Wards affected:
All Wards

CABINET / MILTON KEYNES COUNCIL

6 / 21 FEBRUARY 2018

COUNCIL BUDGET 2018/19 AND MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22

Responsible Cabinet Member:	Councillor Rob Middleton (Resources and Innovation)
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Executive Summary:

This Budget and Medium Term Financial Plan (MTFP), has been prepared in the context of:

- Continued Central Government' austerity (details of the significant cuts in government funding are set out in the accompanying MTFP)
- Substantial increases in demand for our critical services such as Housing, Adults and Children's Social Care.
- The total cost pressure associated with this increase in demand, over the course of the MTFS is £ 15.3m (£10.1m - ASC and £5.2m Children's Social Care.) This excludes the impact of inflation.
- Delivery of the political priorities set out in the published Council Plan.

The MTFP was revised in July 2017 at which time a number of significant demand pressures were identified, which resulted in the projected budget gap in 2018/19 being revised upwards to over £13m. Since this time work has been carried out across the Council to ensure that a balanced budget can be set and the proposals contained within this report, which build on the work done as part of the draft budget proposals, enable this to be achieved.

The proposals in the report include a number of key amendments to the draft budget which Cabinet agreed in December 2017. These are set out at Annex B.

Key changes being proposed / included are:

- This final budget report now includes proposals to better fund key political priorities, especially supporting some of the most vulnerable in our communities, and also those supporting the voluntary sector in the delivery of critical front line services.

- Increased inflation proofing for salaries to reflect the current final offer from the employer's for 2018/19 and 2019/20, and revisions to the proposed level of inflation proofing on some of the Councils key contracts totalling £280k in 2018/19 and £1.091m over the full MTFP period.

- A number of other budget amendments and revisions totalling £989k in 2018/19, to reflect both recent changes since the draft budget was published, or where further changes have become necessary to reflect the most current position. This has been largely offset by savings arising from how the Council manages its debt financing position.

- Since the draft budget was presented to Cabinet in December, the Provisional Local Government Settlement was published and included a proposal that the referendum limit for basic Council Tax be raised from 1.99% to 2.99%, to reflect the current inflationary pressures.

In order to mitigate against these additional cost pressures, it is proposed to increase the level of MKC Council Tax charge by 2.99%. In view of the size of the financial challenge that the Council faces over the medium term, part of this increase will also contribute to closing the forecast budget deficit, which in turn will facilitate a more balanced approach to future budget reductions.

The capital programme has been updated to reflect any new schemes, and has been re-profiled based on updated cash flow forecasts from project managers.

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

This report recommends the Revenue Budget 2018/19, Council Tax level, Capital Programme for 2018/19 to 2021/22, HRA Budget 2018/19, and Prudential Indicators for the approval of Cabinet and recommendation to Council.

RECOMMENDATIONS

1.1 That the Revenue Budget 2018/19 totalling £190.2m be approved by Cabinet and recommended to Council. (**Annex L**)

1.2 That the Capital Programme for 2018/19 to 2021/22 be approved by Cabinet and recommended to Council. (**Annex N**)

1.3 That the Council Tax at Band D of £1,341.55, for the Milton Keynes element of the Council Tax, be approved by Cabinet and recommended to Council. This is an increase of 5.99%, consisting of a 2.99% general increase (including the further 1% increase allowed by the revised referendum limit), plus a further 3% precept specifically related to Adult Social Care (ASC).

1.4 That the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish Precepts) of £111.282m, be noted.

1.5 That the Treasury Management Strategy for 2018/19 to 2022/23 and the Treasury Policy Statement, including the Minimum Revenue Provision Policy, be approved by Cabinet and recommended to Council. (**Annex P**)

1.6 That the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability Prudential Indicators and the Treasury Management Prudential Indicators for the years 2018/19 to 2022/23, be approved by Cabinet and recommended to Council. (Section 9)

1.7 That the Authorised Limit for external debt of £755m for 2018/19, to be the statutory limit determined under section 3(1) of the Local Government Act 2003 be approved by Cabinet and recommended to Council. (Para. 9.15)

1.8 That the resource allocation for the 2018/19 Tariff programme be approved by Cabinet and recommended to Council. (**Annex O**)

1.9 That the fees and charges for 2018/19 (including those fees and charges which are exceptions to the Income and Collection Policy) be approved by Cabinet and recommended to Council. (**Annex I and Annex J**)

1.10 That the advance payment of £21m employer pension contributions be approved by Cabinet and recommended to Council. (Para 3.9 – 3.14).

1.11 That the estimated position for Dedicated Schools Grant for 2018/19 be noted. (Para. 8.4 – 8.9)

1.12 That the Housing Revenue Account Revenue Budget 2018/19 be recommended to Council for adoption. (Section 10 and **Annexes R - U**)

1.13 That the Housing Revenue Account Dwelling Rent 2018/19, a reduction of 1% as set out in paragraph 10.7, an average of 88p per week, be recommended to Council.

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 W**).

2. INTRODUCTION

2.1 The Council's Medium Term Financial Plan (MTFP), which is attached as **Annex W**, sets out:

- The financial planning principles which have been approved by the Council and Cabinet in previous reports.
- The financial and service planning framework to ensure the Council's priorities are resourced.
- The local and national financial context.
- The main financial issues the Council is facing in the short and medium term, and the strategy to address these issues.

2.2 The Revenue Budget and Capital Programme set out in this report, have been developed in accordance with the Council Plan and the MTFP.

3. REVENUE BUDGET 2018/19

Consultation Feedback and Resulting Changes

3.1 The Council has consulted on the proposals set out in the draft Budget 2018/19. This year's consultation ran from 7 December 2017 to 31 January 2018.

3.2 The Consultation engagement included the following methods of communication:

- Key Budget information contained on the Council website and shared through social media alerts.
- Budget Roadshows in Central Milton Keynes, which were chaired by the Leader of the Council.
- Public scrutiny through the Budget Scrutiny meetings.

3.3 There was a relatively small level of response to the consultation overall, and relatively few attendees at the Budget roadshows. There has been some direct feedback from parish and town councils.

3.4 Responses have been received on grit bins and litter picking, Council Tax increases, community transport and welfare and health services.

3.5 A summary of the Budget engagement process and responses can be found in **Annex A**.

Other Changes from the Draft Revenue Budget

3.6 When the draft Budget was approved in December, the Provisional Local Government Finance Settlement had not been published. This settlement included:

- A relaxation of the council tax referendum principles to allow most authorities to increase their Council Tax by up to 2.99% in 2018/19.
- Confirmation of the continuation of the 3% Adult Social Care Precept in 2018/19.
- Confirmation of the New Homes Bonus provisional allocations and no further reforms to the methodology.

- Proposals for local authorities to retain 75% of Business Rates (from 2020/21). The original proposal was authorities to retain 100%.

3.7 Alongside the provisional settlement, the government also launched a separate consultation on the Fair Funding Review, for implementation in 2020/21. The consultation seeks views on how to simplify the existing scheme and also on the cost drivers and data sets to be used to evaluate need in each service.

3.8 A number of additional risks and issues have arisen since the agreement of the draft Budget, which need to be reflected in the Final Budget. These are summarised, together with any funding adjustments, in Table 1 and detailed further in **Annex B**.

Table 1: Changes to Ongoing Budget Proposals

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Inflationary Pressures	0.280	0.465	0.167	0.179
Demand Pressures	0.119	0.000	0.000	0.000
Government Funding	(0.090)	(1.955)	2.045	0.000
Council Tax Increase (1%)	(1.050)	(0.033)	(0.034)	(0.035)
New Budget Amendments	0.505	0.004	0.004	0.004
Historic Budget Amendments	0.584	0.035	0.000	0.000
Political Choices	0.740	(0.250)	0.000	0.000
Debt financing Changes	(0.893)	0.000	(0.200)	(0.200)
Budget Reductions/Income Re-profiling	(0.195)	(0.035)	0.000	(0.353)
TOTAL CHANGES	**0.000**	**(1.769)**	**1.982**	**(0.405)**

Advanced Payment of Employer Pension Contributions

3.9 Under current Pension regulations, it is possible to pay employer pension contributions in advance rather than monthly. The Council is able to pay the employers contributions for 2018/19 and 2019/20 on 1 April in one lump sum at a projected cost of £21m.

3.10 Payment of the 2018/19 contribution in advance, would generate a discount of 2.7% and payment of the 2019/20 contributions, would generate a discount of 8.2%. Based on projected employer contribution liabilities, it is estimated that this payment in advance would generate a one-off saving of £1.243m over the two years. After taking into account the estimated small loss of interest on this cash balance, the net saving is estimated at £1.158m, as illustrated in Table 2.

3.11 Whilst there is a clear financial benefit that can be earned by making a payment in advance, this is based on projected returns on the pension fund over this period, using the Actuaries projected returns over the valuation period. In reality, actual returns will vary from this and could be higher or lower than the Actuarial estimate that has been used.

3.12 Any adjustment against this would be reflected in the next tri-annual pension valuation. In effect, by making this payment the Council would be expecting the pension fund to outperform the Council's own Treasury Management yields, which will typically expect a return of 1%.

3.13 Based upon the latest economic forecasts, the Council would expect treasury returns to average below a 1% yield between 2018/19 and 2019/20, and therefore in real terms, the Councils spending power would reduce over this period, after taking account of the impact of inflation.

3.14 In the view of the Section 151 officer, the risk of under-performing against this yield is low, given the range of investments that the pension fund holds and in the current climate, this offers an opportunity to earn a significantly better return for the Council. The additional return will be held in reserve and a decision made over the medium term financial planning horizon, on how best to deploy this to help manage the financial pressures that the Council will need to address. At this time, the potential saving from this proposal has not been built into the MTFP.

3.15 This approach has been adopted by other local authorities and agreed with the relevant external auditors. The Pension Actuary has agreed to the Council making this prepayment for both 2018/19 and 2019/20, on the basis of the terms in this report. As this will be accounted for as a pre-payment, the payment will be accounted for over two years, in line with normal accounting practice.

Table 2: Advance Payment of Employer Pension Contributions

	2018/19 £m	**2019/20 £m**	**Total £m**
Projected Contributions (non schools)	11.231	11.501	22.732
Discounted Contributions (non schools)	10.932	10.557	21.489
Projected Saving	**(0.299)**	**(0.944)**	**(1.243)**
Loss of interest on cash balances (0.4%)	0.043	0.042	0.085
Net saving	**(0.256)**	**(0.902)**	**(1.158)**

General Fund Resources - Ongoing

3.16 The Provisional 2018/19 Local Government Finance Settlement announced in December 2017, provisionally allocated £11.5m in Revenue Support Grant (RSG) to Milton Keynes Council for 2018/19, which equates to a 34% cut in the £17.4m of funding we received in 2017/18.

3.17 The underlying data for the determination of the RSG is based on 2012 population figures, which was part of the consequences of the move to the Business Rates Retention Scheme. However, this causes significant financial pressures for an area of rapid growth, such as Milton Keynes, particularly as the Business Rates Retention Scheme includes a levy to prevent authorities benefitting from "disproportionate growth". In Milton Keynes, this means the Council only retains 30p in every £1 of business rates growth created.

3.18 The Council estimates it will retain £49.1m of the £157m of Business Rates collected during 2018/19; of this amount, £44.7m is the Council's Baseline Funding Level; the remaining £4.4m represents the estimated retained amount of funding since 2013/14 resulting from business rate growth (net of levy). This compares to a forecast of £47.1m in 2017/18.

3.19 The Government announced as part of the Provisional Settlement that they will revise the Business Rates Retention scheme from 2020/21 from 50% to 75%. This will incorporate a number of grants including RSG and Public Health Grant. It is important to note that the percentage retention applies to the whole system not each local area. It is still too early to determine what the changes to the system may mean for Milton Keynes, but officers are engaged in appropriate networks, such as the Societies for Unitary and Metropolitan Treasurers, to ensure that the Council is aware of the most up to date position regarding the Governments intentions.

3.20 It is also expected that the current 50% business rates retention system will be reset in 2020/21. However, given the uncertainty that exists, the impact of the reset may not be clear for some time. This represents a risk to the level of income that the Council may retain on current growth levels, which are in the base budget.

3.21 An example of the complexity and prevailing uncertainty, surrounding the Business Rates System came to light very recently. In late January, it was announced that the tariff and top up allocations published in the Provisional Settlement were incorrect, as they did not reflect the latest revaluation data from the Valuation Office Agency (VOA). We are currently working through the implications of this.

3.22 Total Government funding is estimated at £72.0m for 2018/19, compared to £76.9m from 2017/18, a reduction of 6%. Without the growth that has been achieved in Milton Keynes since 2013, this amount would be £4.4m lower at £67.6m.

3.23 The Government provided individual local authority funding allocations in December 2017, as part of the Provisional Financial Settlement, which will then be later confirmed in February 2018. The Council submitted its Financial Sustainability Plan to the Department of Communities and Local Government in October 2016, to allow us to access the four-year settlement for RSG and Tariffs on Business Rates. The budget is based on this position.

Council Tax

3.24 The revised referendum principles included within the Provisional Financial Settlement allow local authorities to increase their Council Tax in 2018/19 by up to 3% (previously 2%). There were no changes announced in the settlement to the Adult Social Care precept, which allows local authorities to raise this by up to 3%. It is being proposed that Milton Keynes will use this greater flexibility and increase its share of Council Tax up to the referendum limit. This will enable priority investment to be made, in order to protect some of the most vulnerable parts of our community and it will also assist the Council in managing, what is still a significant financial gap in its medium term financial position to 2021/22. Some of the additional resources generated by the additional 1% in Council Tax will be invested in specific areas as detailed in **Annex B**.

3.25 The ability for local authorities to raise a new ‘Adult Social Care Council Tax Precept’ was announced by the Chancellor as part of the 2015 Autumn Statement. This allowed local authorities to raise their Council Tax by an additional 3% in 2017/18 and 2018/19 (or 2% across each of the three years 2017/18 to 2019/20), over and above the current 1.99% Council Tax referendum threshold, as long as the additional income generated, supports Adult Social Care expenditure. This was confirmed in the provisional settlement.

3.26 The Council is committed to providing the best social care and safeguarding services possible to its elderly and vulnerable citizens, and is therefore planning to increase its Council Tax by 5.99% (3% will be invested directly within Adult Social Care services).

3.27 The Council is currently spending £64m per year on Adult Social Care and Health Services. Over the next four years, the current forecast identifies a need to spend a total of £10.1m extra (on an ongoing basis), on Adult Social Care and Health Services, excluding pay inflation. These pressures are expected to continue to increase in the medium term. In comparison, the adult social care Council Tax is expected to generate an additional £6.1m of revenue, in total across 2017/18 and 2018/19.

3.28 So whilst this additional revenue will be welcome, the Council will still need to redesign services and generate efficiencies to ensure its services are sustainable for the medium term.

3.29 Council Tax income is anticipated to increase by £7.645m in 2018/19; this total comprises £6.289m of additional income due to the 5.99% increase (of which £3.150m will fund Adult Social Care services), and £1.356m as a result of the growth in the number of homes in Milton Keynes and other technical adjustments.

3.30 We are currently forecasting a surplus on the Collection Fund. The Council‘s share is expected to be £3.400m. To help manage the future volatility of rates income through the proposed reset in 2020/21, this funding will be transferred into the Business Rates Equalisation Reserve.

Ongoing Revenue - Key Assumptions

3.31 In summary, the following assumptions have been made to determine the likely resources available in 2018/19:

- An increase in the number of Band D properties of 940 homes based on current projections.
- Government funding through Revenue Support Grant as per indicative four-year settlements issued in 2015 and Retained Business Rates from local estimates.
- Education Services Grant has been phased out over recent years and it is assumed will be stopped altogether by 2018/19.
- A 5.99% increase in Council Tax, taking the Milton Keynes Council precept to £1,341.55 for a Band D property. The ASC precept element of the Band D charge is £97.36.
- Public Health grant has been assumed to reduce by 2.6% in line with the Department of Health announcements.

- New Homes Bonus as set out in the governments draft consultation.
- Change in approach to use some of the New Homes Bonus to support the Revenue Budget, in anticipation of pressures from NDR reset.

Table 3: Summary of Forecast Revenue Resources for 2018/19 – 2021/22

Revenue Resources	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Revenue Support Grant	(11.476)	(5.502)	(0.000)	(0.000)
Retained Business Rates	(49.120)	(49.120)	(44.120)	(44.120)
Council Tax (including parish precepts)	(118.247)	(122.002)	(125.858)	(129.820)
Public Health Grant	(11.400)	(11.100)	(11.100)	(11.100)
Use of New Homes Bonus	0.000	(2.000)	(4.000)	(4.000)
Total Ongoing Resources	**(190.243**	**(189.724)**	**(185.078)**	**(189.040)**

3.32 It is important to note that final Council Tax bills will also be affected by the Council Tax precept set by parish and town councils, the Buckinghamshire Combined Fire Authority, and the Police and Crime Commissioner for Thames Valley.

General Fund Expenditure

3.33 In determining the Revenue Budget expenditure for 2018/19, the following assumptions have been made:

Table 4: Forecasting Assumptions 2018/19

	2018/19
General Pay Inflation*	2.3%
Cost of salary increments	1.0%
General Non-Pay Inflation**	0.0%
Fees and Charges Inflation (July Consumer Price Index)	2.6%

* reflects higher uplift for lower grades

** assumes must be contained within existing budgets

Exemptions to the 2.6% increase in fees and charges are listed in **Annex J**.

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

Table 5: Contractual Inflation Assumptions 2018/19

	2018/19
SERCO – Waste Collection - DTI Indices	3.82%
SERCO – Street Cleansing - DTI Indices	3.82%
SERCO – Food and Garden Waste - DTI Indices	3.82%
SERCO – Landscape - DTI Indices	2.77%
Ringway - highways works	2.11%
Ringway - street lighting works	2.56%
Excel Care	2.47%
Extracare	3.49%

3.35 As part of the Budget process, Service Groups have identified ongoing and one-off pressures. The pressures identified 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**. The one-off pressures have been funded through the use of earmarked reserves.

3.36 The pressures identified in the 2018/19 Budget and MTFP are summarised in Table 6.

Table 6: Budget Pressures 2018/19 – 2021/22

Budget Pressures by Category	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Demography	9.186	3.256	3.244	3.286
Legislative	0.733	0.194	0.046	0.048
General	6.360	0.038	(0.096)	0.215
Total Ongoing Pressures (See Annex C)	**16.279**	**3.488**	**3.194**	**3.549**
One-off Pressures (Service Groups)	0.335	0.000	0.000	0.000
Total One-off Pressures (See Annex D)	**0.335**	**0.000**	**0.000**	**0.000**

3.37 On-going budget pressures of £16.279m in 2018/19 will be funded from on-going resources, with a further £0.335m of one-off expenditure being funded from earmarked reserves. This approach will ensure that base budgets are not adjusted for one-off expenditure.

3.38 All budget pressures that were agreed as 2017/18 Budget Amendments at Full Council in February 2017, including £64k for Wider Use Funding, have been built into the 2018/19 budget.

4. General Fund Budget Reductions/ Income

Strategy for Balancing the Budget

4.1 The combination of the increase in costs arising from an increase in both the cost and demand for services, and the significant cut in Government funding, means that the 2018/19 Budget needs to include service budget cuts and additional income which total £11.7m.

4.2 The total saving the Council has had to make in 2018/19 is £14.7m, with £3m being met from headroom in the Council's corporate capital financing budget, following a review. Over the medium term the budget gap is £22.5m.

4.3 From 2011/12 to 2016/17, the Council delivered £111m of savings, and is currently delivering a further £19m of savings in 2017/18, which means the choices for 2018/19 are far more difficult to identify and deliver and this will become more difficult into the medium term. The combination of continued Government funding reductions and significant increases in demand for services, means that the Council faces an extended period of generating savings, efficiencies and potential service reductions, until at least 2021/22.

4.4 The Medium Term Financial Plan (MTFP) is set out in **Annex W**. The three key principles that underpin the Council's approach are:

- **Smarter** - Being more efficient. Reducing our costs, improving our customer services and more strategic commissioning to deliver better outcomes.
- **Sustainable** - Transforming our services to make them sustainable. Enabling communities, working with partners, and managing demand and growth
- **Different** - Doing things differently. Being more commercial, generating income and reshaping what we do by taking advantage of new opportunities.

4.5 A summary of the budget reductions and income proposals are shown in Table 7. The detail of the individual budget reduction and income generation proposals is included in **Annexes E1 and E2**.

Table 7: Budget Reductions/Income Proposals 2018/19 – 2021/22

Savings by Key Principle	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Budget Reductions				
- Smarter	7.548	1.524	0.839	0.540
- Sustainable	0.867	0.130	0.270	0.000
- Different	1.110	0.052	0.032	0.000
	9.525	**1.706**	**1.141**	**0.540**
Income Generation Proposals				
- Smarter	1.229	0.027	0.049	0.027
- Sustainable	0.677	0.000	0.000	0.000
- Different	0.290	0.033	0.023	0.017
	2.196	**0.060**	**0.072**	**0.044**
Capital Financing Review	**3.000**	**0.000**	**0.000**	**0.000**
Total ongoing budget reduction/income proposals (see annexes E1 and E2)	**14.721**	**1.766**	**1.213**	**0.584**

4.6 The Budget Scrutiny Committee have reviewed pressures, budget reductions and income proposals and their report is included as **Annex F** (**to follow**), together with Cabinet's response to their recommendations.

General Reserves

4.7 A review has been carried out and is included in **Annex G** which shows the level of risk exposure for the Council on known issues and the assessment of the level of General Fund Balances. This includes an allowance related to the implementation of Budget savings.

4.8 Reserves can only be spent once; it is therefore important from a sustainability perspective that the Council takes into consideration future risks that may materialise, in addition to the specific risks identified in the 2018/19 draft budget. Whilst the budget being proposed has resolved the immediate budget pressures, there are significant cost increases anticipated over the next 3 years, which in turn will need to be addressed, and subsequently are likely to necessitate difficult choices having to be made.

4.9 The most significant additional risk across the MTFP four year period, is a move to local government self-sustainability. The Government's intention is to withdraw centrally funded grants, so that local government is funded entirely through council tax, locally raised fees and charges and retained Business Rates.

4.10 Evidence has shown that national Government announcements, regarding issues such as business rates, can have a direct impact on local funding. There is substantial volatility in business rates funding through the impact of national and local appeals and concerns with regard to the pace of the Government's Valuation Office assessments for new business rates growth. At present the Council can lose £8m of funding before the national safety net would stop losses increasing further, so it is important future risks are considered as part of the reserves strategy going forward. It would be imprudent to solely rely on a volatile income stream to fund critical statutory services, and therefore the Council must maintain an appropriate level of reserves, in order to smooth peaks and troughs and reduce the risk of having to make in year service reductions.

4.11 The risk assessment carried out alongside the development of the Budget (**Annex G**), shows that the minimum prudent level of General Fund reserves is £15.4m.

4.12 As the Council's overall budget reduces, and more of this budget is incorporated into shared service or joint venture arrangements, the ability to cope with financial challenges in year reduces. This indicates that higher levels of reserves are likely to be required in future to maintain a prudent and sustainable financial position.

4.13 The 2017/18 GF forecast outturn is an overspend of £0.211m, after the use of £7.932m from earmarked reserves and a contribution to the GF working balance of £5.500m (period 9). The overall risk assessment (**Annex G**) therefore addresses the risk with the timing and delivery of budget reductions and additional income or other risks and issues which may arise during the financial year.

Earmarked Reserves

4.14 In addition to the General Fund and HRA working balances, the Council has created a number of earmarked reserves to enable it to meet a range of different policy objectives. These objectives are broken down into the following areas:

- To manage known financial risks;
- To enable the Council to invest in services to generate future savings as part of its budget strategy;

- To manage one-off expenditure which has allowed the Council to make on-going revenue savings;

- To build up funding to support delivery of large projects such as capital programme schemes;

- To manage known timing differences between the receipt of funding and the profile of expenditure; and

- To hold ring fenced balances for example, specific grants, trusts, school balances etc.

4.15 In previous years, the Council has established a protocol whereby unspent revenue budgets are "rolled over", by transferring the unspent balances into a Budget Rollover Reserve. Such an approach is no longer deemed appropriate, due to the difficulty in tracking the reserves. Therefore, from 1 April 2018, the Council will introduce a new approach, which will aid transparency and simplify both the future management of reserves and their reporting. Where by exception any revenue sum is to be held (rolled over), from a previous years underspend, this will be held in its own designated reserve for an agreed specified time. This new approach will form part of the revised arrangements of financial reporting to Cabinet.

4.16 A full review of the Council's earmarked reserves has been carried out and reported to the Budget Scrutiny Committee, alongside the development of these budget proposals. Full details of this review are set out at **Annex H**.

Key Changes

- £175.327m of earmarked reserves were held at the 31 March 2017. This is currently projected to reduce to £165.753m by end of the current financial year and £167.139m at 31/03/19.

- All demand led reserves will be closed at the end of the current financial year and the balances transferred into the General Fund Working Balance.

- 20 further earmarked reserves totalling £16.416m have been merged to simplify and streamline accounting and reporting.

- All the reserves listed at **Annex H** 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.

Fees and Charges

4.17 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 I**. 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).

4.18 The two main reasons for exceptions to the policy, in respect of the fees and charges proposed are:

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

4.19 The exemptions to the Income policy are outlined in **Annex J**.

Local Council Tax Reduction Scheme

4.20 Schedule 4 of the Local Government Finance Act 2012 requires each billing authority to consider annually, whether to revise its Local Council Tax Reduction Scheme (LCTRS) or to replace it with another scheme.

4.21 Full Council approved a LCTRS in January 2018. The scheme is unchanged from 2017/18, with the maximum level of Council Tax support for working age claimants maintained at 80%.

4.22 On 7 November 2017, Cabinet also approved a total sum of £0.530m funding for town and parish councils in 2018/19, to partially offset the financial impact of the LCTRS on their council tax yield estimates.

Capital Financing Costs

4.23 A review of the Council's Debt Financing budget has revealed that an additional £3.000m can be released into the base revenue budget. The overall debt financing resources continue to show a surplus position in the short term. However, the surplus is prior to the potential impact of the remodelling of HRA debt repayment. The HRA Business Plan is currently being developed. Once complete, a further review of the debt financing budget will be carried out, which will assess the appropriate level of resources required in the medium term (taking account of future borrowing and refinancing options), and whether further resources can be released to support the MTFP.

5. Summary of Revenue Budget 2018/19 – 2021/22

5.1 The medium term financial forecast for 2018/19 to 2021/22 is detailed in **Annex K** and summarised in Table 8. The budget gap over the four years is £22.5m.

Table 8: Summary Revenue Budget Position 2018/19 – 2021/22

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Government Funding Adjustments	2.229	4.500	7.295	0.268
Other Funding Sources	(13.008)	(2.096)	(0.600)	(3.699)
Forecasting assumptions	4.705	4.877	4.691	3.717
Budget Service Pressures	16.304	3.488	3.194	3.549
Corporate Pressures	5.902	(3.300)	1.250	0.000
Reserves Technical Adjustment	(0.637)	0.000	0.000	0.000
Planned reduction to contingency budget	(0.774)	(0.377)	(0.484)	(0.168)
One-off Pressures	0.335	0.000	0.000	0.000
Total Pressures	15.056	7.092	15.346	3.667
Capital Financing Costs	(3.000)	0.000	0.000	0.000
Total Service Budget Reductions	(9.525)	(1.706)	(1.141)	(0.540)
Total Service Income Generation Proposals	(2.196)	(0.060)	(0.072)	(0.044)
Less Reserves applied to one-off pressures	(0.335)	0.000	0.000	0.000
Net Ongoing Position	0.000	5.326	14.133	3.083

5.2 The Council's strategy to address the significant financial challenges over the medium term, requires all services to identify ways to reduce costs and/or generate additional income.

5.3 However, this strategy does recognise that those services which support the most vulnerable people in Milton Keynes - Housing, Adult Social Care and Health and Children's Social Care, are also facing significant demand pressures. Using local trend data and demographic growth projections, the 2018/19 budget funds these anticipated pressures.

5.4 The 2018/19 budget therefore includes ongoing pressures and funding reductions totalling £15.056m, along with £0.335m of one-off pressures. These pressures are offset by £11.721m of budget reductions and income proposals, £3.000m of capital financing reductions and £0.335m of one-off funding.

5.5 The base budget position for the 2018/19 Revenue Budget is set out in **Annex L**. The one-off budget pressures are set out in **Annex D**.

6. PARKING ACCOUNT

6.1 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.

6.2 As in previous years, the Council has estimated the likely income it will receive from car parking in 2018/19, the costs that are required to manage car parking, and has considered the need for additional car parking.

6.3 As a result of this process, it has been identified that car parking is expected to generate a surplus in 2018/19, which will be transferred to the General Fund for use 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

6.4 **Annex M** outlines the forecast parking surplus and the proposed use of this surplus as part of the 2018/19 Budget.

7. CAPITAL PROGRAMME

Capital Resources

7.1 Table 9 shows the forecast resources available for the Medium Term Capital Programme. An explanation of the different capital financing streams and assumptions for the Medium Term Capital Programme is available in the February 2018 MTFP (**Annex W**). However, the key assumptions for the financing of the Capital Programme are:

- Children and Families Basic Need capital financing is based on confirmed allocations from the Local Government Finance Settlement for 2018/19 with a forecast for future years.

- Children and Families financing for the School Condition Allocation is based on indicative allocations for 2018/19.

- Adult Social Care and Transport funding assumed at 2017/18 levels as 2018/19 have not yet been confirmed.

- Housing funding is based on an estimated contribution from revenue to capital based on affordability within the Housing Revenue Account.

- No tariff or developer contributions have been assumed, except where specified in individual project appraisals.

- £6.7m of 2016/17, and £2m of 2017/18 New Homes Bonus has been allocated and will fund projects over the medium term, such as V4 Crossings, Investment in LED lighting, East West Rail and enhancements required for the Future Working Project.

- New Homes Bonus Funding had been set aside in previous years for various projects that are either no longer required or have been completed without using the full capital allocation. The funding totalling £0.852m was previously allocated to; implementation of the waste strategy, £1.42m, 5 Acres Nursing Home £0.800m, CIMDAS software £0.019m and Microsoft Licensing £0.033m. This has been reallocated within the 2018/19 capital programme.

- Housing Right to Buy Receipts – the Council has signed up to a MHCLG scheme which will allow the previously pooled share of Right to Buy receipts to be retained by the Council, to make a 30% contribution to the costs of delivering new housing schemes. If resources are not spent in a three year time period, the receipts will need to be returned along with interest of 4% above the base rate. The Medium Term Capital Programme assumes forecast receipts will be allocated to new build housing.

- Prudential borrowing is being used to finance the Highways and Infrastructure investment. The revenue costs of this borrowing will be met through the revenue budgets, which have been developed as part of the sustainability items.

Table 9: Forecast Medium Term Capital Resources

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 Onward £m**
Capital Receipts	8.478	0.600	0.470	0.470	0.220
Developer Contribution	15.665	14.302	13.570	7.951	17.980
New Homes Bonus	9.536	0.473	0.084	4.410	2.711
Parking Reserve	0.050	0.050	0.000	0.161	0.000
Prudential Borrowing	28.015	8.793	3.198	4.251	0.879
Single Capital Pot	65.399	9.846	8.586	8.749	11.523
Grant	9.687	4.493	3.472	1.049	0.953
Revenue – GF	0.673	0.000	0.000	0.000	0.000
Revenue – HRA	6.231	0.095	0.000	0.000	0.000
Third Party Contribution	4.100	0.550	0.000	0.278	0.000
MRR	18.576	15.435	15.436	15.435	15.436
Total	**166.410**	**54.637**	**44.816**	**42.754**	**49.702**

7.2 No scheme is included into the Medium Term Capital Programme unless it is fully funded. The 2022/23 onward figures reflect the resources required in future years to complete those schemes approved as part of this Medium Term Capital Programme, but no new schemes.

7.3 The New Homes Bonus has been earmarked to finance infrastructure projects; together with investment in the museum, and the Future Work Programme. If alternative capital resources are identified, the New Homes Bonus will be released to resource other emerging priorities.

Capital Expenditure

7.4 The Medium Term Capital Programme was approved by February 2017 Council. New schemes included for 2018/19 have since been reviewed and scrutinised to identify uncommitted resources remaining which were then allocated to priority schemes.

7.5 In order to develop the revised Medium Term Capital Programme, future years' allocations remain broadly in line with the previous forecast, however these have been updated where changes to specific schemes have been identified and to include emerging pressures in the need for additional school places. Table 10 shows the summary capital expenditure proposed over the medium-term.

7.6 The schemes marked as continuing, are those schemes which have commenced as part of previous years Capital Programmes. Expenditure in the year 2022/23 onwards column reflects the expenditure required to complete the schemes commenced in the Medium Term Capital Programme, but does not include any new starts.

7.7 The forecast Medium Term Capital Programme will deliver major investment in Milton Keynes. Some of these items are as follows:

- The Children and Families programme includes school expansions to increase the number of pupil places, the completion of a number of new schools already under construction with further 1 secondary school expansion starting in 2018/19.

- The Council is continuing to fund the building of up to 200 new homes to address the increasing demand for affordable housing.

- Prudential borrowing continues to enable the backlog maintenance issues on highways and infrastructure to be addressed and street lights to be replaced and become more energy efficient through trimming and dimming works.

- The Future Work Programme, which will result in improvements to Council office accommodation, supports new ways of working and reduces the cost of Council accommodation.

Table 10: Forecast Medium Term Capital Expenditure

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 Onward £m
Education – Continuing Schemes	22.858	30.256	10.847	0.000	0.000
Education – New Starts	0.753	2.449	2.255	2.176	4.292
Education – Pipeline	0.000	0.000	0.000	2.969	0.000
Transport – Continuing Schemes	18.228	4.445	0.600	6.035	3.730
Transport – New Starts	12.058	8.583	7.563	8.314	4.944
Transport – Pipeline	0.000	5.000	5.750	4.375	17.980
Social Care & Housing GF – Continuing Schemes	5.956	0.030	0.000	0.086	0.000
Social Care & Housing GF – New Schemes	0.953	0.953	0.953	0.954	0.953
Housing HRA – Continuing Schemes	10.832	0.135	0.000	0.000	0.000
Housing HRA – New Starts	16.866	15.655	15.656	15.655	15.656
EPCS – Continuing schemes	36.203	5.437	1.074	0.287	0.000
Strategic Pot– New Starts	3.798	5.613	4.065	1.436	0.926
Strategic Pot– Pipeline	1.485	2.550	2.750	1.140	0.640
TOTAL Expenditure	**129.990**	**81.106**	**51.513**	**43.427**	**49.121**

Slippage

Summary of Capital Programme

7.8 Table 11 shows the Council's current capital expenditure needs can be met over the medium-term. The costs and funding of these projects will be refined as the capital programme is developed for future years. The detailed Capital Programme is available at **Annex N**.

7.9 However, it should be noted that a Multi-Modal study of the road network has recently been completed to identify where additional investment is required. The impact of this study will be built into the Mobility Strategy which is currently out for consultation. The Strategy will identify future transport infrastructure requirements. It is therefore likely the Council will need to maximise returns from assets over the medium term to meet capital requirements, or to contribute (under new legislation) to the transformation costs of the Council.

Table 11: Forecast Medium Term Summary of Capital Resources and Expenditure

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 Onward £m
Capital Expenditure	129.990	81.106	51.513	43.427	49.121
Capital Resources	166.410	54.637	44.816	42.754	49.702
Net Position (surplus) / deficit	(36.420)	26.469	6.697	0.673	(0.581)
Cumulative Position (surplus) / deficit	(36.420)	(9.951)	(3.254)	(2.581)	(3.162)

8. OTHER FUNDING

S106 Funding

8.1 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.

8.2 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.

8.3 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 as intended.

8.4 The development of the capital programme has incorporated consideration of S106 funding, so resources are used in the most effective manner to deliver necessary schemes. This process has also included reviewing unallocated 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.

8.5 A total of £10.57m of S106 funding has been allocated within the Capital Programme, which includes £6.61m in 2017/18 and £3.96m in 2018/19 onwards (£2.4m of which is yet to be received with £1.0m due in 2017/18).

8.6 In addition to capital allocations, there is approximately £5.6m of S106 allocated to Revenue.

8.7 A further £3.16m has been earmarked to projects. These include projects that are being initiated but do not yet have capital approval, parish and town council projects and other revenue projects awaiting approval.

8.8 The remaining balance of £16.71m is yet to be committed; however all of the funding is notionally ring-fenced to approximately 320 individual S106 contributions, covering almost 400 individual projects.

Tariff

8.9 The Milton Keynes Tariff is a unique s106 based ‘umbrella’ arrangement, for development in the expansion areas, formerly designated as the ‘Urban Development Area’. Through the Tariff mechanism, the Council will collect over £310m in developer contributions over its lifetime, to 2031, 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.

8.10 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.

8.11 **Annex O** shows a breakdown of the Tariff resource allocation for 2018/19 and indicative allocation for the next four years, both for projects to be delivered by the Council and those managed by other areas of the community. 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.

8.12 Tariff resource allocation includes both amounts to be financed through cash and others to be completed by works in kind. Allocations to the Council's projects are included within the Capital Programme, and requests for Resource Allocation and Spend Approval will be sought on a project by project basis, in line with the agreed process for entry into the Capital Programme.

Dedicated Schools Grant

8.13 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 2017. These are expected to be replaced by 2018 regulations in early 2018.

8.14 2018/19 will be the first year that the Local Authority DSG allocation will be based on the revised National Funding Formula (NFF). The early years NFF was introduced in 2017/18 and the change to the schools and high needs NFF completes the review of how the DSG is calculated. There will now be four distinct funding blocks within the DSG; schools, central school services, high needs and early years. These funding blocks will also now become ring-fenced.

8.15 The changes relating to the school block funding formula will be phased over two years (2018/19 and 2019/20) and during this time, LA's will still have local decision making as to how this is allocated before moving to the hard national funding formula, when the DfE will calculate this directly at school level.

8.16 In December 2017, the DfE issued the provisional funding allocations for 2018/19. The early years block remains provisional as this is adjusted based on later census dates.

8.17 The LA is required to consult with all schools and the schools forum on any changes to the school funding formula. This was undertaken in December, in order to set the DSG budget for 2018/19. The schools forum also has decision making responsibility on parts of the budget and this was completed at the meeting of the schools forum on 7 January 2018. The following table shows the DSG budget for 2018/19 and the changes in funding from 2017/18. Further detail on this can be found in **Annex W**.

Table 12: Dedicated Schools Grant Budget Summary

	Funding Block £m				
	Schools	Central School Service	Early Years	High Needs	Total
2017/18 Final Allocation	177.840	1.492	19.388	37.320	236.040
2018/19 Baseline December	181.651	1.455	19.388	39.220	241.714
National Funding Formula Change	3.811	(0.037)	0.000	1.900	5.674
2018/19 Provisional Allocation	184.489	1.478	22.007	39.312	247.286
Increase on Baseline (updated census)	2.838	0.023	2.619	0.092	5.572
2017/18 Surplus Carry Forward	0.216	0.024	0.000	0.000	0.240
2018/19 DSG Income	184.705	1.502	22.007	39.312	247.526
Budgeted Expenditure	184.669	1.502	22.007	38.892	247.070
Contingency	0.000	0.000	0.000	0.420	0.420
2018/19 Balance Carried Forward	**0.036**	**0.000**	**0.000**	**0.000**	**0.036**

8.18 In 2018/19, changes will be made to the school funding formula in order to transition to the NFF. Although the increase in the high needs block seems significant, this largely aligns the income in that area against historic levels of spending. This area continues to be a challenge due to the increasing numbers of young people requiring support and an increasing complexity of need, so a small contingency has been allowed for within the budget to provide for any volatility.

9. PRUDENTIAL CODE

Background

9.1 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.

9.2 The Prudential Code was updated in 2011, which did not result in any fundamental changes for Milton Keynes Council, other than a requirement for the inclusion of a new indicator to monitor the Housing Revenue Account (HRA) debt cap, as a result of HRA Reforms.

9.3 A further amendment was issued in November 2012, whereby the indicator for prudence has been amended from comparing net debt to gross debt against the capital financing requirement. This will restrict authorities' ability to borrow in advance of need.

9.4 Both CIPFA and MHCLG have consulted on a number of changes to the codes and issued Guidance. CIPFA have published new 2017 editions of the Prudential Code and the *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (the TM Code), but have not yet issued updated sector specific guidance notes. This report has therefore been prepared under the requirements of the 2009 or 2011 Codes as appropriate.

9.5 The Council's capital investment is limited by the Prudential Code's requirement that debt is sustainable, affordable and prudent and the overarching requirement that local authorities set balanced revenue budgets. The Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority borrowing.

9.6 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which, for housing authorities, are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation. The indicators are purely for internal use by the Council because any comparisons with other councils would not be meaningful.

Acceptance of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code (the TM Code)

9.7 This Council hereby confirms that it has adopted the TM Code.

9.8 One clarification that should be noted is the distinctions between the terms debt and borrowing for the purposes of the Prudential Code:

(i) **Debt –** refers to borrowing (see below) plus any other long-term liabilities (liabilities outstanding under credit arrangements as defined by statute, such as finance leases).

(ii) **Borrowing –** refers to actual external borrowing (loans).

HRA Reforms

9.9 The Council has adopted a single pool approach to allocating debt charges between the General Fund and HRA. A single pool approach is a continuation of previous arrangements, whereby the Council manages its overall debt as a single portfolio and apportions costs to the General Fund and HRA at a consolidated rate in proportion to the debt held by each.

Capital Expenditure and the Capital Financing Requirement

9.10 The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.

9.11 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing, the authority must be satisfied that the additional borrowing costs can be afforded within future years' budgets.

9.12 Tables 9 and 10 of this report show the forecast financing and expenditure for the recommended Medium Term Capital Programme. Table 13 below shows the resulting forecast Capital Financing Requirement for the next five years based on this programme.

Table 13: Capital Financing Requirement 2018/19 to 2022/23

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
CFR – Non-HRA	473.565	473.550	468.356	462.941	445.258
CFR – HRA	229.724	228.971	228.434	228.367	228.365
Total CFR	**703.289**	**702.521**	**696.790**	**691.308**	**673.623**
Net CFR movement	-	(0.768)	(5.731)	(5.482)	(17.685)

Limits to External Debt Activity

9.13 The first key control over the Council's activity is to ensure that over the medium term, gross debt is only for a capital purpose. To ensure this is the case the Council needs to ensure that gross external debt does not, except in the short term, exceed the total of the capital financing requirement for any year, either the current or future forecasts.

9.14 Table 14 below shows the forecast gross debt requirement, compared to the forecast capital financing requirement. This shows that all debt is to support capital expenditure, and therefore meets the requirements of the Prudential Code.

Table 14: Gross Debt Compared to Capital Financing Requirement

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Gross Debt	479.502	466.078	459.051	449.318	439.221
CFR (Table 13)	703.289	702.521	696.790	691.308	673.623

9.15 Further Prudential Indicators assist in exercising control over the overall level of debt which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which debt is prohibited. It reflects the level of debt which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum debt need with some headroom for unexpected movements. This is the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Table 15: Authorised limit for External Debt

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Borrowing	745.000	745.000	740.000	735.000	715.000
Other long term liabilities	10.000	10.000	10.000	10.000	10.000
Total	**755.000**	**755.000**	**750.000**	**745.000**	**725.000**

- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual debt could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

Table 16: Operational Boundary for External Debt

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Borrowing	715.000	715.000	710.000	705.000	685.000
Other long term liabilities	10.000	10.000	10.000	10.000	10.000
Total	**725.000**	**725.000**	**720.000**	**715.000**	**695.000**

The Council is asked to approve the Authorised and Operational Limits set out in tables 15 and 16 which have been calculated on the basis of anticipated cash flow and the forecast Capital Financing Requirement, with an additional margin for the Authorised Limit to allow for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts. The limits for other long term liabilities allow for the accounting changes to leases brought about by the implementation of International Financial Reporting Standards.

- **HRA Limit on Indebtedness** – This indicator considers the HRA debt capital financing requirement against the debt limit imposed under HRA Reforms. The Council received approval from the Secretary of State for an extension to the HRA debt limit from 1 April 2015 to accommodate a specific redevelopment scheme, by £0.923m. This shows the HRA remains within its debt cap and is forecast to do so for the medium term.

Table 17: HRA Limit on Indebtedness

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
HRA Debt Limit	260.215	260.215	260.215	260.215	260.215
CFR – HRA (Table 13)	229.724	228.971	228.434	228.367	228.365
Variance	30.491	31.244	31.781	31.848	31.850

- **Actual External Debt** – This indicator considers actual external debt at a single point in time and hence is only directly comparable to the authorised limit and operational boundary at that point in time; as such this indicator shall form part of the treasury management reporting process.

Affordability Prudential Indicators

9.16 Within the Prudential Code framework, indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. This section sets out the required affordability indicators based on the Budget and Medium Term Capital Programme and recommends that the Council approves each indicator.

- **Actual and estimates of the ratio of financing costs to net revenue stream -** This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue streams, for housing and non-housing services. The higher ratio for the HRA reflects the fact that borrowing costs on past capital expenditure on council housing represent a significant proportion of the HRA revenue budget.

- The figures used for General Fund net revenue funding are based on the Revenue Budget being recommended to the Council and are therefore subject to change with any amendments to the Final Budget. If applicable, updated figures will be provided to Cabinet and Council.

Table 18: Ratio of financing costs to net revenue funding

	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
Non-HRA	10.49%	10.56%	10.55%	10.21%	10.14%
HRA	36.56%	36.86%	36.01%	35.25%	33.84%

9.17 The Council is recommended to approve the indicators showing the ratio of financing cost to revenue funding for both the General Fund and the HRA.

- **Estimates of the incremental impact of capital investment decisions on the Council Tax -** This indicator identifies the trend in the net revenue cost of proposed changes in the recommended Capital Programme compared to the Council's existing commitments and current plans. The results reflect any incremental funding of prudential borrowing that is to be met directly from revenue budgets. Although the indicator is expressed as an amount of Council Tax this does not mean that the capital investment decisions will directly result in changes to the Council Tax level. Revenue budgets are prepared and set inclusive of the impact of capital investment decisions.

Table 19: Incremental Impact of Capital Investment Decisions on Band D Council Tax

	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
Full Impact of **Previous** Capital Investment Decisions on Council Tax – Band D	£171.06	£180.57	£183.99	£185.01	£0.00 *
Full Impact of **Latest** Capital Investment Decisions on Council Tax – Band D	£154.27	£167.49	£168.86	£166.90	£164.18
Incremental Impact of **Latest** Capital Investment Decisions on Council Tax – Band D	(£16.79)	(£13.08)	(£15.13)	(£18.11)	£164.18

* - not previously reported as the Council has not previously set a 2022/23 capital programme.

9.18 The reduction in impact reflects revisions to the capital programme from schemes funded through prudential borrowing and revisions to the Council Tax base estimates.

9.19 The Council is recommended to approve the Prudential Indicator showing the incremental impact of capital investment decisions on the band D Council Tax (Table 19 above).

- **Estimates of the incremental impact of capital investment decisions on Housing Rent levels -** This indicator identifies the trend in the cost of proposed changes in the housing capital programme compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels. The results reflect the incremental impact of prudential borrowing that is to be met directly from housing budgets.

9.20 The HRA financial plan ensures that the capital programme is fully funded by available contributions from the HRA, whilst maintaining a minimum balance. This indicator therefore reflects the lost opportunity cost of investment interest based on latest estimates of contributions from the HRA.

Table 20: Incremental impact of capital investment decisions on weekly housing rents

	2018/19 Forecast	**2019/20 Forecast**	**2020/21 Forecast**	**2021/22 Forecast**	**2022/23 Forecast**
Full Impact of **Previous** Capital Investment Decisions on Housing Rents	£0.39	£0.39	£0.45	£0.50	£0.00 *
Full Impact of **Latest** Capital Investment Decisions on Housing Rents	£0.31	£0.35	£0.37	£0.51	£0.54
Incremental Impact of Latest Capital Investment Decisions on Housing Rents	(£0.08)	(£0.04)	(£0.08)	£0.01	£0.54

* - not previously reported as the Council has not previously set a 2021/22 capital programme.

9.21 The Council will be recommended to approve the Prudential Indicator showing the incremental impact of Capital Investment decisions on housing rents (Table 20 above).

Treasury Management Prudential Indicators and Limits on Activity

9.22 The Council's Treasury Management Strategy is attached as Annex P.

9.23 In addition to those indicators set out in above, the following treasury indicators form part of the TM Code. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

9.24 However if these indicators are set to be too restrictive they will impair the opportunities to reduce costs.

(iii) **Upper Limits on the proportion of net debt compared to gross debt** – This indicator is intended to have the effect of highlighting where an authority may be borrowing in advance of need. However many factors can influence the results of this indicator other than simply borrowing in advance of need, such as increases in capital receipts.

Table 21: Upper Limits on the Proportion of Net Debt Compared to Gross Debt

	2018/19 Forecast %	2019/20 Forecast %	2020/21 Forecast %	2021/22 Forecast %	2022/23 Forecast %
Upper Limit	100.00	100.00	100.00	100.00	100.00

(iv) **Upper limits on variable rate exposure** – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Table 22: Upper Limits on Variable Rate Exposure

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Upper Limit	30.000	30.000	30.000	30.000	30.000

(v) **Upper limits on fixed rate exposure** – Similar to the previous indicator, this covers a maximum limit on fixed interest rates based on net debt.

Table 23: Upper Limits on Fixed Interest

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Upper Limit	715.000	715.000	710.000	705.000	685.000

(vi) **Total principal funds invested for longer than 364 days** – These limits are set in order to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

Table 24: Upper Limits on Investments for Longer than 364 days

	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m
Upper Limit	50.000	50.000	50.000	50.000	50.000

(vii) **Maturity structures of borrowing** – These gross limits are set in order to reduce the Council's exposure to large fixed rate sums falling due for refinancing. Both upper and lower limits are required.

Table 25: Lower and Upper Limits for the Maturity Structure of Borrowing

	Lower Limit %	Upper limit %	Borrowing * £m	%
Under 12 months	0	15	9.054	1.85
1-2 years	0	15	13.739	2.81
2-5 years	0	50	19.690	4.02
5-10 years	0	50	72.026	14.71
Over 10 years *	50	100	375.079	76.61
			489.588	**100.0**
* *Breakdown of borrowing held in excess of 10 years*				
10-20 years	*Set with reference to all loans Over 10 years (above)*		*144.442*	*29.50*
20-30 years			*60.277*	*12.31*
30-40 years			*75.000*	*15.32*
40-50 years			*95.360*	*19.48*
			375.079	***76.61***

* - Borrowing portfolio as at January 2018 amended for:

- LOBO loan classified at maturity date as highly unlikely to be call option will be exercised (£5m classified as over 10 years / 20-30 years).

9.25 It is not expected that there will be any concerns in complying with these indicators. Actual performance against indicators is reported quarterly though the Budget Monitoring process.

9.26 The Council will be recommended to approve the Treasury Prudential Indicators set out in Tables 21 to 25.

10. HOUSING REVENUE ACCOUNT

10.1 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.

10.2 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. The subsequent income and expenditure of the HRA could therefore be based on local rather than national decisions, and reflect investment needs informed by Asset Management Plans, e.g. the Council’s regeneration programme.

HRA Planning Assumptions

10.3 The HRA Budget for 2018/19 has been prepared on the basis of the corporate planning assumptions. In addition the following planning assumptions specific to the HRA have been made, resulting in the pressures and savings set out in **Annex S**:

1. Income

a) Dwelling Rents

10.4 The self-financing regime enabled councils to set council rents, according to the assessment of the need for spending on the management and maintenance of its housing stock, and other items within the HRA, constrained only by Housing Benefit limits. The Council was able to choose to what extent (if any) to follow government rent-setting guidance. However, the £170m of additional debt assumed that rent would continue to be set in line with the government's Rent Restructuring policy, including increases at RPI + ½%.

10.5 The Government announced in May 2014 a new policy that social rents should instead increase by CPI + 1% for the ten years from 2015/16 to 2024/25, with no further restructuring.

10.6 The Government has since incorporated into the Welfare Reform and Work Act a reduction in social housing rents of 1% per year for the four years commencing April 2016, until April 2020.

10.7 Rent decreases complying with the 1% cut will continue to decrease income for the HRA in 2018/19. Average rent will decrease to £86.93 per week, an average decrease of £0.88 per week.

10.8 The rent decrease for shared owners will be 1.00%; this is contractual, based on last year's council housing rent decrease. This would mean an average rent of £83.59 per week (a decrease of £0.84 per week) although this figure varies with the share owned by the tenant.

10.9 The rent decreases will reduce HRA income by £0.528m in 2018/19 (item HP2 in **Annex S**). This reduction will be partly offset by £0.215m additional income from new Council housing (HI1 and HI2).

10.10 The government announced on 4 October 2017 that its social rent policy will be to revert to increases of CPI + 1% on the expiry of the current policy, for five years from April 2020. The rent income budget will therefore revert to increasing annually from April 2020.

10.11 The national welfare reform changes are currently a risk to some of the income in the HRA. Under the current arrangements, the rent for those people in receipt of Housing Benefit is paid directly to the Council, under the Government plans for welfare reform this money will increasingly be paid directly to the resident as part of Universal Credit, now being rolled out in Milton Keynes, for them to make rent payments.

10.12 This means income which was previously guaranteed to the HRA may now not be collected. In addition, the general reduction in benefits through welfare reform (including the "bedroom tax") reduces the income available to some tenants, which increases the risk of non-payment. Actions to mitigate these risks are set out in **Annex U**.

10.13 Due to these increased risks in relation to income collection, the budgeted level of collection for all rental income from 2013/14 onwards was reduced from 93% to 92%. This has been reviewed and it remains prudent to assume a level of 92% for 2018/19. However, all debts will continue to be rigorously pursued through prompt, proactive and robust processing by a specialised Housing Team. Income collection remains a priority and is demonstrated by the 2016/17 year end BVPI66a collection rate (covering rent income only) of 97.22%.

10.14 The risk arising from the Housing & Planning Act of a levy in respect of sales of "Higher Value Voids" is not expected to have a material impact in 2018/19, as the government's regional pilots of Housing Association RTB are still ongoing.

b) Right to Buy sales

10.15 The budget provides for 68 right to buy (RTB) sales in 2018/19, based on recent and current year activity, which reduces the rent income expected by £0.279m (HP1).

c) Garage Rents

10.16 Following investigation of other local authorities' garage rents, and consideration of the marketability of housing garages in Milton Keynes, it is recommended that there is no change in 2018/19.

d) Leaseholders' Service Charges and Major Works Recharges

10.17 Leaseholders' service charges are estimated in line with costs of providing the service. Recovery of costs for major works in respect of leaseholders is also assumed in full.

e) Tenants' Service Charges

10.18 General Needs tenants' service charges were reviewed for 2016/17, and Sheltered Housing tenants' were reviewed for 2017/18, and will continue to move closer to covering the costs of providing the various services as the product of the 1% rent cut is applied to capped increases (HI3).

Expenditure

f) Repairs and Maintenance

10.19 Additional costs of £1.173m are expected as a pressure (HP4) from increase responsive repair costs, largely relating to the costs of void properties and compliance and survey requirements, plus inflation. The increase in costs has been mitigated by planned reductions in controllable spend areas, and where current year spend has resulted in lower levels of future liabilities.

g) General Management, Special Services & Other Property Costs

10.20 Additional costs of £0.150m are expected as a pressure (HP5) from increase Health and Safety, compliance, and quality assurance work.

10.21 Additional costs of £0.060m are expected as a pressure (HP6) from the costs of appointing independent council representatives to the YourMK board. This pressure relates solely to the representatives' role on behalf of council housing.

10.22 Additional costs of £0.055m contributed from the HRA towards regeneration consultation and engagement costs relating to council housing tenancies (HP7).

10.23 Additional costs of £0.098m contributed from the HRA towards the extension of regeneration consultation and engagement costs relating to council housing tenancies in Fullers Slade, as agreed by Cabinet on 2 January 2018[1] (HP10).

10.24 Additional staffing costs of £0.200m to maintain the level of resources for service delivery and improvement instead of previously proposed reductions (HP11).

h) Interest and repayment of borrowing

10.25 Interest charges are expected to decrease by £0.669m (HR1) in line with the council's overall cost of borrowing as a result of capital financing and Treasury Management operations and increased interest earned on HRA balances.

i) Funding for Capital Investment

10.26 The HRA is charged with depreciation each year, which reflects the cost of wear and tear on HRA assets (principally the housing stock). The depreciation charge is paid into the Major Repairs Reserve, which finances the costs of major repairs.

10.27 The Council also makes further contributions from the HRA toward the costs of capital improvements, based upon an Asset Management Plan which assesses the costs of maintaining and renewing all the building elements within the housing stock, and of the regeneration programme, which will be refreshed and updated by the Regeneration Partner. The contribution is expected to decrease by £1.654m (HR3 &HR4) from £15.031m to £13.377m.

j) Contribution to Earmarked Reserves

10.28 As a result of the recent review of the council's policy on risk reserves, risks are now being considered as part of the Chief Financial Officer's annual review of the HRA Prudent Minimum Balance. No further contributions are therefore planned to specific risk reserves (HR2).

Summary of the HRA Budget

10.29 Table 26 shows the summary 2018/19 budget for the HRA. The 2018/19 HRA Budget is compared to the 2017/18 Budget in **Annex R**.

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[1] Decision Sheet items C112 (2) (b) and (f)

Table 26: Summary of the HRA Budget

Item	2018/19 £m
Income:	
Dwelling rents	(52.363)
Other income	(2.967)
Total income	**(55.330)**
Expenditure:	
Repairs and maintenance	10.513
General Management & Special Services	9.698
Interest and repayment of borrowing	7.975
Funding for future capital repairs (depreciation charge)	12.978
Funding for future capital improvement works (RCCO)	13.377
Other expenditure	0.790
Total Expenditure	**55.330**
Net budget for the year	**0.000**

10.30 The minimum level of prudent HRA reserve to cover unforeseen adverse circumstances has been assessed at £5.5m, as shown in **Annex U**. This is an increase of £1m from the current financial year, reflecting the issues previously covered by specific risk reserves. A review of HRA earmarked reserves has identified that two balances are no longer required (Debt financing and the impairment reserves), totalling £1.746m, which have been added to the HRA working balance.

10.31 This adjustment takes the overall working balance to £7.981m, which is forecast to reduce by the 31 March 2018 to £7.259m. The medium term projection in **Annex U** indicates that HRA reserves will remain above this minimum level for the medium term planning period, although both earmarked reserves and balances will need to be reviewed in light of the regeneration programme.

11. ROBUSTNESS AND RISKS

11.1 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.'

11.2 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.

11.3 In preparing the Budget for 2018/19, 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.

11.4 The Budget adequately reflects known issues including the best forecast position at this point in time. A Budget Risk Register is included in **Annex Q**, 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 G**.

11.5 Three areas of risk were highlighted in the draft budget report in December. These have been reviewed and updated to reflect the position at the point of setting the 2018/19 budget, together with details of any risk mitigating actions necessary, which Cabinet are asked to note as part of their consideration of these budget proposals:

a) **Residual Waste Treatment Facility** – at present the Budget reflects the planned opening of the plant during 2017/18. Acceptance testing has not been successfully completed at the time of this report. Service commencement can only begin once this has been completed.

Risk Mitigation

If the Acceptance Test is not met by the longstop date the Council will need to negotiate with Amey and their funders on a range of options to ensure that the facility can be moved into 'service commencement'. A paper will be brought to Cabinet setting out the proposed way forward, together with the risks, financial implications and service implications. To ensure that the Council is in a position to set a robust and balanced budget the New Homes Bonus funding for 2017/18 has been withheld to offset any in year revenue impact from continued delay to service commencement.

b) **Temporary Accommodation** – The projections for continued growth in the demand for temporary accommodation are based on the trends over the last three years. However, the demand is uncertain particularly with the introduction of the Homeless Reduction Act from 1 April 2018.

Risk Mitigation

In the event that the level of demand should increase significantly the Council has set aside what it believes is a prudent level of financial resources in the General Fund working balance to meet this.

The level of base budget has already been adjusted to reflect the current level of demand and associated costs and the service is continuing to manage demand more effectively and identify more affordable temporary housing solutions. This will continue to be monitored and reported to Cabinet during 2018/19.

c) **Business Rates –** at present the earmarked reserve to mitigate against Business Rate fluctuations is £1m. Over the last five years, the Business Rate Retention scheme has seen considerable fluctuations of between £6m benefit to £5m loss. This area therefore remains a risk and to ensure the Council is well placed to manage this risk the surplus from the projected Collection Fund Adjustment Account will be transferred to this reserve (para 3.29).

Risk Mitigation

The budget proposes that the Councils share of the surplus held in the Collection Fund is transferred into the Business Rates Adjustment Reserve, to provide sufficient funding to mitigate any sudden changes to income levels from business rates income, which may arise principally through successful rating appeals. The MTFP has also been revised from 2020/21, to take account of the expected impact of the business rates reset and now excludes £4.0m growth that the Council has built into its base revenue budget.

11.6 In the medium term the financial plan to achieve financial sustainability requires the Council to develop more innovative solutions and to consider its risk appetite to create greater financial benefits. The reducing size of the authority's budget and increasing complexity to deliver these benefits, also means there will be less ability to manage risk in year. The likelihood is the General Fund Balance will need to increase over the medium term, aligned to the changes in the target operating model and reflecting the difficulty of delivery further budget reductions and income.

11.7 The General Fund Balance of £15.4m is, in the view of the Council's Chief Finance Officer, estimated to be adequate to meet the Council's financial needs in 2018/19.

11.8 This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2017; 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 2018/19.

12. RELATED DECISIONS

12.1 Related decisions include:

- The Draft 2018/19 Budget report approved by Cabinet in December 2017.
- Council Tax Base and Business Rates Baseline 2018/19 report, approved by Cabinet in November 2017.

12.2 Future decisions in this context relate to:

- The consideration of the Cabinet's Budget at the Council meeting in February 2018.

13. LEGAL REQUIREMENTS

13.1 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.

13.2 They affect every household and service user and the manner in which decisions must be made is closely prescribed by law. **Annex V** of this report sets out the relevant legal considerations which affect the Council Budget and Council Tax decisions

13.3 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.

13.4 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 Corporate Director, Resources to report to the Council on the robustness of the budget and the adequacy of reserves.

13.5 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 in paragraphs 4.6 to 4.12, and to the robustness of the budget proposals in section 11.

13.6 The Budget has again been developed at a detailed level based on information supplied by Directorates and has been subject to scrutiny by the Corporate Leadership Team. Budget Scrutiny Group have also scrutinised the budget process and challenged budget savings and pressure proposals.

14. ANNEXES

14.1 The following annexes are appended to this report:

Summary of Budget Consultation	Annex A
GF Changes from 2018/19 Draft Budget	Annex B
2018/19 Budget Pressures	Annex C
2018/19 One-off Budget Pressures	Annex D
2018/19 Budget Reductions and Income Proposals	Annex E1 & E2
Budget Scrutiny Committee Report on 2018/19 Budget	Annex F
GF Reserves Assessment	Annex G
Earmarked Reserves	Annex H
Detailed Fees and Charges for 2018/19	Annex I
Fees and Charges: Exemptions to the Income Policy Additional Concessions	Annex J
2018/19 – 2021/22 Forecasting Model	Annex K
2018/19 GF Budget Summary	Annex L
2018/19 Parking Account	Annex M
Medium Term Capital Programme	Annex N
Tariff Resource Allocation	Annex O
Treasury Management Strategy	Annex P
2018/19 Budget Risk Register	Annex Q
HRA compared to the 2017/18 Budget	Annex R
HRA Budget Pressures and Savings	Annex S
HRA Budget and Medium Term Forecast	Annex T
HRA Budget Risks & Minimum Working Balance	Annex U
Legal Framework	Annex V
Medium Term Financial Plan	Annex W
Long Term Capital Investment Needs	Annex X

15. IMPLICATIONS

Policy

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

Resources and Risk

Yes	Capital	Yes	Revenue	Yes	Accommodation
Yes	IT	Yes	Medium Term Plan	Yes	Asset Management

15.2 A detailed budget risk register is available at **Annex Q** to this report.

Carbon and Energy Management

15.3 There are no direct carbon and energy management implications as a result of this report. However, the service plans including the savings proposals and capital appraisals that support the services and capital schemes described within this report may have Carbon and Energy Management Implications and those documents will set these out.

Legal

15.4 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a sound budget each year is a statutory responsibility of the Council.

15.5 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.

Other Implications

15.1 An Equality Impact Assessment was conducted on all 148 pressures, reductions and income proposals (**Annexes C, E1 & E2**) of which 22 were considered as being 'significant' and 'relevant' to equality. Similar decisions have been brought together to produce 14 in-depth assessments. Full details can be found at http://bit.ly/MKCEqIA-Bud17b.

15.2 These assessments recommend that:

- In ten (10) green areas proposal should continue, as there is a potential to improve the advancement equality of opportunity.
- In four (4) green-amber areas, adjustments have been/are made to remove barriers or better promote equality. Adjustments are identified below.
- There are no (0) amber areas, which are budget reductions or income options that are continuing, despite having identified some potential for an adverse impact or a possible missed opportunity to promote equality.
- There are no (0) red areas, it is recommended that savings not continue, as there is a potential for unlawful discrimination.

Table 27: Summary of adjustments being made
(Green-Amber see paragraph 15.7)

Area of Work	Adjustment Made/Being Made
Learning Disability Review	Better focus of services will promote independent living. The focus of the short breaks service will be the needs of people with challenging behaviour and profound and multiple disabilities. The focus of the day opportunities service will be the needs of people with challenging behaviour and profound and multiple disabilities rather than the current wider offer.
Social Care Charges	The policy needs to be set with due regard of the potential for indirect discrimination if someone wants to stay in their own home, but also if they want to exercise their right to "judge their own well-being". There is also potential for adverse impact. Decisions about the individual must have regard to all the individual's circumstances (and are not only on the individual's age or appearance or any condition of the individual or their behaviour which might lead others to make unjustified assumptions about the individual's well-being).
Night Support	There may be a change in how care is provided to some service users. There will be adequate consultations with these users to minimise the impact
Day Nursery	A number of the current children will no longer be attending the setting due to their age by the time the setting would close. Other families would need to consider alternative settings, available in the local area.

15.3 In equality terms, the 2018/19 budget is focused on meeting the challenges of rising homelessness, demographic increases amongst vulnerable people and children, and maintaining people's independence. Faced with increases in demand, a focus in the budget on these issues has been essential for the advancement of equality of opportunities as well as the meeting of various duties.

Background Papers: Draft Council Budget: Cabinet Meeting 5 December 2017 - Draft Council Budget 2018-19

Budget Consultation: https://www.milton-keynes.gov.uk/consultations/425

Provisional Local Government Finance Settlement https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

Budget Scrutiny Meeting Papers Budget Scrutiny Committee - May 2017 to February 2018