Wards affected: All Wards

ITEM **4(b)**

MILTON KEYNES COUNCIL

18/25 FEBRUARY 2015

COUNCIL BUDGET 2015/16

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Executive Summary:

This report recommends the Revenue Budget 2015/16, Council Tax level, Capital Programme for 2015/16 to 2019/20 and Prudential Indicators for the approval of Council.

The report is informed by the results of the public consultation and includes the statutory decisions that must be made by the Council to set its budget.

The details in this report have been prepared in accordance with the framework set out in the medium term financial strategy (MTFS) which was approved by Cabinet on 9 February 2015.

1. Recommendations

1.1 That the Revenue Budget 2015/16 and Capital Programme for 2015/16 to 2019/20 to be approved.

1.2 That a Council Tax at Band D of £1,160.23, for the Milton Keynes element of the Council Tax, reflecting a 1.95% increase, be approved.

1.3 That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 [the "Act"] (note these will be confirmed once all precepts have been received):

(a) £559.976m Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by parish and town councils.

(b) £463.534m Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3).

(c) £96.442m As its Council Tax requirement for the year, being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4).

(d) £1,228.67 As the basic amount of its Council Tax for the year (including Parish Precepts), being the amount at (c) above, divided by the Council Tax Base agreed on 8 December 2014

(e) £5,372,331 Being the aggregate amount of all special items (Parish Precepts) referred to in Section 34(1) of the Act.

(f). £1,160.23 Being the amount at (d) less the result given by dividing the amount at (e) above by the Council Tax Base agreed on the 8 December 2014, as the basic amount of Council Tax for the year for Milton Keynes Council, excluding Parish and Major Precepting Authorities.

1.4 That the following amounts be calculated for Milton Keynes Council Tax:

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
773.49	902.40	1,031.32	1,160.23	1,418.06	1,675.89	1,933.72	2,320.46

1.5 That the amounts given by multiplying the amount at (f) in recommendation 3 above, by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to all dwellings listed in each particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act Council be noted

1.6 That it be noted that for the year 2015/16, the Police and Crime Commissioner for Thames Valley, in accordance with Section 40 of the Local Government Act 1992, has stated the following precepts to the Council for each of the categories of dwellings:

VALUATION BANDS							
A £	B £	C £	D £	E £	F £	G £	H £
109.13	127.32	145.51	163.70	200.08	236.46	272.83	327.40

1.7 That it be noted that for the year 2015/16, Buckinghamshire and Milton Keynes Fire Authority, in accordance with Section 40 of the Local Government Act 1992, has stated the following precepts to the Council for each of the categories of dwellings:

VALUATION BANDS (to be confirmed)							
A £	B £	C £	D £	E £	F £	G £	H £
39.03	45.53	52.04	58.54	71.55	84.56	97.57	117.08

1.8 That as a result of the above, the amounts of Council Tax (shown in Annex K1 and K2) be set in accordance with Sections 30 and 36 of the Local Government Act 1992, for each of the categories of dwelling shown in the Schedule.

1.9 That the Treasury Management Strategy for 2015/16 to 2019/20 and the Treasury Policy Statement, including the Minimum Revenue Provision Policy be approved.

1.10 That the prudential indicators for Capital Expenditure; 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 2015/16 to 2019/20, be approved.

1.11 That the Authorised Limit for external debt of £591m for 2015/16 (to be the statutory limit determined under section 3(1) of the Local Government Act 2003) be approved.

1.12 That the resource allocation for the 2015/16 Tariff programme be approved.

1.13 That the equalities impact assessment is used to inform the final Budget Resolution and is therefore noted.

1.14 That in line with the requirements of the Local Government Act 2003, it be noted that the Corporate Director Resources is of the view that this Budget is robust and the forecast reserves are adequate.

1.15 That the fees and charges for 2015/16 (including those fees and charges which are exceptions to the Income and Collection Policy) be approved.

2. Introduction

2.1 The Council's Medium Term Financial Strategy (MTFS) which was approved by Cabinet on 9th February 2015, set out:

- The financial planning principles (which have been approved by the Council and Cabinet in previous budget reports).
- The financial and service planning framework which ensures 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 Medium Term Financial Strategy.

2.3 This report deals with Budget issues in the following sequence:

Sections 3 to 5 – Revenue Budget 2015/16 (General Fund)

- General Fund Resources
- General Fund Expenditure
- General Fund Savings
- Other Issues
- Summary of Revenue Budget 2015/16

Section 6 – **Parking Account**

Section 7 – **Capital Programme**

- Capital Resources
- Capital Expenditure
- Summary of Capital Programme

Section 8 - **Other Funding**

- S106 Funding
- Tariff Funding
- Dedicated Schools Grant

Section 9 - **Prudential Code**

Section 10 - **Robustness and Risks**

Section 11 - **Related Decisions**

Section 12 - **Background**

Section 13 – **Annexes**

Section 14 – **Implications**

3. Revenue Budget 2015/16

General Fund Resources - Ongoing

3.1 The 2015/16 Local Government Finance Settlement announced in February 2015, allocated £37.0m in Revenue Support Grant (RSG) to Milton Keynes Council for 2015/16. The RSG is inclusive of the 2014/15 Council Tax Freeze Grant of £1m, which was previously paid as a specific grant.

3.2 The underlying data for the determination of the Revenue Support Grant is based on 2012 population figures. This 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 growth created.

3.3 The Council estimates it will retain £45.3m of business rates collected during 2015/16; of this amount £42.5m is the Council's Baseline Funding Level; the remaining £2.8m represents the estimated retained amount of funding resulting from changes to the net business rate yield and a mixture of one off and ongoing business rate growth.

3.4 The Council is also estimating it will receive an Education Services Grant of £3m. The forecast of resources allows for potential deductions to reflect any schools converting to academy status during the financial year and the national Government's decision to reduce the overall funding allocation by 20% from the previous year. The final resources available may differ depending on the actual number of conversions during the year.

3.5 Therefore, total national Government funding is estimated at £85.3m for 2015/16, compared to £95.4m for 2014/15. Adjusting for the 2014/15 Council Tax Freeze Grant from the Council's 2015/16 RSG to allow for a like for like comparison between the years, results in a Government funding reduction of 12%.

Council Tax

3.6 Local authorities have the option to increase their Council Tax by up to 2% before a local referendum is required.

3.7 The 2015/16 Revenue Budget recommends a Council Tax increase of 1.95%, raising £1.7m of ongoing funding for the Council. The Council Tax will also increase by £2.5m as a result of the growth in the number of homes in Milton Keynes.

Council Tax Base

3.8 The 2015/16 Council Tax Base has increased compared to the previous MTFS assumption. This is due to the positive impact on the Tax Base of:

- Additional forecast growth in 2015/16 Band D property numbers.
- A reduction in the number of people claiming Council Tax Reductions. This is attributed to people moving in to work, which reduces their eligibility for Local Council Tax Reductions.
- The proactive approach to the introduction of Local Council Tax Reduction including; investment in easier ways to pay, a discretionary fund for hardship cases and publicity of the potential impact and support for those required to make a contribution, has resulted in collection rates being better than expected.

Ongoing Revenue - Key Assumptions

3.9 In summary, the following assumptions have been made to determine the likely resources available in 2015/16:

- An increase in the number of Band D properties of 1,670 homes, based on current projections.
- Government funding through Revenue Support Grant and Retained Business Rates as per the Local Government Finance Settlement announced in February.
- Education Services Grant reduced by £0.2m as a result of Department for Education funding reductions and estimated funding reductions for schools transferring from maintained settings to academies. This is a reduction of £0.9m from the actual amount forecast to be received in 2014/15.

- A 1.95% increase in Council Tax, taking the Milton Keynes Council precept to £1,160.23 for a Band D property.

Table 1: Summary of Forecast Revenue Resources for 2015/16

Revenue Resources	£m
Revenue Support Grant	(36.959)
Retained Business Rates	(45.296)
Education Services Grant	(3.041)
Council Tax (including parish precepts)	(96.442)
Public Health Grant	(10.867)
Total Ongoing Resources 2015/16	**(192.605)**

3.10 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, the Police and Crime Commissioner for Thames Valley.

General Fund - One-off Resources

3.11 The Council has been providing for future years liabilities through the development of the sustainability budgets.

3.12 In the interim, these budgets can be used to fund one-off budget pressures. The last remaining sustainability budget that can be used to fund one-off expenditure is the investment in the Residual Waste Treatment Facility. This budget has been created to fund prudential borrowing in 2016/17; therefore this resource can only be called on to fund one-off expenditure in 2015/16, this means one-off resources will significantly reduce from 2016/17.

3.13 If sufficient one-off resources are not available in future years; one-off pressures will need to be met from ongoing funding, which would place further financial pressure on the Council's medium-term financial position.

3.14 In accordance with the Council's financial principles, the following one-off resources are available to use in the 2015/16 Budget to fund identified one-off pressures.

Table 2: Summary of One-off Revenue Resources for 2015/16

One-off Resources	£m
Funding from Waste Sustainability Item	(3.200)
2013/14 Collection Fund Surplus	(0.853)
2014/15 estimated Collection Fund surplus	(2.030)
Previously allocated resources from New Homes Bonus	(0.150)
Reduction in overspend, subject to outturn	(0.238)
Release of Earmarked Reserves (following a review)	(7.183)
Returned New Homes Bonus RSG Holdback from National Government	(0.130)
Total One-off Resources	**(13.784)**

General Fund Expenditure

3.15 In determining the forecast Revenue Budget expenditure for 2015/16 the following assumptions have been made:

- Goods and services general inflation will be offset by efficiency savings in services and are therefore set at 0%.
- Contractual inflation – based on existing contract agreements.
- 2% increase in fees and charges, apart from those exemptions and concessions listed in annex G.
- Pay inflation – reflecting the 15 month agreement reached with Local Government employers.

3.16 As part of the 2015/16 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 draft Revenue Budget.

3.17 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 B and one-off pressures at annex C.

3.18 The 2015/16 budget pressures are summarised in Table 3.

Table 3: 2015/16 Budget Pressures

Pressures by Category	£m
Demography	4.539
Legislative	0.382
General	2.324
Total Ongoing Service Pressures	**7.245**
Sustainability Items	2.300
Total Ongoing Pressures (See Annex B)	**9.545**
One-off Budget Pressures - Service Groups (See Annex C)	7.654
One-off Budget Pressures – Corporate (See Annex C)	3.130
One-off Budget to Address Potential Risks in 2015/16 Budget	3.000
Total One-off Budget Pressures	**13.784**

3.19 Ongoing Budget pressures of £9.5m will be funded, with a further £13.8m of one-off expenditure being funded from identified one-off resources. This approach ensures that base budgets are not adjusted for one-off expenditure which is not ongoing.

Precepts

3.20 A precept is the amount of money that a local or major precepting authority has instructed the billing authority to collect and pay over to it in order to finance its net expenditure. The bodies that issue precepts to the Council are:

- Police & Crime Commissioner for Thames Valley.

- Buckinghamshire and Milton Keynes Fire Authority; and

- Parish and town councils within the boundary of Milton Keynes Council.

3.21 Each precepting authority advises the Council of the total amount of precept required to be collected through Council Tax. The amount of Council Tax required is added to the Council's own calculation to give the total Council Tax to be charged.

3.22 All 48 parish and town precept notifications have now been received, equating to an average Band D equivalent charge for parish and town councils of £68.44. The parish and town council precepts are set out in annexes K1 and K2.

4 General Fund Savings

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 12% reduction in Government funding, means that the 2015/16 budget needs to include the highest level of savings since 2011/12. The impact of previous years funding reductions and the highest rate of Government funding decrease throughout the period of austerity means that the savings required in 2015/16 are the highest percentage terms reduction in the Council's budget in modern times.

4.2 In addition, the Council has already delivered £68m of savings since 2011/12, meaning the choices for 2015/16 are more difficult. This challenging position is likely to continue over the medium term, with further funding reductions expected.

4.3 In light of the anticipated medium term financial challenge, the Council has developed a strategy to reduce the Council's planned expenditure, and to maximise income generation over the medium-term to ensure the Council is financially sustainable. The strategy focuses on four key areas:

- Cost reduction; a continuing drive to reduce all costs.

- New models of service delivery; this fundamentally reconsiders the purpose of the Council, and engages the public in a dialogue about alternative ways to deliver and access services. This drive to implement new models of service delivery is underpinned by the Co-operative Council model, recently unanimously adopted by this Council.

- Outcomes based commissioning; a commissioning strategy for the Council is currently being developed. This will challenge the Council to consider how to achieve the required outcomes, deciding which services need to be delivered and how these services could be delivered.

- Commercialism; this programme will seek to ensure all services have an increased awareness of the cost of service delivery and individual processes and will use this information to drive decision making. This programme will also support managers with the development and implementation of new income generation ideas, providing a framework to determine which opportunities are taken forward.

4.4 This strategy is dealt with in more detail in the MTFS, which was approved by Cabinet on 9th February 2015. Essentially, in that report the Council outlines an approach that links strategic planning with financial planning that is designed to deliver and balance the budget over the next five years.

4.5 A summary of the savings proposals are shown in Table 4. The detail of the individual savings is included in annex D.

4.6 The detailed savings proposals include a Community and Cultural Services Review. This review will need to work with partners and communities to determine if there are alternative ways of delivering services. The Council cannot afford to continue to deliver these services in the way it currently does, but the intention is to enable services to be continued in different ways wherever possible with the support of the local community.

Table 4: Savings/Income Proposals 2015/16

Savings by Category	£m
Service re-design	(2.895)
Commissioning/ efficiency	(4.937)
Overhead reduction	(4.320)
Income growth for charged services	(4.891)
Service reduction	(1.437)
Service re-design & service reduction	(1.686)
Total service savings proposals	**(20.166)**
Debt financing savings	(1.020)
Total ongoing savings proposals (see annex D)	**(21.186)**

Reserves

4.7 A general risk assessment carried out alongside the development of the Budget, showed that the minimum prudent level of reserves continues to remain at £7m.

4.8 However, due to the 2014/15 forecast overspend position, and the significant risks identified in the Budget Risk Register, there is a need to earmark an additional £1.0m of General Fund balances above the minimum prudent level, to mitigate against the future risks identified.

4.9 There is also significant risk in the timing and delivery of a number of 2015/16 savings proposals; therefore to address this added risk, the Council has set aside a further £3m of additional one-off resources. It is therefore estimated that the General Fund Balance should begin the year at £8m, with £3m set aside in an earmarked risk reserve.

Recharges

4.10 The Service Reporting Code of Practice requires Council's to determine the full cost of services, by allocating overheads to these services. The methodology for recharging central services has been reviewed for 2015/16. The revised methodology is set out in annex F. This methodology takes account of both the Code of Practice published by CIPFA and International Financial Reporting Standards.

4.11 The recharges will be finalised once the final 2015/16 Budget has been set by full Council. In future years the level of recharges is expected to fall, as overheads continue to be reduced.

Fees and Charges

4.12 The proposed fees and charges are in accordance with the principles set out in the Income and Collection Policy. The main principles in this Policy are:

- Charges will increase annually, informed by consumer price index (CPI) forecasts.
- Charges are based on the full recovery of cost.
- Concessions are only 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).

4.13 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.

4.14 The exemptions to the Income policy are outlined in annex G.

Local Council Tax Reduction Scheme

4.15 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.

4.16 Full Council approved a LCTRS in January 2015. The scheme was largely unchanged from 2014/15, although there were some minor technical adjustments.

Local Council Tax Reduction Funding

4.17 The introduction of the LCTRS reduces the Tax Base, and therefore the Council Tax income collected by individual precepting bodies. However, Government funding to major preceptors offsets a proportion of the financial impact of this change.

4.18 Additional national Government funding is provided to the Council through the Revenue Support Grant, to partially offset the reduced tax base for parish and town councils, arising from the introduction of the Local Council Tax Reduction Scheme.

4.19 As a result of the significant medium-term reductions to the Council’s RSG, the MTFS proposes to reduce the funding it allocates to town and parish councils in line with national Government funding reductions.

4.20 The Council Tax Base and Business Rates Baseline report approved by Cabinet in December 2014, provides further details on the funding for town and parish councils for 2015/16.

4.21 In addition, this budget recommends a further £25k of one-off funding to be allocated to parish and town councils, to offset the impact of LCTRS. The distribution of this funding will be based on the current grant allocation and is set out in annex K3.

5. Summary of Revenue Budget 2015/16

5.1 In total, the Revenue Budget 2015/16 includes £25.8m of ongoing budget pressures and funding reductions, and £13.8m of one-off pressures, offset by £21.2m of savings, £4.6m of additional income and £13.8m of one-off funding. This Budget includes a number of changes to the Budget proposed to Council on 18th February 2015. These changes are included in annex L.

Table 5: Summary Budget Position 2015/16

	£m
Technical Adjustments	3.130
Inflation	4.052
Corporate Pressures	2.300
Other ongoing Pressures	7.245
One-off Pressures	13.784
Funding Reduction	9.026
Total Pressures	**39.537**
Additional Income (Council Tax)	(4.567)
Total Savings	(21.186)
Less One-off Funding (funding one-off pressures)	(13.784)
Net Ongoing Position	**0.000**

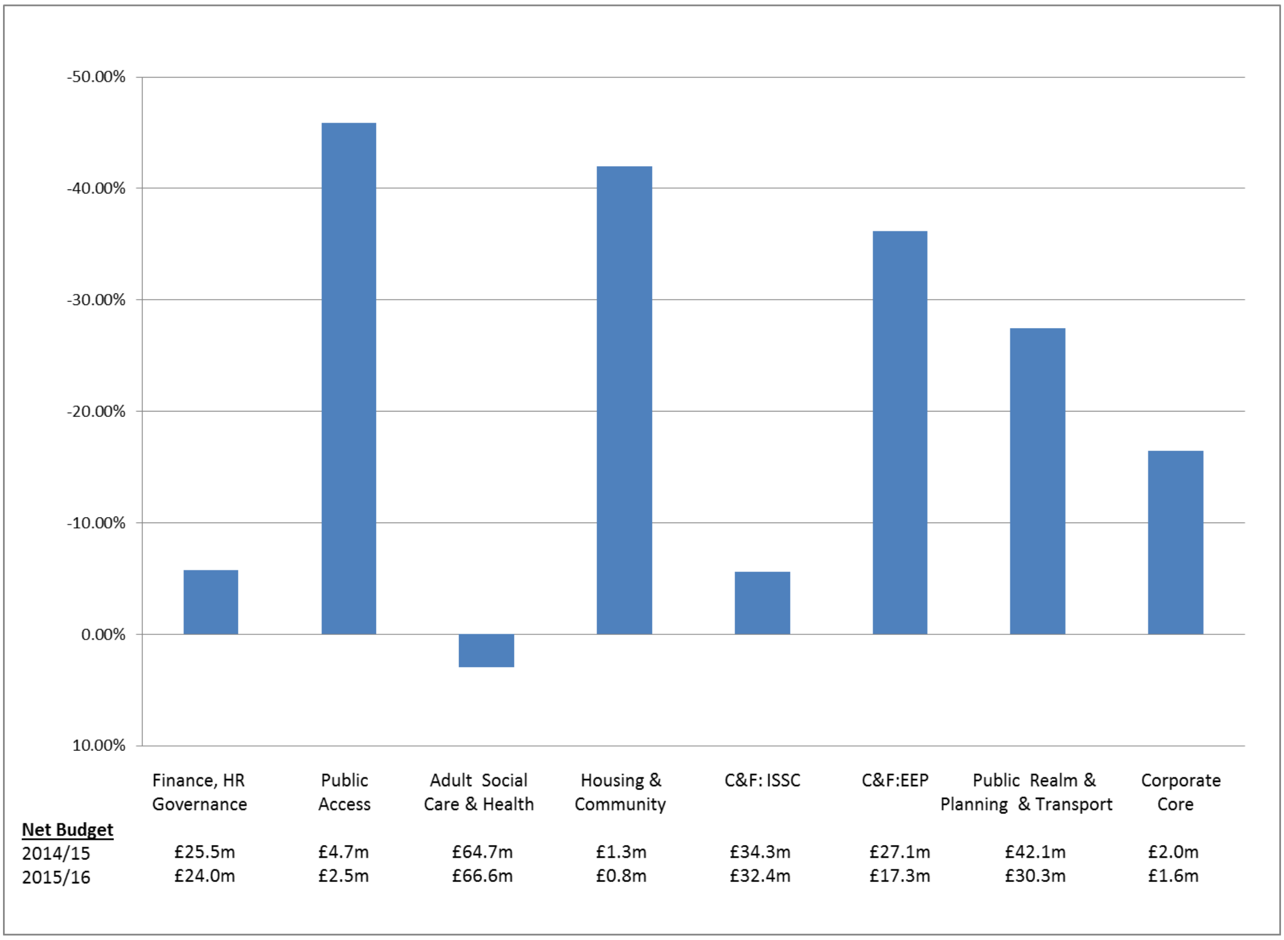
Note: Technical Adjustments includes £2.1m of new Public Health responsibilities from the Health Service.

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 Service Groups, in particular Adult Social Care and Health and Integrated Support and (Children's) Social Care, which support the most vulnerable people in Milton Keynes are also facing significant demand pressures.

5.4 With this principle in mind, the savings in the 2015/16 Budget are not shared evenly across Service Groups. Notwithstanding, seeking to recognise the significant financial savings to be found by the Council this year and in coming years, each and all of the Service Groups have been tasked with exploring new ways of working so as to drive efficiencies in how services are delivered in coming years. Chart one, shows how savings being made in the 2015/16 Budget, as a proportion of the 2014/15 Budget for each Service Group.

Chart 1: Service Groups Percentage Net Budget Reduction – 2015/16 Compared to 2014/15



Note 1: All 2015/16 Budgets include the latest capital charge information

Note 2: Adult Social Care and Health 2015/16 Budget includes £2.1m of new Public Health responsibilities

5.5 Table 6 summarises the base budget position for the Revenue Budget 2015/16. In addition to this base budget position, Service Groups will receive one-off budget pressures, as set out in annex C.

Table 6 – Summary of Ongoing Revenue Base Budget 2015/16

	Base Budget 2015/16 £000	Inflation/ Pressures £000	Savings £000	Net Expenditure £000
Resources: Finance, Governance & HR	26,155	910	(3,045)	24,020
Resources: Public Access	3,068	21	(540)	2,549
Corporate Core	1,828	(1)	(184)	1,643
Adult Social Care & Health	66,784	3,325	(3,522)	66,587
C&F: Integrated Support & Social Care	33,594	1,581	(2,762)	32,413
C&F: Education, Effectiveness and Participation	18,143	121	(982)	17,282
Housing & Community	1,347	2	(578)	771
Planning & Transport	(1,583)	1,783	(4,972)	(4,772)
Public Realm	35,883	1,297	(2,125)	35,055
Total	**185,219**	**9,039**	**(18,710)**	**175,548**
Cross Cutting Savings				
Review of Staff Terms and Conditions			(450)	
Other cross cutting savings			(925)	
Total cross cutting savings proposals				***(1,375)***
Pay Inflation				1,231
Levies, Sustainability items and Redundancy Costs				12,747
Debt Financing				18,465
Asset Management				(15,544)
Recharges to HRA				(4,434)
Parish Precepts paid				5,967
Total Expenditure				**192,605**
FUNDED BY:				
Revenue Support Grant				(36,959)
Retained Business Rates				(45,296)
Council Tax (including parish precepts)				(96,442)
Education Services Grant				(3,041)
Public Health Grant				(10,867)
Total Funding				**(192,605)**

5.6 Table 7 shows that the Council's Budget results in Council Tax to be raised of £91.1m (MKC share only), based on a 1.95% Council Tax increase.

Table 7: Council Tax to be Raised 2015/16

	£m
Net Expenditure requirements	192.605
Less: Revenue Support Grant	(36.959)
Less: Retained Business Rates	(45.296)
Less: Education Services Grant	(3.041)
Less: Public Health Funding	(10.867)
Less: Council Tax Collected for Parish Councils	(5.372)
Milton Keynes Demand on Collection Fund	**91.070**
Police and Crime Commissioner for Thames Valley	12.849
Buckinghamshire and Milton Keynes Fire Authority Precept	4.595
Parish and Town Councils Precept	5.372
Total Amount to be raised from Council Tax	113.886
No. of Band D Equivalent Properties	**78,492.99**
Band D Elements of Council Tax	**£**
Milton Keynes Council	1,160.23
Police and Crime Commissioner for Thames Valley	163.70
Buckinghamshire and Milton Keynes Fire Authority	58.54
Town and Parish Councils, on average	68.44
Total Average Council Tax (Band D)	**1,450.91**

5.7 Precepts information for parish and town councils, the Police and Commissioner for Thames Valley and the Buckinghamshire and Milton Keynes Fire Authority are now confirmed and reflected in the table above.

6. Parking Account

6.1 Milton Keynes 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 1984 Road Traffic Act.

6.2 As in previous years, the Council has estimated the likely income it will receive from car parking in 2015/16, 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 2015/16, which will be transferred to the General Fund for use in accordance with section 55(d) of the Road Traffic Act 1984 to fund:

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

6.4 Annex I outlines the forecast parking surplus and the proposed use of this surplus as part of the 2015/16 Budget.

7. Capital Programme

Capital Resources

7.1 Table 8, 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 MTFS report. However, the key assumptions for the financing of the Capital Programme are:

- Children and Families Basic Need and Transport capital financing are based on confirmed allocations from the Local Government Finance Settlement for 2015/16 and a forecast for future years.

- Children and Families financing for capital maintenance and Adult Social Care has been assumed at 2014/15 levels.

- Housing funding is based on an estimated contribution from revenue to capital based on affordability within the HRA, this is consistent with the Housing Revenue Account Budget being considered by Council on 11th February 2015.

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

- The Council's allocation of New Homes Bonus has been fully allocated and will fund projects such as East West Rail, V4 Crossings, and enhancements required for the Future Working Project.

- Housing Right to Buy Receipts – the Council has signed up to a DCLG 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 (2014/15 onwards), and the Residual Waste Treatment Facility (£129m in 2016/17). The revenue costs of this borrowing will be met through the revenue budgets being developed as part of the sustainability items.

Table 8: Forecast Medium Term Capital Resources

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 Onward £m
Capital Receipts	1.587	4.179	0.720	0.720	1.270
Developer Contributions	29.661	20.449	20.290	8.091	28.516
New Homes Bonus	11.273	4.999	2.431	0.000	2.772
Parking Reserve	0.832	0.050	0.050	0.050	0.050
Prudential Borrowing	8.252	137.080	8.193	7.917	7.609
SCE (R)	4.545	0.220	0.220	0.000	0.000
Single Capital Pot	70.400	32.421	21.678	21.246	35.122
Grant	18.843	14.617	5.364	4.675	0.000
Revenue	29.194	17.654	17.654	17.654	18.094
Third Party Contributions	0.691	0.050	0.050	0.050	0.050
Total	**175.278**	**231.719**	**76.650**	**60.403**	**93.483**

7.2 No scheme is included into the Medium Term Capital Programme unless it is fully funded. The 2019/20 onward figures reflect the resources required in future years to complete those schemes approved as part of this Medium Term Capital Programme.

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 2015/16 Capital Programme is based on the Medium Term Capital Programme agreed at February 2014 Council.

7.5 Schemes have been reviewed and scrutinised to determine uncommitted resources remaining, which were then allocated to urgent and priority schemes.

7.6 Future years' allocations have also been refreshed. The schemes proposed in the 2015/16 and Medium Term Capital Programme are shown in annex M.

7.7 Table 9, shows the summary capital expenditure proposed over the medium-term.

7.8 The schemes marked as continuing, are those schemes which have commenced as part of previous years Capital Programmes. Expenditure in the year 2019/20 onwards column reflects the expenditure required to complete the schemes commenced in the Medium Term Capital Programme, but does not include any new starts.

7.9 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 and the building of 3 new primary schools and 2 secondary schools starting after 2015/16.

- The Council is continuing to fund the building of some new Council Housing; this is largely specialist provision to release more general stock for family accommodation.

- 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 Residual Waste Treatment Facility is due to open in 2016/17 funded through prudential borrowing at a cost of £129m.

- The Future Work Programme which will result in improvements to Council office accommodation and support new ways of working.

Table 9: Summary Capital Expenditure over the Medium-term

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 Onward £m
Education – Continuing Schemes	62.308	33.932	6.780	0.000	0.000
Education – New Starts	8.192	13.023	23.680	30.950	42.819
Transport – Continuing Schemes	6.792	3.660	1.510	0.760	5.600
Transport – New Starts	23.417	28.636	22.442	17.165	22.724
Social Care & Housing GF – Continuing Schemes	0.229	0.000	0.000	0.000	0.000
Social Care & Housing GF – New Schemes	0.563	1.563	1.563	0.563	0.563
Housing HRA – Continuing Schemes	5.720	0.000	0.000	0.000	0.000
Housing HRA – New Starts	10.483	28.314	20.213	18.364	22.369
EPCS – Continuing schemes	18.097	132.584	1.015	2.400	0.200
Strategic Pot– New Starts	3.614	8.168	2.289	0.155	3.050
TOTAL Expenditure	**139.415**	**249.880**	**79.492**	**70.357**	**97.325**

Summary of Capital Programme

7.10 Table 10 shows a summary of the capital financing position and the expenditure allocated in the Medium Term Capital Programme. This shows that the Council's current capital expenditure needs can be met over the medium term through the phasing of resources.

7.11 However, there will be additional demands identified over the medium-term which may require the reprioritisation of funding.

Table 10: Capital Resources and Expenditure over the Medium-term

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 Onward £m	TOTAL £m
Capital Resources	175.278	231.719	76.650	60.403	93.483	**637.533**
Capital Expenditure	139.415	249.880	79.492	70.357	97.325	**636.469**
NET POSITION (surplus)/ deficit	(35.863)	18.161	2.842	9.954	3.842	**(1.064)**
Cumulative Position (surplus)/ deficit	**(35.863)**	**(17.702)**	**(14.860**	**(4.906)**	**(1.064)**	

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 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.

8.5 A total of £25.4m of S106 funding has been allocated within the Capital Programme which includes £5.5m in 2014/15.

8.6 In addition to capital allocations there is approximately £3.9m of S106 allocated to revenue which funds a range of services such as public transport, open space and play area maintenance and public art.

8.7 A further £8.7m 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 £20m is yet to be committed, however all of the funding is notionally ring-fenced to approximately 190 individual S106 contributions, covering over 370 individual projects.

Tariff

8.9 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.

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. Annex J shows a breakdown of the Tariff resource allocation for 2015/16 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.

8.11 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

8.12 The estimated Dedicated Schools Grant (DSG) for 2015/16 is £217m, this is ring-fenced funding for the purpose of supporting individual schools, academies and other pupil related expenditure managed by the Children and Families Service Group.

8.13 The School and Early Years Finance Regulations 2014 define the services that can be supported by the DSG. The DSG is calculated based on pupil numbers on the roll of both schools and academies, although academies receive their actual funding direct from the Education Funding Agency.

8.14 The DSG is based on three blocks; schools, early years and high needs:

- The schools block is calculated based on the number of pupils on roll at a specific census date in October 2014.

- The early years block is calculated based on the number of early years pupils on roll at specific census dates in January 2015 and January 2016 and will not be confirmed until after the end of the financial year, so budget allocations to providers will be based on forecast income.

- The high needs block is based on historic cost adjusted for any agreed additional places and is not expected to be confirmed until March 2015.

8.15 A summary of the estimated 2015/16 DSG is set out in Table 11.

Table 11: Estimated Dedicated Schools Grant 2015/16

	2015/16 £m
DSG Income:	
Schools Block	(172.241)
Early Years Block	(16.230)
High Needs Block	(28.522)
Total Income	**(216.993)**
Individual School Budgets	168.375
Central Spend – LA	0.530
Central Spend – Schools	0.982
Early Years Block	16.259
High Needs Block	31.472
Total Expenditure	**217.618**
In-year Deficit/(Surplus)	**0.625**
Estimated Balance B/fwd	(0.625)
Estimated Balance C/fwd	**(0.000)**

8.16 The table shows an in-year deficit of £0.625m which will reduce the working balance on the DSG to zero.

8.17 As Milton Keynes continues to expand, the Council needs to provide significant additional school places. This poses a considerable challenge, as the cost of these additional school places is not immediately reflected in the DSG, due to the delayed manner in how it is calculated by national Government (the October 2014 pupil count informs the level of DSG funding in 2015/16). This financial pressure for schools is in addition to that arising from the freezing of populations levels in the calculation of the Council's RSG funding.

8.18 There has also been a sharp increase in the numbers and complexity of need of children being placed in special schools. In order to meet these pressures and generate a balanced budget it has been necessary to review how the Growth Fund will operate, as well as reducing the formula factors by 2% in the primary and secondary sectors, reducing top up funding by 1.5% in the special sector, reducing some of the Central High Needs budgets and reducing the central funding for two year olds.

9. Prudential Code

Background

9.1 The Prudential Code for Capital Finance in Local Authorities (the 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 Code allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

9.2 The Code was updated in 2011 without fundamental change for this Council, but 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 The Council's capital investment is limited by the Code's requirement that debt is sustainable, affordable and prudent and the overarching requirement that local authorities set balanced revenue budgets. The national Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority borrowing.

9.5 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

9.6 This Council hereby confirms that it has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the TM Code).

9.7 The TM Code and associated guidance notes were updated in 2011 without fundamental change for this Council. 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

9.8 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

9.9 The 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.

9.10 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.

9.11 Table 12 below shows the resulting forecast Capital Financing Requirement for the next five years based on the Council's Medium Term Capital Programme.

9.12 The substantial increase in the Capital Financing Requirement (CFR) in 2016/17 is due to the Residual Waste Treatment Facility capital scheme.

Table 12: Capital Financing Requirement 2015/16 to 2019/20

	2015/16 Forecast £m	**2016/17 Forecast £m**	**2017/18 Forecast £m**	**2018/19 Forecast £m**	**2019/20 Forecast £m**
CFR – Non-HRA	289.645	416.843	413.384	411.616	409.597
CFR – HRA	252.082	251.985	251.889	251.792	251.696
Total CFR	**541.727**	**668.828**	**665.273**	**663.408**	**661.293**
Net CFR movement	-	127.101	(3.555)	(1.865)	(2.115)

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 The table 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 13: Gross Debt Compared to Capital Financing Requirement

	2015/16 Forecast £m	**2016/17 Forecast £m**	**2017/18 Forecast £m**	**2018/19 Forecast £m**	**2019/20 Forecast £m**
Gross Debt	524.146	521.350	518.948	509.952	496.507
CFR (Table 12)	541.727	668.828	665.273	663.408	661.293

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 14: Authorised limit for External Debt

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
Borrowing	581.000	709.000	705.000	700.000	700.000
Other long term liabilities	10.000	10.000	10.000	10.000	10.000
Total	591.000	719.000	715.000	710.000	710.000

- **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 15: Operational Boundary for External Debt

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
Borrowing	561.000	689.000	685.000	680.000	680.000
Other long term liabilities	10.000	10.000	10.000	10.000	10.000
Total	571.000	699.000	695.000	690.000	690.000

- **HRA Limit on Indebtedness** – This indicator considers the HRA debt capital financing requirement against the debt limit imposed under HRA Reforms.

9.16 The Council is in the process of finalising negotiations with DCLG for an extension to the HRA debt limit to accommodate a specific redevelopment scheme, in the region of £0.9m. Should the increase in HRA borrowing capacity be confirmed, this indicator will be adjusted accordingly.

Table 16: HRA Limit on Indebtedness

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
HRA Debt Limit	259.292	259.292	259.292	259.292	259.292
CFR – HRA (Table 12)	252.082	251.985	251.889	251.792	251.696
Variance	7.210	7.307	7.403	7.500	7.596

- **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.

9.17 The Council is asked to approve the Authorised and Operational Limits set out in Tables 14 and 15 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.

Affordability Prudential Indicators

9.18 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 recommended budget and 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 17: Ratio of financing costs to net revenue funding

	2015/16 Forecast %	2016/17 Forecast %	2017/18 Forecast %	2018/19 Forecast %	2019/20 Forecast %
Non-HRA	11.17	11.59	13.61	16.22	16.56
HRA	41.14	36.00	35.01	34.49	34.37

9.19 The Council will be recommended to approve 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 18: Incremental Impact of Capital Investment Decisions on Band D Council Tax

	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20
Full Impact of **Previous** Capital Investment Decisions on Council Tax – Band D	£22.88	£67.49	£139.47	£144.03	-
Full Impact of **Latest** Capital Investment Decisions on Council Tax – Band D	£22.87	£67.42	£139.63	£144.33	£147.12
Incremental Impact of **Latest** Capital Investment Decisions on Council Tax – Band D	(£0.01)	(£0.07)	£0.16	£0.30	£147.12

9.20 The Council is recommended to approve the Prudential Indicator showing the incremental impact of capital investment decisions on the Band D equivalent Council Tax.

- **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.

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 19: Incremental impact of capital investment decisions on weekly housing rents

	Forecast 2015/16	**Forecast 2016/17**	**Forecast 2017/18**	**Forecast 2018/19**	**Forecast 2019/20**
Full Impact of **Previous** Capital Investment Decisions on Housing Rents	£0.17	£0.22	£0.22	£0.32	£0.32
Full Impact of **Latest** Capital Investment Decisions on Housing Rents	£0.17	£0.22	£0.22	£0.32	£0.33
Incremental Impact of **Latest** Capital Investment Decisions on Housing Rents	£0.00	£0.00	£0.00	£0.00	£0.01

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

Treasury Management Prudential Indicators and Limits on Activity

9.22 The Council's Treasury Management Strategy is attached as annex N.

9.23 In addition to those indicators set out in above, the following treasury indicators form part of the Treasury Management 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 than simply borrowing in advance of need, such as increases in capital receipts.

Table 20: Upper Limits on the Proportion of Net Debt Compared to Gross Debt

	Forecast 2015/16 %	Forecast 2016/17 %	Forecast 2017/18 %	Forecast 2018/19 %	Forecast 2019/20 %
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 21: Upper Limits on Variable Rate Exposure

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 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 22: Upper Limits on Fixed Interest

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
Upper Limit	561.000	689.000	685.000	680.000	680.000

(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 23: Upper Limits on Investments for Longer than 364 days

	Forecast 2015/16 £m	Forecast 2016/17 £m	Forecast 2017/18 £m	Forecast 2018/19 £m	Forecast 2019/20 £m
Upper Limit	200.000	150.000	100.000	100.000	100.000

(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 24: Lower and Upper Limits for the Maturity Structure of Borrowing

	Lower limit	Upper limit	Borrowing *	
	%	%	£m	%
Under 12 months	0	15	24.150	4.76
1-2 years	0	15	2.000	0.40
2-5 years	0	50	16.503	3.25
5-10 years	0	50	40.904	8.07
Over 10 years *	50	100	423.510	83.52
			507.067	**100.00**
** Breakdown of borrowing held in excess of 10 years*				
10-20 years	*Set with reference to all loans Over 10 years (above)*		*86.150*	*16.99*
20-30 years			*167.000*	*32.93*
30-40 years			*70.000*	*13.80*
40-50 years			*100.360*	*19.80*
*				***83.52***

Borrowing portfolio as at January 2015 amended for:

- LOBO loans are classified in the relevant range of the next lender option date (£15m classified as under 12 months).

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

9.26 The Council will be recommended to approve the Treasury Prudential Indicators as set out in the previous tables.

10. Robustness and Risks

10.1 A critical element of the Medium Term Financial Strategy and Budget is to ensure that the financial consequences of risk are adequately reflected in the Council's finances.

10.2 In preparing the Budget for 2015/16, where a clear financial impact has been identified, this has been dealt with through the actions set out in this report or the MTFS report approved by Cabinet on 9th February. Where the impact is not known this has been highlighted as a risk.

10.3 The General Fund Balance of £8m and additional allocation of £3m to offset unexpected risks and the risk assessment of the timing, delivery and implementation of savings proposals is adequate to meet the Council's financial needs in 2015/16.

10.4 This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2014; 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 2015/16 Budget.

The potential risks for the Council are outlined in the Budget Risk Register at annex E.

11. Related Decisions

11.1 Previous decisions in this context relate to:

- The Draft 2015/16 Budget report approved by Cabinet in December 2014.
- Council Tax Base and Business Rates Baseline 2015/16 report, approved by Cabinet in December 2014.
- The Medium Term Financial Strategy 2015/16 to 2019/20, approved by Cabinet in February 2015.
- The HRA Budget and Rent Increase Report for 2015/16 approved by full Council in February 2015.

12. Background

12.1 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.

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

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

12.4 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.

12.5 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 4.7 to 4.9, and to the robustness of the budget proposals in section 10.

12.6 The Budget has again been developed at a detailed level based on information supplied by Service Groups and has been subject to scrutiny by the Corporate Management Team. The Budget Review Group have also scrutinised the budget process and challenged budget savings and pressure proposals.

13. Annexes

13.1 The following annexes are appended to this report:

Summary of Budget Consultation	Annex A
Statement on Community and Cultural Services Review	Annex Ai
2015/16 Budget Pressures	Annex B
2015/16 One-off Budget Pressures	Annex C
2015/16 Budget Savings	Annex D
Budget Risk Register	Annex E
Recharges Methodology	Annex F
Fees and Charges: Exemptions to the Income Policy Additional Concessions	Annex G
Detailed Fees and Charges for 2015/16	Annex H
2015/16 Parking Account	Annex I
2015/16 Tariff Resource Allocation	Annex J
Parish Precepts Council Tax excluding Police and Fire Total Council Tax Revised Parish and Town Council Funding Allocations	 Annex K1 Annex K2 Annex K3
Budget Changes	Annex L
Capital Programme	Annex M
Treasury Management Strategy	Annex N
Legal Framework	Annex P

14. Implications

Policy

14.1 The Council's Budget and Medium Term Financial Strategy 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

14.2 A detailed budget risk register is available at annex E to this report.

Carbon and Energy Management

14.3 There are no direct carbon and energy management implications as a result of this report. However, the service plans including the draft 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

14.4 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.

14.5 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

14.6 An Equality Impact Assessment was conducted on all original savings proposals of which 28 were considered as being 'significant' and 'relevant' to equality. Similar decisions have been brought together to produce 21 in depth assessments. A full assessment of the proposed budget can be found at: http://j.mp/Bud15-EqIA.

- In eight (8 green) areas, it is recommended that savings continue as there is a potential to improve the advancement equality of opportunity or at least it is unlikely to have a significant impact.

- In twelve (12 green-amber) areas, adjustments have been/are being made to remove barriers identified by the EqIA or to better promote equality. Proposed adjustments will remove the barriers will be identified.

- In one (1 amber) area, it is recommended to continue despite having identified some potential for an adverse impact or a possible missed opportunity to promote equality. In this case, the justification is included in the EqIA and is in line with the duty to have 'due regard' and reasons are provided. Consideration has been made to whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact.

- There is no (0 red) areas where a recommendation is likely to be given to rethink the decision where the impact is critical for equality for one or more protected groups.

14.7 Table 25 reflects the areas where savings may provide opportunities to advance equality with no significant adverse impact on people with protected characteristics.

Table 25: Summary of the areas where it is recommended to continue without adjustments

Area of Work	Assessment
Infrastructure Support to Voluntary Sector	The Diversity & Equality Partnership has independently supported the local equality groups for the last 2 years. Some transitional funding is available
Bed & Breakfast	Permanent housing is the best solution to tackling the problems of homelessness.
Connexions	The redesign of commissioned services is likely to lead to a better targeting of services to vulnerable young people.
Mental Health	This should ensure that the Council meets its duties with the possibility that more people will receive an assessment
Learning Disability Review	Shared Lives has a proven record of accomplishment of improved service and savings.
ASC Service Budgets	Services may be reshaped, however will be delivered in line with eligibility criteria.
Denominational Transport	This decision ensures that some people will not suffer indirect discrimination.
Children & Young People commissioned contracts	In partnership with other children & young people partners information about alternative services will be provided. A parenting support service will continue.

14.8 Table 26 contains Budget proposals where adjustments have been made or being considered to remove barriers identified by the EqIA or to better promote equality. The proposed adjustments will remove the barriers identified.

Table 26: Summary of adjustments being made

Area of Work	Adjustment Made/Being Made
Handy Person Service	A review of the alternatives will be conducted to ensure that reasonable services are in place after the contract ends.
Commissioned Children & Young People Community Engagement Activity	In partnership with other children & young people partners; engagement will be refocused.
Ethnic Minority Achievement (EMA)	The loss of some resource in EMA is mitigated by creating a commissioning budget for use by the linked improvement partner from other resources
Community Transport & Fleet	With the service now in-house opportunities to rationalise and improve transport options are being taken. A consultation is planned regarding membership of Community Transport which

Area of Work	Adjustment Made/Being Made
	will include safeguards for existing members
Rationalisation of Play Areas	Using the standard from the Local Plan the accessibility (both physical locality) and “play value” of play areas will improve, however the number of play equipment items will decrease.
Review of employee terms and conditions	The policy change attached to this savings will be consulted upon and agreed through the normal channels, care will be taken to make reasonable adjust in any policy or procedure for staff with a disability, age and/or issues arising from another protected characteristic. Further regard to our equality duty will accompany the decision at the appropriate time.
Floating Support Service	This service helps people keep their tenancies, such as people who have a mental illness. The new service will be recommissoned to minimise the impact on those at highest risk of adverse impact.
Preventative services	It is likely that this decision will adversely affect some people who use these services. Loneliness can lead to deterioration in the health and well-being in older people. Effective interventions can alleviate the risks. There are no easy routes to promoting equality of opportunity, but consideration should be given to the evidence that effective interventions have a number of common elements including, offering social activity and/or support within a group format. The transitional funding provided will allow time for effective interventions and services to continue.
Supported Housing	Some young people who have supported housing through these projects may be adversely impacted. They may lose some of the support they have received. Some of these projects could continue using funds from elsewhere and/or reviewing their operations and income generation with a view to becoming more sustainable. This includes using the transitional funding provided by the Council. Funds are provided to ensure services reach a sustainable point and that effective cost reductions can occur.
Children's Centres	As part of the Community and Cultural Services Review, potential alternative ways to deliver Children’s Centres are to be explored. Were a decision to be taken to reduce the breadth and depth of Children’s Centre provision, it is likely there would be an adverse impact on some disadvantaged children and families. An equalities impact assessment will be completed to inform the specific recommendations developed as part of the review. Amendments have provided the ability for the review to reach sustainable options.
Library Service	As part of the Community and Cultural Services Review, potential alternative ways to deliver libraries are to be explored. Were a decision to be taken to reduce the breadth and depth of Library service provision, this may have an adverse impact on those who presently access this service in its traditional form.

Area of Work	Adjustment Made/Being Made
	An equalities impact assessment will be completed to inform the specific recommendations developed as part of the review. Amendments have provided the ability for the review to reach sustainable options.
Bus Fares and Subsides	This decision may adversely impact some younger people. However, those who require transport for such purposes as education should be eligible for support, which some may not be taking up, because of the low fare regime. There may be other impacts for people depending on which routes are changed, but the level of saving should ensure services continue to be provided, with some cost reductions.

14.9 Table 27 outlines those areas where the recommendation is to continue, despite having identified some potential for adverse impact or missed opportunities to promote equality. In these cases, the justification is included in the EqIA and is in line with the duty to have 'due regard' and reasons are provided.

Table 27: Summary of the justification for accepting a potential adverse impact

Area of Work	Cabinet should have due regard to:
Taxicard	Elderly or disabled people, with mild mobility needs may be adversely impacted, by not being able to access preventative projects. However, alternatives means of transport (public and private) are increasing and access to these is broadening, therefore the potential impact may not be severe.

Background Papers:

Local Government Finance Settlement, published by DCLG in February 2015.

Budget Review Group Meeting papers.