| Other Transfers to Revenue | 0.782 | 0.000 | 0.000 |
| Transfer to COVID-19 Reserve | 1.187 | 0.000 | 0.000 |
| Balance Carried Forward | (1.237) | (1.065) | (0.471) |

One-Off Grants

- 2.12 Table 2 compares the Provisional LGFS announcements on one off grants with the draft Budget assumptions.

Table 2 – Additional One-off Funding Announced in Provisional LGFS

| | 2021/22 Draft Budget | 2021/22 Provisional Settlement | Change |
|--|-------------------------------------|---|----------------|
| | £m | £m | £m |
| New Homes Bonus - 2021/22 | 0.000 | (2.471) | (2.471) |
| New Homes Bonus - Legacy Payments | (2.751) | (2.751) | 0.000 |
| Social Care Grant (rollover grant) | (4.830) | (4.830) | 0.000 |
| Social Care Grant (£300m) | (1.135) | (0.327) | 0.808 |
| Core Spending Power - Lower Tier Services Grant Allocations | 0.000 | (0.337) | (0.337) |
| COVID Grant (S31 Grant) | (8.382) | (7.064) | 1.318 |
| TOTAL | (17.098) | (17.780) | (0.682) |
| Further Announcement Post Settlement Publication | | | |
| LCTS Grant | 0.000 | (2.826) | (2.826) |

- 2.13 The draft budget assumed a higher allocation of Social Care Grant, than has been confirmed (a reduction of £0.808m). In the draft budget we assumed that the grant would be allocated on the same basis as the current grant allocation. In the settlement this was weighted towards authorities with smaller tax bases. This was done as way of levelling off the impact on authorities who generate less revenue from the ASC Precept due to their low tax base.
- 2.14 The draft budget assumed that the COVID S31 grant would be allocated on a similar basis to the previous allocations. The final allocation reflects a change in the basis of apportionment reducing the grant by £1.318m.
- 2.15 In the Finance Settlement the government announced a brand new one-off Lower Tier Services Grant. We will receive £337k in 2021/22 to ensure that the Councils spending power increase is 4.5% as announced in the provisional settlement. This assumes that the Council will increase its share of Council Tax by the maximum permitted (5%).
- 2.16 Shortly after the provisional LGSS was announced we received indicative numbers for the Council Tax Support Grant which is to be paid to Major Preceptors in 2021/22 only to compensate for losses on the Collection Fund as a result of the increase in Local Council Tax Support payments due to the impact of COVID-19. This will be used to balance off losses in the Councils Collection Fund.
- 2.17 A small number of other changes have also arisen since the agreement of the Draft Budget, which need to be reflected in the Final Budget. These are detailed in Table 3.

Table 3: Changes to Budget Proposals

| Budget Proposal | Ongoing Budget Description | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|------------------------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Increased Funding | Increase in Revenue Support Grant (Provisional LGFS) | (0.003) | 0.000 | 0.000 | 0.000 |
| Increased Funding | Increase in Homelessness Grant Funding | (0.477) | 0.477 | 0.000 | 0.000 |
| Increased Funding | Correction to Public Health Grant | (0.080) | 0.000 | 0.000 | 0.000 |
| Reduced Pressure | Care Home Market Sustainability (P011) | (0.050) | 0.000 | 0.000 | 0.000 |
| Withdrawn Reduction | Democratic Services (S041) | 0.016 | 0.000 | 0.000 | 0.000 |
| Reduced Reduction | Closure of Theatre Car Park (S061) | 0.060 | (0.030) | 0.000 | 0.000 |
| Reduced Saving | Non Essential Spend Adjustment | 0.004 | 0.000 | 0.000 | 0.000 |
| Contingency | Adjustments to Contingency | 0.530 | (0.454) | 0.000 | 0.000 |
| Total base changes | | 0.000 | (0.007) | 0.000 | 0.000 |
| One-off Pressure | Women's Euros (OP05) - rephased | (0.025) | 0.025 | 0.000 | 0.000 |
| One-off Funding | New Homes Bonus Reserve | 0.025 | (0.025) | 0.000 | 0.000 |
| Total one-off changes | | 0.000 | 0.000 | 0.000 | 0.000 |

2.18 The government has also confirmed that the Homelessness Prevention Grant would continue for a further 12 months. Overall this has meant a gain against the draft budget of £0.477m which has been added to the Contingency to part offset losses from other funding.

2.19 We have continued to keep demand pressures under review and whilst their continues to be a significant level of uncertainty we are not proposing any further changes from the draft budget.

Table 4 - Key Budget Demand Budgets

| | Key Budget | Budget 2020/21 | Latest Outturn Forecast P8 2020/21 | Budget 2021/22 |
|---------------------------|--|-------------------|--|-------------------|
| | | £m | £m | £m |
| Planning | Planning income | (2.498) | (1.482) | (1.824) |
| Environment & Property | Parking Income | (13.680) | (4.400) | (5.220) |
| | Elder Gate Car Park | 0.631 | 0.858 | 0.988 |
| | Excess waste tonnage and LECS | 0.280 | 1.339 | 1.032 |
| | Waste Contamination | 0.724 | 0.940 | 0.964 |
| | Taxi Income | (0.533) | (0.430) | (0.453) |
| | Sponsorship Income | (0.609) | (0.255) | (0.349) |
| Children's | Home to School Transport | 4.629 | 4.315 | 5.043 |
| | Children's Direct Payments | 1.022 | 0.954 | 1.123 |
| | SEN Casework Support | 0.518 | 0.503 | 0.591 |
| | Libraries | 1.835 | 1.962 | 2.123 |
| | Supported Employment | (0.077) | 0.062 | 0.155 |
| | Placements | 18.324 | 19.410 | 19.497 |
| | Children's Social Work Staffing | 9.638 | 9.731 | 10.390 |
| Adults | Learning Disability | 19.177 | 19.929 | 21.880 |
| | Physical Disability | 3.353 | 2.708 | 3.354 |
| | Mental Health (MH) and Autism Services | 5.053 | 4.748 | 5.654 |
| | Homeless Prevention & Access and Prevention Fund | 8.773 | 8.8 | 8.203 |
| | Internal Day Care | 3.533 | 3.863 | 3.848 |
| | Care Home Sustainability & Older People Demand | 16.485 | 17.073 | 17.945 |

2.20 The impact of these changes can be contained within the Draft Budget financial envelope with an adjustment to the Contingency Fund of £0.059m increasing this to £2.194m. The reduced funding from COVID-19 s31 Grant has increased the deficit in 2022/23 where we had planned to use the majority of this funding.

Cabinet Investment Priorities

2.21 The budget also includes £5.100m, funding for a number of one off investment proposals. These are detailed in **Annex R** and summarised in Table 5.

Table 5: Cabinet Investment Priorities

| | 2021/22 |
|-----------------------------------|----------------|
| | £m |
| Supporting People in Need | 2.000 |
| Economic Recovery | 1.500 |
| Supporting Our Health & Wellbeing | 0.750 |
| Tackling Climate Change | 0.500 |
| Safer Communities | 0.250 |
| Getting the Basics Right | 0.100 |
| TOTAL | 5.100 |

2.22 These will be funded as detailed in Table 6.

Table 6: Funding for Cabinet Investment Priorities

| | 2021/22 |
|-----------------------|----------------|
| | £m |
| New Homes Bonus | 2.000 |
| General Reserves | 2.350 |
| Public Health Reserve | 0.750 |
| TOTAL | 5.100 |

General Resources – Ongoing

2.23 The total ongoing resources forecast to be available over the medium-term are detailed in Table 7. The provisional LGFS allocated £5.623m in Revenue Support Grant (RSG) to Milton Keynes Council for 2021/22. This is slightly more (£0.003m) than assumed in the draft budget.

Table 7: Forecast Resources 2021/22 – 2024/25

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m |
| Revenue Support Grant | (5.623) | (5.730) | (5.845) | (5.962) |
| Retained Business Rates | (52.632) | (49.074) | (50.981) | (52.907) |
| Council Tax (including parish precepts) | (134.978) | (144.366) | (150.882) | (157.618) |
| Public Health Grant | (11.642) | (11.642) | (11.642) | (11.642) |
| Use of New Homes Bonus | (5.222) | (1.970) | 0.000 | 0.000 |
| Core Spending Power - Lower Tier Services Grant (New) | (0.337) | 0.000 | 0.000 | 0.000 |
| Total Ongoing Resources | (210.434) | (212.782) | (219.350) | (228.129) |

Council Tax

2.24 The provisional LGFS confirmed the following,

- Council Tax referendum limit set at up to 2%
- 3% Adult Social Care Council Tax Precept, with the option for spreading over 2021/22 and 2022/23

2.25 The budget includes the following Council Tax increases

Table 8 – Council Tax

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------|----------------|----------------|----------------|----------------|
| MKC Band D | 1.99% | 1.99% | 1.99% | 1.99% |
| ASC Precept | 0.51% | 2.49% | 0.00% | 0.00% |
| Total Increase | 2.50% | 4.48% | 1.99% | 1.99% |

2.26 All Council Tax Base assumptions have been reviewed in light of the potential impact of the COVID-19 global pandemic. This has resulted in a reduced Tax Base for 2021/22 compared to 2020/21. Further details are available in the Tax Base report presented to Cabinet on 15th December.

2.27 Overall Council Tax income is anticipated to increase by £2.401m in 2021/22; this total comprises £3.082m generated from a 2.50% increase to the charge, and a reduction of £0.681m arising from the reduced Tax base.

General Fund Expenditure

2.28 In determining Revenue Budget expenditure for 2021/22 the following forecasting assumptions have been made:

Table 9: Forecasting Assumptions 2021/22

| | 2021/22 |
|-----------------------------|----------------|
| General Pay Inflation* | 0.0% |
| General Non-Pay Inflation** | 0.0% |
| Fees and Charges | 2.0% |

* pay freeze for those earning above £24,000

**assumes must be contained within existing budgets

2.29 Exemptions to the 2.0% increase in fees and charges are listed in **Annex G**.

2.30 Contractual inflation is based on existing contract agreements. Some of the larger contracts are detailed in Table 10.

Table 10: Contractual Inflation Assumptions 2021/22

| | 2021/22 |
|---|---------|
| SERCO – Waste Collection - DTI Indices | 2.75% |
| SERCO – Street Cleansing - DTI Indices | 2.75% |
| SERCO – Food and Garden Waste - DTI Indices | 2.75% |
| SERCO – Landscape - DTI Indices | 2.50% |
| Ringway - highways works | 1.85% |
| Ringway - street lighting works | 1.76% |
| Excel Care | 3.45% |
| Extracare | 2.31% |

Cost Pressures

2.31 The pressures identified in the Budget 2021/22 are summarised below in Table 11. Pressures have been challenged as part of both officer and councillor scrutiny of the Revenue Budget. This is to ensure that pressures are realistic and reflect a reasonable forecast of future costs to ensure an accurate budget, while not overstating costs. A full list of all ongoing pressures is included at **Annex C** and one-off pressures at **Annex D**.

Table 11: Budget Pressures 2021/22 – 2024/25

| Budget Pressures by Category | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|--|---------------|---------------|---------------|---------------|
| Demography | 4.998 | 2.160 | 2.200 | 2.206 |
| Demand - Exceptional | 10.695 | (0.337) | 0.000 | 0.000 |
| Demand - New | 2.093 | 0.080 | (0.200) | (0.200) |
| Legislative | (0.124) | 1.528 | 1.032 | 0.158 |
| Policy Choice | 0.275 | 0.050 | 0.050 | 0.000 |
| Contractual Change | 0.748 | 0.000 | 0.000 | 0.000 |
| Total Ongoing Service Pressures | 18.685 | 3.481 | 3.082 | 2.164 |
| Unidentified Pressures | 0.000 | 1.500 | 1.500 | 1.500 |
| Total Ongoing Pressures | 18.685 | 4.981 | 4.582 | 3.664 |
| Total One-off Budget Pressures (See Annex D) | 1.360 | 0.701 | 0.237 | 0.081 |

2.32 On-going budget pressures of £18.7m in 2021/22 will be funded from on-going resources, together with £2.9m one-off COVID-19 grants. In addition, a further £1.4m of one-off expenditure has been identified (**Annex D**). The funding for one-off expenditure is detailed in Table 12.

Table 12: Funding for One-Off Expenditure 2021/22 - 2024/25

| | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|------------------------------|---------------|---------------|---------------|---------------|
| Strategic Development Fund | 0.050 | 0.000 | 0.000 | 0.000 |
| Events Reserve | 0.000 | 0.050 | 0.000 | 0.050 |
| Social Care Fund | 0.289 | 0.000 | 0.000 | 0.000 |
| New Homes Bonus | 0.604 | 0.375 | 0.000 | 0.000 |
| Corporate Property Reserve | 0.100 | 0.050 | 0.000 | 0.000 |
| COVID-19 Support Grant | 0.317 | 0.226 | 0.237 | 0.031 |
| Total One-off Funding | 1.360 | 0.701 | 0.237 | 0.081 |

Pensions

2.33 The Buckinghamshire County Council Pension Fund is currently revalued every three years. The latest valuation by the actuary based on 31 March 2019 data set out the primary and secondary contribution rates for all employers in the Fund for the period from 1 April 2020 to 31 March 2023.

Under current Pension regulations, it is possible to pay employer pension contributions in advance rather than monthly. The Council paid the non-schools employer's contributions for 2020/21 on 1 April 2020 as a cash lump sum at a cost of £16.989m. This is projected to generate an estimated one-off saving of £0.405m as the Pension Fund is able to invest these funds earlier.

2.34 It is also now proposed that the 2021/22 contributions are paid up front on 1 April 2021 as a cash lump sum of £17.606m with an estimated one off saving of £0.419m. A decision on any future payments will be included in subsequent budget reports. Any savings will be transferred into the Pension Reserve to mitigate any potential risk on future pension revaluations.

2.35 The payments in advance are summarised in Table 13.

Table 13 – Advanced Pensions Payments

| | 2020/21 £m | 2021/22 £m | 2022/23 £m* |
|-----------------------------------|----------------|----------------|----------------|
| Contributions if paid monthly | 17.391 | 18.025 | 18.682 |
| Contributions if paid 1 April | 16.986 | 17.606 | 18.247 |
| Projected Saving | (0.405) | (0.419) | (0.435) |
| Loss of Interest on Cash Balances | 0.010 | 0.020 | 0.050 |
| Net saving | (0.395) | (0.399) | (0.385) |

*Future payment to be reviewed

2.36 The loss of interest on cash balances has been reviewed to ensure it reflects the latest projected interest rates.

2.37 The next pensions revaluation is expected to be from April 2023. The impact of COVID-19 on this revaluation and the required level of employer's pension contributions is unknown. A pensions reserve has therefore been created from the savings made from the advanced pension payment to mitigate against this risk. The estimated balance of this reserve at 31 March 2021 is £2.158m. The MTFP includes further contributions to this reserve of £0.510m per annum.

Fees and Charges

2.38 The proposed fees and charges are in accordance with the principles set out in the Income and Collection Policy. The full schedule of fees and charges is available at **Annex F**. The main principles in this Policy are:

- Charges will increase annually, informed by the July consumer price index (CPI) forecast.
- Charges are based on the full recovery of cost.
- Concessions are only in place for those in receipt of specific benefits, unless specifically agreed otherwise.
- Discretionary services will be charged for in advance, unless specifically agreed otherwise (e.g. for efficiency reasons).

2.39 The two main reasons for exceptions to the policy in the fees and charges proposed are:

- Additional concessions.
- Charges not increased in line with the policy.

2.40 The exemptions to the Income policy are outlined in **Annex G**.

Summary of Forecast Financial Position

2.41 As a consequence of the financial impact of COVID-19 and continuing increases in demand for services the Council needs to address a £29.63m financial deficit over the next four years.

2.42 So far, the Council has identified specific proposals, which could address up to £14.7m of these financial pressures but there is still significant work ahead to identify how the remaining gap can be addressed. Table 14 summarises the 4 year MTFP, and the current approach to address this position is set out in paras 2.44 – 2.52.

Table 14: Medium Term Financial Forecast

| | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|--|----------------|----------------|---------------|---------------|----------------|
| Government Funding Adjustments | 2.344 | 5.406 | (0.019) | (2.011) | 5.720 |
| Other Funding Sources | 2.828 | (6.522) | (6.108) | (6.314) | (16.116) |
| Pay, Contract & Other Inflation | 3.867 | 5.750 | 5.676 | 5.866 | 21.159 |
| Budget Service Pressures | 19.023 | 5.196 | 4.797 | 3.879 | 32.895 |
| Budget Delivery | (11.108) | (8.289) | 5.374 | 0.000 | (14.023) |
| Corporate Measures | (5.834) | 4.914 | (2.774) | 1.000 | (2.694) |
| Capital Financing Costs | 0.906 | (0.200) | (0.200) | (0.200) | 0.306 |
| One-off Pressures | 1.360 | 0.701 | 0.237 | 0.081 | 2.379 |
| Total Pressures | 13.386 | 6.956 | 6.983 | 2.301 | 29.625 |
| Budget Reductions & Income Proposals | (9.147) | (0.345) | (1.918) | (0.902) | (12.312) |
| Less Reserves applied to one-off pressures | (1.360) | (0.701) | (0.237) | (0.081) | (2.379) |
| Budget Gap | 2.879 | 5.910 | 4.828 | 1.318 | 14.934 |
| Use of Reserves | (2.879) | (2.495) | 5.374 | 0.000 | (0.000) |
| Net Ongoing Position | (0.000) | 3.415 | 10.202 | 1.318 | 14.934 |

Budget ApproachManagement Action Plan

2.43 In February 2020 a Transformation programme was approved with a savings target of £5.500m. As detailed in the draft Budget report, in response to the disruption caused by the COVID-19 crisis the programme was reviewed as part of a wider Management Action Plan, with a change in focus and time scale.

Table 15 provides a summary.

Table 15: Revised Management Action Plan Savings

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Property Commercialism | 0.500 | 0.000 | 0.000 | 0.500 | 0.250 | 1.250 |
| Management Restructure | 0.500 | 0.250 | 0.000 | 0.000 | 0.000 | 0.750 |
| Social Care & Homelessness | 0.250 | 0.250 | 0.500 | 0.000 | 0.000 | 1.000 |
| Older Peoples Services Demand | 0.500 | 0.000 | 0.000 | 0.000 | 0.000 | 0.500 |
| Customer Services & Digital | 0.250 | 0.093 | 0.200 | 0.457 | 0.000 | 1.000 |
| Organisational Efficiency | 0.100 | 0.000 | 0.000 | 0.000 | 0.000 | 0.100 |
| Operational Property Savings | 0.000 | 0.250 | 0.150 | 0.000 | 0.000 | 0.400 |
| Rapid Service Reviews | 0.250 | 0.250 | 0.000 | 0.000 | 0.000 | 0.500 |
| Total | 2.350 | 1.093 | 0.850 | 0.957 | 0.250 | 5.500 |

2.44 One-off funding of £3.717m has been set aside to support the delivery of the Management Action Plan.

2.45 Work has commenced on all of these initiatives; examples include,

- **Property Commercialism** – The Council is working with MKDP to deliver growth in revenue streams through its investment in development and property acquisitions within Milton Keynes which contributes to the continued growth of the borough. The first of these developments is underway. An income target of £0.500m is on track to be delivered in 2020/21.
- **Corporate restructure** - review of the top 3 tiers of the management restructure completed (£0.623m saving to date). The target for 2020/21 has been fully delivered.
- **Social Care & Homelessness** – Older People services savings planned for 2020/21 of £500k have been fully delivered through improved demand management actions. Work is progressing in homelessness to improve our approach to prevention and reduce the use and cost of using temporary accommodation. The impact of COVID-19 has impacted, in particular in social care with significant disruption. Despite this the Council has continued to deliver key services and meet new demand.
- **Customer Services and Digital Transformation** – We are rapidly expanding and repurposing our customer contact centre into a local help hub, with a greater emphasis on phone access and offering more than the current range of services (for example handling the initial contact from people who are at risk of being made homeless) and with the capacity to grip and resolve problems rather than signpost. A review of demand (current and future) is in progress to identify the level of savings that can be delivered in 2020/21. Planned savings were deferred due to the impact of COVID-19 and increase in demand for support, with an additional 4 staff redeployed into the team to help manage this. Total budget savings of £0.343m have been identified and in the process of being implemented.
- **Organisational Efficiency** – In year savings are being achieved to deliver this through a rationalisation of non-essential spend. This target will be exceeded in 2020/21 as part of a wider approach to mitigate new unfunded budget pressures arising from COVID-19. A base budget saving of £0.585m has been achieved from 2021/22 onwards following a comprehensive review.
- **Operational Property Savings** – continue to review the council's operational asset portfolio and explore the benefits of increased home working. Through a rationalisation of administrative buildings savings of £0.400m will be delivered in future years.

- **Rapid Service Reviews** – programme currently underway to consider how services will operate following changes in demand and delivery as a result of COVID-19.

2.46 To date £2.064m savings have been achieved and work will continue on delivery of the savings in the Management Action Plan.

Other Transformation Work streams

2.47 In addition to the Management Action Plan, further work streams have also been developed to offer both service transformation to improve outcomes and reduce costs. Some of the key areas currently being progressed include:

Environmental Services – Commissioning Strategy

2.48 The Council is developing a comprehensive commissioning approach for a number of its key Environmental Services contracts. This involves an alignment of key contract dates to optimise the opportunities in 2023 to deliver a more holistic approach to how Waste Management services are provided for local residents. As this programme develops the opportunities for service improvements and cost savings will be fully explored to help deliver the wider priorities of the Council Plan.

Asset Management - Review of Property Portfolio

2.49 A complete review of the Council's operational asset portfolio is in progress to ensure that the Council has the assets it needs to deliver modern front line services and facilities. This will identify both future investment need and opportunities to rationalise the current estate to deliver both capital investment and revenue savings.

Demand Management

2.50 The Council has been successful at managing demand in its key front line service areas. This has helped it to manage some of the significant financial challenges in recent years. This work will continue to be a priority in managing future budget pressures and ensuring that resources are prioritised to the greatest needs of our residents.

2.51 The budget includes proposals to invest further to remodel and improve how the Council manages homeless demand through improved prevention services, collaboration and how temporary accommodation is sourced. Over a 5 year period the Council aims to both manage new demand and reduce the existing number of families in temporary accommodation to release savings of £4.785m by 2024/25. This savings is included within the MTFP.

Parking Account

2.52 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.

2.53 As in previous years, the Council has estimated the likely income it will receive from car parking in 2021/22, the costs that are required to manage car parking, and has considered the need for additional car parking.

2.54 As a result of this process it has been identified that, whilst income will be considerably lower than previous years, car parking is expected to generate a surplus in 2021/22, which 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

2.55 **Annex J** outlines the forecast parking surplus and the proposed use of this surplus as part of the Budget 2021/22. This is significantly lower than in previous years due to the impact of COVID-19 on demand.

Dedicated Schools Grant

2.56 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 2021. The grant and expenditure is monitored closely by the Schools Forum (a committee of the Council).

Part of the 2021/22 DSG allocation is still provisional due to the recalculation of parts of the census-based funding factors, where there are recalculated on later census dates. This will affect the whole of the early years block and the import and export element within the high needs block.

2.57 The 2021/22 DSG budget can be found within the Schools Forum reports in the following link [14 January 2021](#) (Item 2.2). The budget means that MKC will continue to hold the early years and high needs balances within the blocks (Table 16). This will be needed to manage future risks as these blocks remain highly volatile in terms of demand and take up. The underspend within the schools block will be distributed as part of the 2021/22 schools funding formula.

Table 16 – Dedicated School Grant

| | Schools | Central School Services | Early Years | High Needs | Total |
|--------------------------------|---------|-------------------------|-------------|------------|---------|
| | £m | £m | £m | £m | £m |
| 2020/21 Forecast Carry Forward | (0.432) | (0.006) | (0.427) | (2.481) | (3.346) |

Housing Revenue Account

- 2.58 The Housing Revenue Account (HRA) is a ring-fenced account, which is used for income and expenditure relating to the provision of housing by the council to tenants and leaseholders. It is funded by rents rather than from Council Tax.
- 2.59 There was a major change to the financing of the HRA from April 2012, due to the implementation of the “Self-Financing” regime. This change meant the Council took on £170m of debt in exchange for no longer paying negative Housing Subsidy. Income and expenditure of the HRA is now based largely on local rather than national decisions, and reflects investment informed by the HRA Business Plan and Asset Management Plan.
- 2.60 A further major change was announced in the October 2018 budget, when the “Debt Cap” which had limited councils’ ability to borrow to invest in housing was abolished. Councils are now able to borrow for housing purposes under the same “Prudential Code” regime as applies to borrowing for non-housing purposes. The draft business plan was presented to Cabinet on 1 September 2020. This has been finalised following consultation with Tenants and Leaseholders and updating of the 30 year financial model. The Treasury Management Strategy sets out the proposed Prudential Borrowing Limits for the Council including the HRA. In finalising financial model and borrowing limits the Council has taken external advice to ensure that the Plan is robust and borrowing limits affordable in supporting the Councils future aspirations for regeneration, new build and tenants homes. This is set out in detail in a separate item on this Cabinet agenda. This budget report summarises the 2021/22 revenue budget for the HRA and Capital Programme to 2024/25.
- 2.61 Table 17 shows the summary 2021/22 budget for the HRA, which is compared to the 2020/21 Budget in **Annex K**.

Table 17: Summary of the HRA Budget

| Item | 2021/22 £m |
|--|-----------------|
| Income: | |
| Dwelling rents | (53.925) |
| Other income | (2.594) |
| Total income | (56.519) |
| Expenditure: | |
| Repairs and maintenance | 11.029 |
| General Management & Special Services | 16.410 |
| Interest and repayment of borrowing | 10.749 |
| Funding for future capital repairs (depreciation charge) | 13.800 |
| Funding for future capital improvement works (RCCO) | 3.917 |
| Contribution to provision for bad debt | 0.614 |
| Total Expenditure | 56.519 |
| Net budget for the year | - |

2.62 The minimum level of prudent HRA reserve to cover unforeseen adverse circumstances has been assessed at £6.179m as in **Annex N**. The medium term projection in **Annex M** indicates that HRA reserves will remain above this minimum level for the medium term planning period. The overall working balance is forecast to remain at £7.259m for the period ending 31 March 2022.

Capital

2.63 Table 18 summarises the Council's capital resources and expenditure needs. The detailed Capital Programme is available at **Annex P**.

2.64 Whilst the table shows an excess of resources over planned expenditure, £6.420m of this funding is Education specific, meaning there is no unallocated funding to fund any new Capital projects within the current Programme. If new capital projects are required, alternative funding sources will need to be sought. In light of this, there are no new projects for strategic allocation within the programme. Projects within the existing programme have been reviewed and where necessary expenditure profiles revised. New projects have only been added where new ring-fenced funding has been identified.

2.65 There are a number of areas 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.

2.66 The Capital Strategy 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.

Table 18: Forecast Medium Term Summary of Capital Resources and Expenditure

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 Onwards |
|---|-----------------|----------------|----------------|----------------|--------------------|
| | £m | £m | £m | £m | £m |
| Capital Resources | 125.554 | 111.892 | 77.149 | 11.951 | 15.575 |
| Capital Expenditure | 107.865 | 120.250 | 79.830 | 11.848 | 15.908 |
| Net Position (surplus) / deficit | (17.689) | 8.358 | 2.681 | (0.103) | 0.333 |
| Cumulative Position (surplus) / deficit | (17.689) | (9.331) | (6.650) | (6.753) | (6.420) |

Capital Funding

2.67 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

2.68 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.

2.69 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.

2.70 S106 funding is closely monitored, with a greater focus on those schemes nearing their expiry date in order to ensure all available resource is used to deliver community facilities and infrastructure as intended.

2.71 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.

2.72 A total of £4.177m new S106 funding has been allocated within the Capital Programme.

Tariff

2.73 The Milton Keynes Tariff is a unique s106 based 'umbrella' arrangement covering development in the expansion areas covered by the previously designated 'Urban Development Area'. Through the Tariff mechanism, the Council will collect over £310m in developer contributions over its lifetime, which will be re-invested in a Programme of strategic and local infrastructure covering a total of 18 'portfolios', 11 of which are delivered through the Council.

2.74 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

2.75 **Annex Q** shows a breakdown of the Tariff resource allocation for 2021/22 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.

2.76 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 £14.900m 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.

Treasury Management

Treasury Management Strategy

2.77 CIPFA has defined treasury management as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.78 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2.79 The Council's Treasury Management Strategy is attached as **Annex S**.

The Prudential Code

- 2.80 The *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) was implemented in 2004/05. This is a professional code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects without any imposed limit, as long as they are affordable, prudent and sustainable. The Prudential Code allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability. Various amendments have been made to the Prudential Code since its implementation.
- 2.81 The 2021/22 Treasury Management Strategy reflects the impact of the HRA Business Plan report to Cabinet in September 2020 where it was agreed that the Council would adopt a 2 Pool Model from 1 April 2021.
- 2.82 Both CIPFA and MHCLG conducted a review of the Treasury Management Code of Practice, Prudential Code and issued Guidance. These reviews particularly focused on an evolving local government trend to invest in non-treasury type investments and especially the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases or the use of existing cash balances. Both actions would affect the Councils treasury management position. Non-treasury investments are required to be reported separately to treasury activity – this Council has chosen to integrate this into the Capital Strategy report – to deal with such purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases.
- 2.83 The Council’s Capital Strategy is attached as **Annex O**.
- 2.84 As part of CIPFA’s reviews, a number of prudential indicators have been withdrawn. The Council has chosen to integrate those that remain within the strategy documents that most influence their calculations as follows:

Capital Strategy

- Estimates of Capital Expenditure;
- Estimates of Capital Financing Requirement;
- Gross Debt against Capital Financing Requirement;
- Authorised Limit for external debt;
- Operational Boundary for external debt;
- Proportion of financing costs to net revenue stream.

Treasury Management Strategy

- Limits on variable interest rate exposure;
- Limits on fixed interest rate exposure;
- Maturity structure of debt;
- Limit on investments for greater than 365 days.

2.85 Once all indicators are set, they will be applied in the context of all treasury management decisions.

Risks

2.86 A key part of the 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 of 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. The base budget for 2021/22 has been rebased to reflect the most recent experience and impacts of COVID-19. This has been reviewed with the services to reach an assessment of the most likely position using the core assumptions that we set out in the September Cabinet report.

2.87 Our full budget risk assessment is set out at **Annex T**. There are 5 key external risks which are summarised below:

COVID-19 Pandemic – This has created the biggest uncertainty for all organisations in planning, managing and responding to the fast changing situation. The budget has been developed to take account of this impact as far as is possible and to set a realistic position for continued service delivery and consumption in 2021/22. The budget reflects government support announced in the Spending Review and provisional Local Government Financial Settlement. The Council is continuing to operate additional controls around spending to ensure that this is necessary and appropriate in the current circumstances. Additional monitoring and scrutiny is being applied across budgets and critical contracts.

Government Funding – the uncertainty of local government funding beyond 2021/22, makes longer term financial planning very challenging. Prior to COVID-19 major reforms were expected which would have provided greater certainty and a reset of local government funding distribution. A key part of this was an increasing reliance on the use of Business Rates income to fund local services. There is now no timeframe in place for this and in light of recent events attitudes towards the use of business rates as an increasing element of local government funding have changed. The review of Social Care funding has been delayed and at this stage there is no clear or obvious solution. In the short term Councils with responsibility for Social Care will continue to rely on a complex mix of different funding streams to support these services including the Better Care Fund, Improved Better Care Fund, Public Health Grant and New Homes Bonus. The future of all of these funding streams is unclear.

Rising Demand on key front line services across Adults and Children’s Social Care and Homelessness – The Council is continuing to experience rising demand, both in terms of volume and complexity, across Adults and Children’s Social Care. This is driven by a combination of factors including demographics, rising population, family resilience and breakdown and pressures on other public services. The Budget reflects our current view on expected levels of demand for these services, but these are both volatile and difficult by nature to forecast. Whilst account has been taken of the impact of COVID-19, potential demand lag increases the likelihood that there could be significant and sharper increases to demand as we move into 2021. A separate proposal has been included in the Budget to tackle the issues around homelessness which will improve homeless prevention services, improve collaboration across the Council and with other service providers and deliver saving in the costs of Temporary Accommodation.

Reduced and changing patterns of Consumption – The longer term impact on the Council’s budget and services through changes to Customer behaviour from COVID-19 and economic adjustment are still to emerge. For 2021/22 we have made significant reductions to many income targets across our services to reflect the current changes that have been experienced. Beyond this the Council will need to adapt to a new norm for some of our services which could require reductions to cost, new service models or in some situations cessation of service with lack of demand.

Brexit – Since the draft budget was approved in December the UK has secured a trade deal with the EU. Details of the full arrangements are still to be worked through and in particular this does not include services. We will continue to keep our assessment on the impact of Brexit under review, with the key risks remaining:

- **Rising Inflation** – whilst the budget includes an allowance for inflation to reflect the expected price changes to contracted out services, staff pay and other key costs these assumptions are based on published inflation forecasts and would not address any further movement in inflation caused as a result of the UK leaving the EU should tariffs be imposed, further currency depreciation and wider cost pressures arising from the UK exit.
- **Staff Changes** – The budget does not include any specific allowance for any changes in normal activity levels from increased staff turnover in the event that we experience a sharp increase in EU National staff choosing to leave as a result of the UK’s departure from the EU.
- **Contracts** – The Council delivers works, goods and services through a large number of contracts with commercial organisations ranging from local to international organisations. There is a risk that key suppliers and contractors lose EU national employees that they rely upon to deliver these contracts which may impact on both the future cost and delivery.

- Emergency Planning – In an extreme scenario the Council may need to act to help protect property, residents and businesses. The Council has received limited funding from Central Government to help with preparations and would need in an extreme situation to use its revenue reserves to manage these potential impacts.
- In the event of a sharp economic slowdown, an increase in business failures could lead to increased non-payment of business rates, increased empty property relief leading to a reduction in the Councils core income.

The Director of Policy, Insight and Communications has been leading the work on Brexit preparations across the Council as we move out of the Transition Period. The budgetary risks have been considered as part of the assessment on the GF working balance.

Given the scale of the issues and challenges we have set aside a £2.2m contingency as part of the 2021/22 budget (£1m is one-off) to address any immediate challenges in 2021/22.

Reserves

General Reserves

- 2.88 The Finance team have reviewed the level of reserves, which is included in **Annex T**. This review shows the level of risk exposure for the Council on known issues and an assessment of the adequacy of the level of General Fund Balances. This has been reviewed to reflect the uncertain impact of COVID-19, the implementation of Budget savings, and also uncertainty around Brexit.
- 2.89 Whilst some anticipated one off COVID-19 grant funding has been utilised to help balance the budget reserves can only be spent once, and the on-going discipline of not using reserves to manage on-going expenditure must remain
- 2.90 Furthermore, given the significant uncertainties surrounding future funding, it is important from a sustainability perspective that Councillors take account of the level of future risk, as well as the risk identified in the 2021/22 Budget.
- 2.91 The risk assessment carried out alongside the development of the Budget (**Annex T**), shows that the minimum prudent level of General Fund reserves is £26m.

Earmarked Reserves

- 2.92 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.

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

Robustness and Risks

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

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

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

2.96 In preparing the Budget for 2021/22, 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.

2.97 A Budget Risk Register is included in **Annex V**, which sets out the potential risks and issues and an assessment of the adequacy of the Council’s level of reserves is set out in **Annex T**.

2.98 The General Fund Balance of £26m is estimated to be adequate to meet the Council’s financial needs in 2021/22.

2.99 This view takes account of the reserves included in the Council’s accounts (subject to audit) as at 31 March 2020; 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 Budget 2021/22.

Table 19: Section 151 Officers Assessment on the Adequacy of Reserves

| Reserve | Balance at 31/3/2021 £m | Forecast Balance at 31/3/2022 £m |
|---|----------------------------|-------------------------------------|
| GF Working Balance* | (30.387) | (28.037) |
| % Net Revenue Budget | 14.48% | 13.32% |
| Specific Risk Reserves** | (26.505) | (21.583) |
| Total Reserves Available to meet known and unknown budget risks *** | (56.892) | (49.620) |
| % Net Revenue Budget | 27.11% | 23.58% |

**The current GF working balance includes £3.3m of additional in year savings achieved through the review of non-essential spend, together with £4.1m of earmarked reserves that have been removed following a review earlier in 2020/21.*

***See **Annex U** 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. 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 W** 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 2.32 to 2.35.

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 also scrutinised the budget process and challenged budget proposals.

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 95 pressures, reductions and income proposals of which 75 were considered as being 'significant' of which 8 are 'relevant' to equality. Four in-depth assessments were conducted. Full details will be published on the website <http://bit.ly/MKCEqIA-Bud17b>

These assessments recommend:

- In two (2) green areas proposals (Homelessness Proposals and Housing Section's Gypsy & Traveller Proposals) should continue, as there is a potential to improve the advancement equality of opportunity.
- In two (2) green-amber areas, adjustments have been/are made to remove barriers or better promote equality.
 - a. The increase of in-house placements in Children's Social Care will reduce the potential disadvantages looked after children have faced with an external placement.

- b. The replacement of subsidised bus services with a demand responsive service will mitigate the impact for residents with no alternative scheduled buses, and changes to ENCTS will not affect older people’s ability to travel after 9.30am Monday to Friday. There will be a continued discussion with those with a disability to ensure that the service is accessible.
- There are no (0) amber area, where proposal should continue despite having identified some potential for an adverse impact or a possible missed opportunity to promote equality.
- There are no (0) red areas, where it is recommended that proposals not continue as there is a potential for unlawful discrimination or continue with adjustments .

The majority of relevant pressures are related to demographic changes and COVID-19 recovery. The 2021/22 budget continues a focus on meeting the challenges of the rising numbers of vulnerable people (especially children), and of maintaining independence for the elderly. For the first time the budget was considered for its effect on child poverty. An initial assessment suggests that key decisions will have a positive impact in homelessness prevention, domestic violence reduction, and the increase in direct payments for Children with Disabilities. These improvements are on top of further developments related to the COVID-19 recovery and the continuation of existing budgets. Future work that increases access to affordable childcare and extending the use of Family Centres could be considered.

4. Timetable for implementation

4.1 24 February 2021 – Final Budget & Capital Programme report to Council

List of annexes

| | |
|---------|---|
| Annex A | Summary of Budget Consultation |
| Annex B | Budget and Resources Scrutiny Committee Report on 2021/22 Budget (to follow) |
| Annex C | 2021/22 Budget Pressures |
| Annex D | 2021/22 One-off Budget Pressures |
| Annex E | 2021/22 Budget Reductions and Income Proposals |
| Annex F | Detailed Fees and Charges for 2021/22 |
| Annex G | Fees and Charges: Exemptions to the Income Policy and Additional Concessions |
| Annex H | 2021/22 – 2024/25 Forecasting Model |
| Annex I | 2021/22 GF Budget Summary |
| Annex J | 2021/22 Parking Account |

| | |
|---------|--|
| Annex K | HRA compared to the 2020/21 Budget |
| Annex L | HRA Budget Pressures and Savings |
| Annex M | HRA Budget and Medium Term Forecast |
| Annex N | HRA Budget Risks & Minimum Working Balance |
| Annex O | Capital Strategy |
| Annex P | Medium Term Capital Programme |
| Annex Q | Tariff Resource Allocation |
| Annex R | Cabinet Investment Priorities |
| Annex S | Treasury Management Strategy |
| Annex T | GF Reserves Assessment |
| Annex U | Earmarked Reserves |
| Annex V | 2021/22 Budget Risk Register |
| Annex W | Legal Framework |
| Annex X | Medium Term Financial Plan |
| Annex Y | Cabinet's Response to the Budget and Resources Scrutiny Committee's Report on the Draft Budget 2021/22 (to follow) |