Wards affected:

All Wards

CABINET

4 DECEMBER 2018

DRAFT COUNCIL BUDGET 2019/20 AND MEDIUM TERM FINANCIAL PLAN 2019/20 TO 2022/23

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

This report recommends the draft Revenue Budget 2019/20 and latest Medium Term Financial Forecast 2019/20 to 2022/23, draft Capital programme for 2019/20 to 2022/23 and the draft Housing Revenue Account Budget 2019/20 for the approval of the Cabinet.

The details in this report have been prepared in accordance with the framework set out in the Medium Term Financial Outlook approved by Cabinet in September 2018.

The draft Revenue Budget includes the recommendation for a 2.99% Council Tax increase.

The draft Revenue Budget provides £4m of extra money in 2019/20, and £12m over the medium term, to meet additional demand for our critical services in particular:

1 - **Housing –** despite having faced a fivefold increase in people needing temporary accommodation in the last five years, we have in recent months reduced use of Bed & Breakfast Hotels to near zero. The draft budget provides for capacity to deal with the continuing impact of the Homelessness Reduction Act, and additional prevention and temporary accommodation procurement work to continue reducing the costs of homelessness.

2 - **Adult Services** – in the last year there has been a 10% increase in assessments, and the size of care packages continues to increase across adults due to the level of complexity of need. There is a forecast increase of 16% in adults requiring Mental Health support. The Milton Keynes older population is expected to continue to increase by 4% per year. The pressures will be partially mitigated through reshaping and modernising services, including expanding the use of technology.

3 - **Children's Social Care** – The Milton Keynes child population is increasing at double the UK average. In the last year there has been an 11% increase in the number of referrals, resulting in increased demand for support across children's social care services. This together with an increase in the complexity of needs of young people continues to put a pressure on the budget.

In addition to this extra demand on our critical services, we face a further £12m Central Government funding cut as shown in our financial forecasting model for the next four years at **Annex H**.

To offset this, the Council is proposing £5.2m of service budget cuts and £0.9m of additional income proposals, which have been developed in accordance with the

Cabinet's key principles of 'being smarter', 'working together' and 'thinking differently' and to reflect the priorities in the Council Plan. The Council is also planning a transformation programme over the next four years as detailed in section 4.

Finalisation of the draft budget is also still subject to further assessment of 4 material known risks which cannot at this stage be quantified with sufficient confidence (para. 11.6).

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.

The Housing Revenue Account (HRA) Budget includes the required 1% rent reduction and identifies resources for new build housing and regeneration.

1. RECOMMENDATIONS

1.1 The draft Revenue Budget 2019/20 (**Annex I**) and latest MTFS forecast for 2019/20 to 2022/23 (**Annex H**) be approved as a basis for consultation with the public and our stakeholders.

1.2 That the provisional Council Tax at Band D of £1,381.66 for the Milton Keynes element of the Council Tax be agreed for consultation, a 2.99% increase on the previous year.

1.3 That the Council's current estimate of the 2019/20 Business Rates Baseline be noted, retaining the delegation to the Corporate Director of Resources to finalise this Baseline, based on the latest data for submission to Ministry of Housing, Communities and Local Government in January 2019.

1.4 The estimated position for the Dedicated Schools Grant and the planned consultation with schools and the Schools Forum for 2019/20 be noted.

1.5 The draft Housing Revenue Account Budget, including the required 1% rent decrease, be approved as a basis for consultation.

1.6 In line with the requirements of the Local Government Act 2003, it be noted that the Corporate Director of Resources is of the view that the draft General Fund Budget and Housing Revenue Account is robust, subject to a further review of risks (para. 11.6), and the forecast reserves are adequate, see **Annex E.**

1.7 The proposed fees and charges for 2019/20, which are exceptions to the Income and Collection Policy, be noted (**Annex G**).

1.8 The equalities impact assessments for the draft Revenue Budget 2019/20, as set out in paragraph 15.11 be noted.

1.9 The draft forecast parking surplus be noted (**Annex J**).

1.10 The Capital Strategy be approved (**Annex K**).

1.11 The draft Capital Programme for 2019/20 to 2022/23 be approved (**Annex L**).

1.12 The resource allocation for the draft Tariff Programme be noted (**Annex M**).

2. INTRODUCTION

2.1 The Council's Medium Term Financial Plan (MTFP) of February 2018, set out:

- The financial planning principles which have been approved by the Council and Cabinet.
- 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 draft Revenue Budget and draft Capital Programme set out in this report, have been developed in accordance with the Council Plan and the MTFP.

3. DRAFT REVENUE BUDGET 2019/20

Autumn Budget, October 2018

3.1 The Chancellor delivered his Autumn Budget on 29 October. The longer term decisions on overall local government funding will be made in the 2019 Spending Review. However, there were some announcements of some short term funding,

- £650m additional grant funding for adults and children's social care in 2019-20;
- £45m for Disabled Facilities Grant in 2018-19;
- £84m for 5 years on children's service programme;
- £450m in 2018-19 for potholes that will be allocated to highways authorities.

3.2 The Chancellor's Budget announced an additional one-off £240m in 2019/20 for adult social care, as well as a further one-off £410 million in 2019/20 for adults and children's social care. This is on top of the £240m winter funding announced for 2018/19 at the Conservative Party conference in September, of which Milton Keynes will receive £0.9m. Local authority allocations of the £650m have yet to be announced.

3.3 Although these measures are welcome, they are short term and do not address the medium term underlying financial pressures. For example, the Local Government Association (LGA) estimates that the combined national funding gap for adults and children's social care in 19/20 is £2.6bn.

3.4 **Other announcements in** the Budget relating to local government also included:

- Additional business rates reliefs for small businesses. Local authorities will be compensated for this through a S31 grant;
- Confirmation of the removal of the housing borrowing cap (HRA) from 29 October 2018;

- Increasing the National Living Wage by 4.9 per cent from £7.83 to £8.21 from April 2019;
- An additional £400 million for schools in England this year to spend on equipment and facilities.

Future Announcements

3.5 As well as waiting for confirmation of the social care funding allocations from the Autumn Budget, the Council is also awaiting confirmation of:

- Council Tax referendum limits;
- New Homes Bonus allocations;
- Local Government Financial Settlement (LGFS);
- Fair Funding Review consultation;
- Older People Social Care Green Paper

3.6 Central government's summer technical consultation suggested that they will maintain the Council Tax referendum threshold at 3% for 2019/20. This will be confirmed in the provisional local government finance settlement (LGFS), which is expected on the 6 December.

3.7 The future of the New Homes Bonus is uncertain. The summer technical consultation also confirmed that 2019/20 is the final year of funding agreed through the Spending Review 2015 and indicated that other means to incentivise housing growth would be explored. The 2018/19 NHB allocation for Milton Keynes is £6m.

3.8 The Government will also provide individual local authority funding allocations as part of the provisional LGFS, which will later be confirmed at the end of January 2019. The Council submitted its Financial Sustainability Plan to the then 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 draft budget has been based on there being no change to this position.

3.9 The publication of the consultation on the Fair Funding Review is already overdue but is expected before the end of the calendar year. It is anticipated this will start to take effect from 2020/21, at the same time as the current business rates retention scheme moves from a 50% to a 75% scheme.

3.10 There is a delay in the publication of the Older People Social Care Green Paper but there is unlikely to be any additional funding until after the Comprehensive Spending Review (CSR).

General Fund Resources - Ongoing

3.11 The Council is forecasting to receive £5.5m in Revenue Support Grant (RSG) in 2019/20, which equates to a 48% reduction in the £11.5m of funding received in 2018/19.

3.12 The underlying data for the determination of the RSG 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 business rates growth generated.

3.13 The Government continues to work with local government on the planned phasing out of RSG, in line with local authorities being able to retain 75% of the local Business Rates collected (subject to adjustments) from 2020. It is important to note that the 75% retention applies to the whole system not each local area. It is currently not possible to predict with any certainty what the changes to the system may mean for Milton Keynes, but a consultation is expected in early 2019, which may provide further insight.

3.14 The current 50% business rates retention system is expected to be reset in 2020/21. However, given the uncertainty over the future shape of the business rates system, the impact of the reset remains uncertain. This represents a risk to the level of income that the Council may retain on current growth levels, the implications of which have been factored into the base budget.

3.15 Total Government funding is estimated at £66m for 2019/20, compared to £72.0m from 2018/19, a reduction of 9%.

The Business Rates Baseline

3.16 The Local Government Finance Act 2012 gave local authorities the power to retain a proportion of funds obtained from business rates in their area. The changes under the ‘Localisation of Business Rates’ mean that from April 2013 local authorities retain a share of the income they collect from business rates, as funding to meet the cost of service provision.

3.17 The methodology to calculate local retained business rates is complex. 50% of business rates collected by a billing authority is paid to Central Government, with the remaining 50% being held locally. The local element is known as the retained business rates, of which, we are required to pay 1% of the total business rate yield to Buckinghamshire and Milton Keynes Fire Authority.

3.18 The retained business rates are then reduced by a Tariff and a Levy on business rate growth. The tariff payment is made to Central Government in order to fund other authorities where their business rates are disproportionately low. The Tariff and Levy means that the Council is estimated to retain £49.6m of the £153m of business rates forecast (32%) to be collected in 2019/20.

3.19 The retained business rates is made up of a Baseline Funding level which reflects the Government estimate of funding for the Council, and an allowance for growth. This allowance for growth is based on the actual business rates collected, compared to the Government’s estimate of the amount we will collect, less the levy applied to this growth. It results in a £0.30p return, for every £1 growth of business rates collected by the Council.

3.20 Each year, the Business Rates Funding level, Tariffs and Top-ups are uplifted for inflation.

3.21 The Ministry of Housing, Communities and Local Government (MHCLG) guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline reflects the authority's estimate of the business rates it forecasts to collect in the following financial year, offset by any reductions such as reliefs and the estimated cost of successful rateable value appeals.

3.22 The calculation of the Council's 2019/20 Business Rate Baseline must be formally approved, and then be submitted to MHCLG, through a statutory return by 31 January 2019.

3.23 This report includes the latest set of Business Rates forecasts, based on the best information available at the present time; however to ensure the Council has the ability to forecast any changes to the estimated Business Rate yield from the date of this report, up to the end of January; the Cabinet agreed in December 2014 that the final decision on setting the annual Business Rates Baseline is delegated to the Council's S151 Officer.

3.24 2017/18 was the first year that business rates had been revalued since the new system came into effect. At the same time, MHCLG introduced a new rateable value appeal system, called 'Check, Challenge and Appeal'. This new system has introduced a significant amount of uncertainty when setting the business rates baseline for 2019/20.

3.25 As stated above, Milton Keynes Council's estimated business rate income for 2019/20 is £153m and the following sets out the principles underpinning its calculation:

- The total gross business rate yield, which is the rateable value of properties within Milton Keynes, multiplied by the non-domestic rating multiplier;
- Deductions are then made for estimated mandatory and discretionary reliefs and exemptions, based on local intelligence;
- Deductions are also made for estimated losses in collection, based on historical trends and local intelligence and to meet the costs of collection. The calculation for the cost of collection deduction is prescribed by Government;
- Deductions also made for the estimated impact of changes to rateable values through successful appeals, which may not be determined for a number of years;
- Finally, an adjustment is made to reflect local intelligence on the estimated impact of anticipated future changes to business activity for the year hence. This has been based on known changes and experience of recent business rate growth.

3.26 Central Government have put measures in place to support local enterprise through the provision of business rate discounts, reliefs and an inflation cap. This has the impact of reducing the overall business rate yield and the cost is reimbursed to local authorities through a Section 31 grant. The Council is anticipating to receive £3.7m of Section 31 grant in 2019/20 to offset the resulting loss of business rate income. We also retain 100% of all Business

Rates income relating to renewable energy assessments built post 1 April 2013

3.27 The Council's estimated retained funding is made up of £45.7m which is the estimated Baseline Funding level for Milton Keynes (central government is yet to confirm this amount for 2019/20), and £3.9m of forecast business rate growth above the baseline, which includes the financial benefit of growth including a number of commercial developments in Magna Park and Eagle Farm.

3.28 Table 1 shows the forecast 2019/20 Business Rate Baseline distributed through MHCLG's funding model.

Table 1: Business Rates Baseline Distribution

	2019/20 £m
Milton Keynes Council Business Rate Baseline (total business rates collected after deductions)	**(153.1)**
50% Central share paid to Government	*76.5*
1% share paid to Buckinghamshire and Milton Keynes Fire Authority.	*1.5*
Deductions for Tariff paid to Central Government	*28.2*
Deduction for Levy paid to Central Government	*1.2*
Section 31 grant receivable	*(3.7)*
Renewable energy (100% retained)	*(0.2)*
Milton Keynes Council forecast retained Business Rates Funding	**(49.6)**

Council Tax

3.29 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 Council Tax referendum threshold, as long as the additional income generated, supports Adult Social Care expenditure.

3.30 The Council is committed to providing the best social care and safeguarding services to its elderly and vulnerable citizens, and therefore increased its Council Tax charge by 3% in 2017/18 and 2018/19, with the additional income generated invested directly within Adult Social Care service provision. Under current legislation, the Council has no further scope to raise an Adult Social Care precept and therefore we have not made any provision for this in the MTFP.

Table 2: Adult Social Care Precept

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
ASC Inflation	1.03	1.08	0.93	1.25
ASC demand led pressures	5.23	4.07	2.68	1.66
ASC Share of Funding Reductions	2.98	1.67	1.67	1.58
Total Costs	9.24	6.82	5.28	4.49
ASC Precept	-2.96	-3.15	0.00	0.00
Budget Reductions/Income	-10.10	-1.40	-0.77	0.00
Net Additional ASC Costs	**-3.82**	**2.27**	**4.51**	**4.49**

3.31 Council Tax income is anticipated to increase by £5.989m in 2019/20; this total comprises £3.405m generated from a 2.99% increase to the charge, and £2.584m arising from the growth in the number of homes in Milton Keynes and other technical adjustments. The growth in tax base represents an additional £116k benefit to the parishes based on their current precept levels.

3.32 We are currently forecasting a surplus on the Council Tax Collection Fund. The Council's share is expected to be £3.8m. £2m of this surplus will support the General Fund in 2020/21, with the remainder transferred to the Business Rates Equalisation Reserve, to help manage the future volatility of business rates income.

Ongoing Revenue - Key Assumptions

3.33 In summary, the following assumptions have been made to determine the likely resources available in 2019/20:

- An increase in the number of Band D properties of 1,412 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.
- A 2.99% increase in Council Tax, taking the Milton Keynes Council precept to £1,381.66 for a Band D property.
- An assumed reduction in Public Health grant of 2.5% in line with Department of Health announcements.
- New Homes Bonus proposals are currently under consideration by the Secretary of State and this could materially impact the level of award in

2019/20. Given the current uncertainty, proposals about the use of any NHB are limited; anything above the £2.0m built into the 2019/20 draft revenue budget will be kept under review and referenced as part of the Final Budget Report in February 2019.

Table 3: Summary of Forecast Revenue Resources for 2019/20

Revenue Resources	£m
Revenue Support Grant	(5.502)
Retained Business Rates	(49.620)
Council Tax (including parish precepts)	(124.731)
Public Health Grant	(11.100)
Use of New Homes Bonus	(2.000)
Total Ongoing Resources	**(192.953)**

3.34 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 Expenditure

3.35 In determining the forecast draft Revenue Budget expenditure for 2019/20 the following assumptions have been made:

Table 4: Forecasting Assumptions 2019/20

	2019/20
General Pay Inflation	2.0%
Cost of salary increments	1.0%
General Non-Pay Inflation*	0.0%
Fees and Charges Inflation (July Consumer Price Index)	2.5%

* assumes must be contained within existing budgets

Exemptions to the 2.5% increase in fees and charges are listed in **Annex G**.

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

Table 5: Contractual Inflation Assumptions 2019/20

	2019/20
SERCO – Waste Collection - DTI Indices	2.46%
SERCO – Street Cleansing - DTI Indices	2.46%
SERCO – Food and Garden Waste - DTI Indices	1.93%
SERCO – Landscape - DTI Indices	2.31%
Ringway - highways works	3.52%
Ringway - street lighting works	4.94%
Excel Care	3.03%
Extracare	3.53%

3.37 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 draft 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. One-off pressures have been funded through the use of earmarked reserves.

3.38 The Budget and Resources Scrutiny Committee have reviewed the pressures and reported to Cabinet in November 2018. Councillor Middleton (Cabinet Member for Resources and Innovation) has responded to the report on behalf of the Cabinet.

3.39 The pressures identified in the draft Budget 2019/20 are summarised in Table 6.

Table 6: 2019/20 Budget Pressures

Pressures by Category	**£m**
Demography	3.430
Demand - Failure	0.121
Demand - New	0.710
Undelivered Saving	1.636
Legislative	0.200
Invest to save	0.400
Policy Choice	0.165
Contractual Change	0.432
Total Ongoing Pressures (See Annex A)	**7.094**
Total One-off Budget Pressures (See Annex B)	**0.760**

3.40 On-going Budget pressures of £7.094m will be funded from on-going resources, with a further £0.760m of one-off expenditure being funded from earmarked reserves and New Homes Bonus. This approach will ensure that base budgets are not adjusted for one-off expenditure. The funding for one-off expenditure is detailed in Table 7.

Table 7: 2019/20 Funding for One-Off Expenditure

	£m
Invest to Save Reserve	(0.050)
Events Reserve	(0.100)
New Homes Bonus	(0.610)
Total One-off Funding	**(0.760)**

4. TRANSFORMATION PROGRAMME

4.1 Nationally local government continues to face significant pressures brought about from reduced levels of Government funding, whilst at the same time experiencing growing demand for services, particular in the areas of both adults and children's social care. The issuing of the first S114 report in twenty years at a neighbouring County Council, and reports of other authorities' facing unprecedented financial uncertainty have exemplified these challenges.

4.2 Locally, Milton Keynes Council has, over the last eight years, delivered £144m of service reductions and raised additional revenue from fees and charges, in order to maintain a balanced budget. This in turn has created a sense of a 'revolving door' of focusing on balancing the books. Over time, this has created a heavy reliance on short-term measures and led to feedback from councillors that that there should be a shift to a strategic, longer term approach.

4.3 Given this context, the Council has adopted a slightly different approach to its latest Medium Term Financial Plan, and specifically the setting of the 2019/20 budget. The intention of this approach has been to give the space and time to take a strategic approach to its medium term financial plan.

4.4 Therefore, the Council is planning on a programme of further transformational change, over the next four years, to ensure it can continue to deliver services to local residents and business. The budget approach set out in the 5th September Cabinet Report, proposed three key themes, that would form the basis of this programme, which are:

- **Thinking Differently**

  Long-term planning, innovation, new technologies and ways of working, reducing failure demand, commercialism.

- **Being Smarter**

  Reducing costs, value for money, managing expectations, improving customer services.

- **Working Together**

  Cooperative council, partnerships, integration, parishes, VCSE sector, growth deals.

4.5 The further exploration of some of these concepts is set out below.

Commercialisation and Property Investment/Rationalisation

4.6 Councils being more “commercial” is not new, but more recently, a number of councils have been focusing on economic regeneration, specifically, schemes that rely on commercial rental streams. A number of authorities are buying offices and other buildings primarily for their income-yielding capacity, but also in economic regeneration investments, partly to grow the business rates base. There are differing approaches, but some small district Councils have taken on significant levels of debt to finance this investment, which in turn has generated additional revenue streams that can contribute to balancing the budget, without recourse for further service reductions.

4.7 The Council currently has an investment property base, which generates a revenue stream to support the Council’s budget; that said much of this portfolio is small retail units and before now, MKC has not adopted the outwardly ‘commercial’ approach that has become commonplace in some local authorities. Property and assets have the potential to be a key enabler to generating income and can contribute significantly to reducing future funding deficits. Ideally, the Council should look to create a pipeline of opportunities with a structure, governance, and key metrics to enable us to understand opportunities and risks and take steps to secure potential long-term sustainable incomes.

4.8 The Investment and Development approach looks at ways to generate income streams through property and assets as enablers rather than focusing solely on cost reduction. This could be retail, office accommodation, warehousing or residential property (which would be outside of the Housing Revenue Account). The Chartered Institute of Public Finance and Accountancy (CIPFA) will be issuing revised guidance on the risks and considerations that authorities should take in to account, before entering into such arrangements, and certainly, a key consideration would be whether the Council chooses to investment beyond its geographical boundaries.

4.9 The Council has a number of potential opportunities to explore as investments. To make this approach successful in the long term, governance, including a possible review of the constitution may need to be undertaken; to facilitate the effective management of larger more complex investment led assets, as though the Council were an investor. The ability to make investment, disposal, and other asset related decisions with appropriate delegated authority at pace to either exploit opportunities or protect against risks.

4.10 In addition to investing in commercial property opportunities, the Council also has a significant operational asset base. The Future Working Programme focused primarily on the remodelling of the Civic Centre, to facilitate the release of Saxon Court. The principle can of course be applied to relinquish other ‘surplus’ operational properties to release revenue savings, as well as potential development opportunities, and therefore a programme to do just that is also envisaged as part of the broader transformation programme.

Health and Social Care Integration and Other Partnerships

4.11 The NHS Five Year Forward View promotes health and social care integration as a way to improve patient and resident experience and to support services to become more efficient. All the guidance and briefings since its publication continue to promote integration and that integration is particularly important for people with chronic health conditions and complex health and social care conditions.

4.12 Integrated health and social care offers three benefits: better outcomes for service users and patients; making limited resources go further; improving people's experience of health, care and support. These have been policy aspirations for more than 40 years, but patchy progress and a transformed policy and financial climate demand new ways of achieving them.

4.13 Locally, the Council and its health partners have undertaken a 'Functional Review of Commissioning' and the outputs from that work included recommendations about functions that could be done at scale and what functions would be better delivered at the local level.

4.14 The functional review concludes that integration of key services areas at the local level provides opportunities to improve the efficiency and effectiveness of service delivery, ultimately leading to improvement in the experiences of service users. Expected benefits of integration include:

- Better outcomes and experience for people;
- Combined and streamlined processes and shared understanding of responsibilities;
- Improved case management and information sharing between commissioners and professionals;
- Financial savings through establishing joint commissioning processes which avoid cost differentials;
- More efficient and targeted use of resources.

4.15 Several areas of commissioning could improve outcomes for people, if the commissioning budgets and team members of some service areas were integrated. These are:

- Continuing Healthcare (budget, operational teams and contracting);
- Safeguarding and care home and domiciliary care quality monitoring;
- Elements of children's commissioning;
- End of life commissioning.

4.16 The Director of Health and Social Care Integration is a joint appointment with the Council and the local Clinical Commissioning Group (CCG), and is a member of the Corporate Leadership Team (CLT), and working with health and other colleagues has commenced the work to develop these opportunities.

Customer Services and Digital Transformation

4.17 Digital technology provides a foundation for innovative, integrated public services that cross-organisational boundaries and deliver to those in most need, and for services for business that promote growth. By offering choice and actively encouraging mobile and self-service channels, efficiencies can be realised whilst improving the customer experience. Likewise the ability to integrate front end and back end systems through digitisation offers significant opportunity to drive down the cost of operation whilst driving up customer satisfaction through quicker, streamlined decision making.

4.18 The Council is working to enhance its services through digital transformation and has effectively promoted the use of digital so that its citizens think digital first when requesting services because it is quicker and more convenient to do so.

4.19 This work covers more than just digital access to services, it covers the processes behind the services, the way our citizen's find and access them, how we communicate, how we continue to improve but also aims to bring the city together by looking at a multiple digital themes.

4.20 The focus of our digital customer service transformation will be formulated as a result of a new Customer Service Strategy with transformation designed utilising customer demand – the results of which will see MKC:

- Provide services that are digital, automated, unified and accessible;
- Provide services that are inclusive and designed to meet customer needs, irrespective of access channel;
- Empower customers to become self-reliant, enabling customers to take control of their interactions with the Council;
- Support, train, and empower staff to deliver excellent customer service;
- Utilise demand, knowledge and customer insight to design and predict our services;
- Transition from being a reactive to a proactive, information led organisation;

4.21 In addition to this, new technology that will become available from the roll out of Office 365, during the first half of 2019, provides an opportunity to fundamentally review some of the Council's basic processes, from booking travel arrangements, the storage of computer files, to internal and external phone and video-conferencing facilities.

Value for Money and Continuing to Reduce Costs

4.22 In support of the Transformation Programme, the Council will also need to retain a strong focus on "good housekeeping"; in other words increasing the general awareness of cost and value across the Council. One example of this will be a stronger focus and grip on the use of agency (temporary) staff.

4.23 The Council spent £7.5m in 2017/18 on employing agency staff, with Hays as the Council's preferred agency staff provider. Whilst savings on the associated staffing budget offset a proportion of this, research shows that the margin and administration cost of employing an agency member of staff, significantly exceed the cost of a directly employed member of staff.

4.24 Some level of agency staff use, for example to cover parental leave in key front line positions, will be unavoidable, a number of changes to reduce and better control costs have already been implemented, which are:

- The appointment of a new agency provider – Opus – a public sector shared service with LGSS partners. The Council has a representative on the Board, and this enables the Council to bear down on both direct costs and use of agency staff, through better management information. 'Profits' from the Opus's activities are also retained within the partner authorities through the payment of a dividend.
- The introduction of a 'gateway process', where Service Managers wanting to use/extend agency staff are required to present a business case to the Service Director for Finance and Head of HR justifying their rationale.

4.25 Whilst these changes, alongside others such as developing a revised workforce strategy, investment in apprenticeships and training posts, and staff recruitment campaigns will take some time to bear fruit, the Council can expect to deliver reductions in the cost of agency staff over the course of the next 12 – 18 months. The finance team will incorporate specific reference to the costs of agency staff in the monthly financial reports to CLT and the quarterly reports to Cabinet.

4.26 The following are just a small number of other cost savings opportunities that will form part of the programme:

- a review of roles and responsibilities across the Council;
- the potential to transform Children's Services by using new technology;
- a review of the Council's arrangements for maintaining green space, in readiness for the re-tendering of the landscaping contract (likely to include using capital investment/ Partnerships with Parishes and the Parks Trust to reduce on-going maintenance costs); and
- an on-going review of contracts to drive further efficiencies.

Resources for Transformation

4.27 Any large-scale transformation programme requires investment to support change and drive savings, invest in new technology, and to provide additional capacity and expertise that may not be available from existing resources. At this early stage in the development of a transformation programme, it is difficult to assess the likely level of resources that may be required to support the necessary change.

4.28 It is also important to recognise that these resources will primarily be one-off in nature. As such, part of the budget proposals will be to re-classify some of the Council's existing revenue reserves to create a 'Strategic Development Fund'. Earmarked capital resources for investment in IT will supplement this resource, to provide around an initial total of £5.722m of one-off resource to support the transformation programme, as set out in the table below. Any subsequent resource will require Cabinet sign-off.

Table 8 - Strategic Development Fund

	£m
Re-classification of Value for Money Reserve	2.298
Earmarked Capital Resources for IT Investment	3.424
Total	**5.722**

Next Steps

4.29 Provisional scoping work for the transformation programme has already taken place. A workshop of Heads of Service, Service, and Corporate Directors took place in the summer to identify potential areas for further exploration, some of which are set out above. Specific proposals deemed worthy of development into detailed business cases, will in turn require formal sign off, before proceeding to delivery and implementation.

4.30 The Council has recently revised its corporate project arrangements, with dedicated Portfolio Boards for each of the Council's directorates, along with an overarching Corporate Board, that consists of the Chief Executive and Corporate Directors, and other relevant senior colleagues. These portfolio boards will therefore be the initial destination for any transformation business case, where they will be 'stress tested'.

4.31 Those that pass this initial 'gateway phase' will proceed to the Corporate Board for formal sign-off. The Leader of the Council will be the overarching programme sponsor, with Portfolio Holders sponsoring relevant projects. The final scope, timescales, and detailed resource requirements will be the subject of a report to Cabinet, in early 2019.

Priorities to be Funded from 1% Council Tax Increase

4.32 The 2018-19 settlement gave local authorities the choice to increase the core level of Council Tax by a further 1%, thereby increasing the basic threshold to 2.99%. This was in recognition of the prevailing level of inflation. It also set out the Government's intention to maintain the same core principle and package of flexibilities in 2019-20. The Local Government Finance Technical Consultation for 2019-20, issued in July of this year, confirmed that the Government remains minded to do this. This would mean that unitary authorities would retain a core principle of levying a Council Tax increase up to 3%.

4.33 The Administration's working assumption is that there will be a positive reaction to this in the consultation response, and as such, the administration is recommending taking up the additional 1% to fund of a number of priorities (largely one-off in nature) from the potential increase. These are described below:

Priority	Description	Amount £'m
Specific policy initiatives (one-off expenditure)		
Ending period poverty	Funding for a 3-year trial to ensure those young women in schools on low incomes can access sanitary products.	**0.074**
School mobility action plans	Trial funding to develop school mobility action plans with schools, parents, police and local resident, to tackle issues at drop off and pick up times at the highest complaint schools.	**0.050**
Regeneration estate improvement fund	Funding for 7 priority estates to spend on the public realm issues that would most benefit their estates e.g. pest control.	**0.100**
Getting the basics right (one-off expenditure)		**0.500**
Tackling fly tipping	Funding to tackle fly tipping on repeat issue estates.	
Deep clean funding	Funding to enable a "deep clean", of a number of estates with partners.	
Tree management	Improve the management of council owned trees by funding the development of a tree management strategy, with a tree survey and subsequent works, to improve the long-term management of council owned trees.	
Grid road name signs	To replace missing V and H road name signs	
Roundabout improvements	Improve the appearance of 7 roundabouts on grid roads	
Establishing reserves for targeted one-off issues		
Unauthorised encampment action fund	Create a reserve to fund taking forward any action required to secure extra powers against unauthorised encampments, fund officer time and clean-up costs if issues arise.	**0.100**
Universal Credit fund reserve	The Council will create a fund to protect residents, and the Council, from the potential impact of the roll out of Universal Credit.	**0.250**
Base Funding Requirement		
Growth and Regional Partnerships Policy Officer	Base fund current one-off position in policy team on a permanent basis to work on growth and regional partnerships.	**0.065**
Total investment		**1.139**

4.34 The Transformation programme is largely targeting years two – four of the current MTFP; in terms of balancing 2019/20 the draft Budget includes service budget cuts and additional income £8.1m, with £2m being met from headroom in our corporate capital finance budget, following a root and branch review.

4.35 A summary of the budget reductions and income proposals are shown in Table 9. The detail of the individual budget reduction and income generation proposals is included in **Annexes C1 and C2**.

Table 9: Budget Reductions/Income Proposals 2019/20

Savings by Key Principle	£m
Budget Reductions	
- Being Smarter	3.598
- Working Together	0.645
- Thinking Differently	0.992
Income Generation Proposals	
- Being Smarter	0.025
- Working Together	0.002
- Thinking Differently	0.843
Total ongoing budget reduction/income proposals (see annexes C1 and C2)	**6.105**

4.36 The Budget and Resources Scrutiny Committee will review the draft budget reductions and income proposals in January.

Advanced Payment of Employer Pension Contributions

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

4.38 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.

4.39 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, including any future deficit on the pension fund that might arise during the next tri-annual valuation. At this time, the potential saving from this proposal has not been built into the MTFP.

General Reserves

4.40 The Finance team have reviewed the level of reserves, which is included in **Annex E**. This review shows the level of risk exposure for the Council on known issues and an assessment of the adequacy of the level of General Fund Balances. This includes an allowance related to the implementation of Budget savings and also uncertainty around Brexit.

4.41 Whilst the Transformation Programme described earlier in the report will look to address the medium term funding deficit of £33.0m, reserves can only be spent once, and the on-going discipline of not using reserves to manage on-going expenditure must remain.

4.42 Furthermore, given the significant uncertainties surrounding future funding, it is important from a sustainability perspective that Councillors take account of the level of future risk, as well as the risk identified in the 2019/20 draft Budget. The move to local government self-sustainability, with the Government withdrawing grant funding so that local government is entirely funded through council tax, local raised fees and charges and retained Business Rates represents a substantial shift, and the impact of this change cannot be accurately forecast at this time.

4.43 The current system has shown that national Government announcements impact on local funding and there is substantial volatility in the business rates funding received through the impact of national and local appeals; pace of the Government's Valuation Office assessments for new business rates growth and the uncertainty of business growth generally. At present the Council can lose £7m of funding before any support from national Government through the "safety net" is available, so it is important future risks are considered as part of the reserves strategy going forward. Relying on a volatile income stream to fund critical statutory services means the Council's ability to smooth peaks and troughs using reserves to prevent in year cuts, will become more critical.

4.44 The risk assessment carried out alongside the development of the draft Budget (**Annex E**), shows that the minimum prudent level of General Fund reserves is £18.1m.

Earmarked Reserves

4.45 In addition to the General Fund and HRA working balances, the Council maintains a number of earmarked reserves to enable it to meet a range of different policy objectives. 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.

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

Fees and Charges

4.47 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 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).

4.48 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.

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

Local Council Tax Reduction Scheme

4.50 On 6 November 2018, the Cabinet confirmed the current Local Council Tax Reduction Scheme (LCTRS) should remain in place for 2019/20. This will provide working age individuals a level of certainty about the support they will receive, and enables the Council to review the scheme to inform any proposed changes in the future. Continuing with this scheme would mean the maximum level of Council Tax support for working age claimants would be maintained at 80%.

4.51 A full Council decision is required to formalise the Cabinet approval and this decision is due to be made in January 2019. This draft Budget assumes this approval will be agreed.

4.52 On 6 November 2018, Cabinet also approved a total sum of £0.530m funding for town and parish councils in 2019/20 to partially offset the financial impact of the LCTRS on their council tax yield estimates.

Capital Financing Costs

4.53 As part of a review of the Council's Debt Financing budget; it has been possible to release an additional £2.000m from the base revenue budget in 2019/20. The overall debt financing resources continue to show a surplus position in the short term. However, the surplus is before any impact is modelled on HRA debt repayment which would reduce this surplus. The HRA Business Plan is being finalised after which a further review of the debt financing budget will be carried out to determine the appropriate level of funding including whether further resources can be released.

5. SUMMARY OF DRAFT REVENUE BUDGET 2019/20 – 2022/23

5.1 The medium term financial forecast for 2019/20 to 2022/23 is detailed in **Annex H** and summarised in Table 10. The budget gap over the four years is £18.694m.

Table 10: Summary Draft Revenue Budget Position 2019/20 – 2022/23

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Government Funding Adjustments	3.935	7.655	0.268	0.150
Other Funding Sources	(4.989)	(5.747)	0.188	(3.916)
Inflation assumptions	5.093	5.413	4.432	4.618
Budget Service Pressures	6.662	3.312	3.137	2.722
Corporate Measures	(3.300)	1.250	0	0
Planned reduction to contingency budget	(435)	0.045	(0.139)	0
Priorities (to be funded from additional 1% Council Tax increase)	1.139	(1.074)	0	0
One-off Pressures	0.760	0.735	0.729	0.300
Total Pressures	8.865	11.589	8.615	3.874
Capital Financing Costs	(2.000)	(2.000)	(2.000)	2.000
Total Service Budget Reductions	(5.315)	(1.558)	(540)	0
Total Service Income Generation Proposals	(0.790)	0.082	0.134	0.262
Less Reserves applied to one-off pressures	(0.760)	(0.735)	(0.729)	(0.300)
Net Ongoing Position	0	7.378	5.480	5.836

5.2 Whilst the Council's Transformation Programme will look to address the significant financial challenges over the medium term, there will still be a requirement for all services to continue to identify ways to reduce costs and/or generate additional income.

5.3 However, this strategy does recognise that those services, in particular - Housing, Adult Social Care and Health and Children's Social Care which support the most vulnerable people in Milton Keynes are also facing significant demand pressures, therefore these anticipated pressures are funded in this draft Budget 2019/20 based on local trend data and demographic growth projections.

5.4 The draft 2019/20 Revenue Budget includes £8.105m of ongoing budget pressures and government funding reductions, and £0.760m of one-off pressures, offset by £6.105m of budget reductions and income proposals, £2.000m of capital financing reductions and £0.760m of one-off funding.

5.5 The base budget position for the draft 2019/20 Revenue Budget is set out in **Annex I**.

6. CASINO INCOME

6.1 As well as the statutory license fee income of £0.01m, the Council receives from Aspers Casino £0.175m. (index linked from 2014) which is allocated to social care for support of vulnerable gamblers, to commission a counselling service which is jointly funded with the NHS and is contracted through MIND and to fund MKC test purchase operations at gambling licensed premises across the borough (such as Betting shops and Adult Gaming Centres).

6.2 The Casino also pays a £0.500m minimum ‘guaranteed income revenue’ for the use of the Council to the ‘greatest benefit’. This is a minimum payment and depending on the gaming revenue the Casino generates supplementary payments are made on an annual basis on a percentage basis (a top up amount). The “minimum” amount is budgeted for as General Fund income; historically this has been attributed to supporting Housing Regeneration and Neighbourhood Employment Programme work, though there is no legal restriction on how the money can be applied. Amounts received in excess of the minimum payment are treated as one-off corporate receipts, since the variability would make it imprudent to incorporate them into the base budget.

6.3 Casino income is summarised in Table 11.

Table 11 – Casino Income

Income stream	Statutory Licence Fee	Minimum Income Contribution	Top up Payment in excess of minimum	Vulnerable Gamblers Contribution	Job Centre Plus Payment	Comment
2012 /2013	£10k	£1.5m in lieu of first three years operational trading at £500k per year (£500k then becomes payable in arrears after each years completed trading)	None due	£250k	£50k	Casino licence awarded March 2012
2013/2014	£10k	No payment due as not commenced trading	None due	£175k	n/a	Casino opens Autumn 2013
2014/2015	£10k	£500k Payment received 2012	£61,702	£179k	n/a	
2015/2016	£10k	£500k Payment received 2012	£235,656	£182k	n/a	
2016/2017	£10k	£500k Payment received 2012	£336k	£185k	n/a	
2017/2018	£10k	£500k	£297k	£193k	n/a	
2018/2019	£10k	£500k	TBC	TBC	n/a	

7. PARKING ACCOUNT

7.1 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.

7.2 As in previous years, the Council has estimated the likely income it will receive from car parking in 2019/20, the costs that are required to manage car parking, and has considered the need for additional car parking.

7.3 As a result of this process it has been identified that car parking is expected to generate a surplus in 2019/20, 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.

7.4 **Annex J** outlines the forecast parking surplus and the proposed use of this surplus as part of the draft Budget 2019/20.

8. CAPITAL PROGRAMME

Capital Strategy

8.1 For 2019/20 there is a requirement under the CIPFA Prudential Code and Treasury Management Code that Council's produce a Capital Strategy. The strategy gives a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategy is detailed in **Annex K**.

Capital Resources

8.2 Table 12 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 Medium Term Financial Plan. 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 2019/20 and 20/21;
- Transport funding is based on confirmed allocations for 2019/20;
- Children and Families financing for the School Condition Allocation is assumed at 2018/19 levels as 2019/20 have not yet been confirmed;
- Adult Social Care funding assumed at 2018/19 levels as 2019/20 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 and use of current HRA reserves;
- No tariff or developer contributions have been assumed, except where specified in individual project appraisals. All funding allocated from

developer contributions have already been received, and the use is in line with the individual planning agreements;

- £10.172m New Homes Bonus has been allocated in 2018/19 with a further £7.482m in 2019/20. This will fund projects over the medium term, such as, A421 widening, Bus Infrastructure, and East West Rail;
- 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. The revenue costs of this borrowing will be met through the revenue budgets.

Table 12: Forecast Medium Term Capital Resources

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 Onward £m
Capital Receipts	7.215	0.470	0.470	0.220	0.220
Developer Contributions	13.286	9.210	0.000	0.000	0.000
New Homes Bonus	0.510	0.084	4.177	0.000	2.711
Parking Reserve	0.000	0.000	0.000	0.000	0.000
Prudential Borrowing	8.793	3.198	4.251	0.530	0.369
Single Capital Pot	45.869	29.816	8.593	8.586	8.022
Grants	2.916	1.054	1.035	1.036	1.035
GF Revenue	0.008	0.000	0.000	0.000	0.000
HRA Revenue	15.649	20.061	19.917	19.483	20.067
Third Party Contributions	0.583	0.000	0.000	0.000	0.000
Major Repairs Reserve	27.037	12.978	12.978	12.978	12.978
Total	**121.866**	**76.871**	**51.421**	**42.833**	**45.402**

8.3 No scheme is included in the 2019/20 Capital Programme unless it is fully funded. The 2023/24 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.

8.4 Prior year New Homes Bonus has been earmarked to finance infrastructure projects. If alternative capital resources are identified, the New Homes Bonus will be released to resource other emerging priorities.

8.5 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 13 shows the summary capital expenditure proposed over the medium-term.

8.6 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.

8.7 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 including one 12FE secondary school;
- 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.

Table 13: Forecast Medium Term Capital Expenditure

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 Onward £m
Education – Continuing Schemes	32.024	10.847	0.000	0.000	0.000
Education – New Starts	0.731	2.255	2.146	2.146	2.146
Transport – Continuing Schemes	6.909	0.600	5.809	0.670	3.220
Transport – New Starts	7.128	7.563	8.314	4.944	4.944
Social Care & Housing GF – Continuing Schemes	0.030	0.000	0.086	0.000	0.000
Social Care & Housing GF – New Schemes	1.036	1.035	1.035	1.036	1.035
Housing HRA – Continuing Schemes	14.576	0.000	0.000	0.000	0.000
Housing HRA – New Starts	32.703	33.259	33.115	32.681	33.265
EPCS – Continuing	6.576	1.234	0.340	0.000	0.000

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 Onward £m
schemes					
Strategic Pot– New Starts	5.690	4.666	0.714	0.926	0.000
TOTAL Expenditure	**107.403**	**61.459**	**51.559**	**42.403**	**44.610**

New Schemes in 2019/20

8.8 The Medium Term Capital Programme was approved at February 2018 Council. As part of the process for developing the 2019/20 capital programme, existing schemes have been reviewed to identify any uncommitted resources which can be reallocated and new schemes for 2019/20 have been prioritised, and reviewed by Service Portfolio Boards prior to recommendation to include within the capital programme by the Corporate Portfolio Board.

8.9 Two new projects have been included within the Strategic Pot allocation.

- Emerson Valley Sports Facility. Remedial works totalling £0.073m to address Health and Safety concerns, regarding damp and use of the stairs. The project was assessed as high priority and given a prioritisation score of 48 out of 60.

8.10 Bracknell House. Refurbishment of Grade 2 listed building £0.250m. Following the opening of the new Coroner and Registrar facility within Civic Offices, and the Cabinet decision to maintain Bracknell House for wedding ceremonies and other community uses, essential works have been identified as required under the Equality Act.

8.11 Following a review of the existing capital programme a number of programmes of work have been update:

- Amendments have been made within the ICT programme to reflect changes in software licensing agreements, and hardware requirements;
- The highways and transport programme has been updated to include projects for 20mph zones, accessibility funding, works to underpass lighting and directional signs;
- The HRA programme has been updated to reflect the current new build programme and an increased planned maintenance programme.

Education Programme

8.12 Current indications are that a further 8,610 school places will be required by 2025. This is likely to require a further nine new primary schools and three secondary schools, together with expansions to existing schools. Neither expenditure nor the funding of these school places has currently been included within the capital programme. Schemes will be brought forward to the capital programme as the need is confirmed.

8.13 Whilst the current Education capital programme shows a surplus of funding of £35m up to 2022/23 this position does not yet include a number of projects where the need for expansion schemes has been identified but the exact nature of the expansion has not yet been agreed. Funding has been confirmed in the basic need allocations and will be spent as projects are brought forward. Options for additional new school places are considered by the Education Performance prior to submission to Cabinet for approval within the Capital Programme.

Pipeline Projects

8.14 A number of scheme proposals remain as pipeline projects. These schemes are at an early stage of development and require further work before they can be considered for potential funding through the capital programme process. These projects are identified as pipeline to give visibility of future schemes.

Slippage

8.15 The amount of slippage within the capital programme is high. In 2017/18 a total of £94m resource allocation was re-phased into later years. At Period 6 reporting for 2018/19 projections are for £45m to be re phased into 2019/20. Re phasing has not yet been carried out in 2018/19 and therefore these sums remain within the current 2018/19 capital programme.

8.16 Cash-flow forecasts on all capital schemes are now requested from project managers and in year reporting compares both current year spend against profile and total project outturn. Over the past few months the Council has established a series of new Programme / Portfolio Boards to exercise oversight and improve scrutiny of projects. These changes in governance and reporting are collectively aimed at improving transparency, the quality of reporting and reduce future levels of slippage.

Summary of Capital Programme

8.17 Table 14 shows the Council's current capital expenditure needs can be met over the medium-term. The detailed draft Capital Programme is available at **Annex L**.

8.18 Whilst Table 14 shows an excess of resources over planned expenditure, £35m of this funding is Education specific as outlined in paragraph 8.10 above, resulting in a current shortfall in 2020-21 for later years which will be addressed as new funding sources are identified. There is also a number of areas expenditure which will require funding in the future, increasing the overall funding requirement:

- Pipeline schemes require further work prior to further consideration;
- The Property asset management plan has not yet been approved. Indications are that this will identify the need for investment in existing council properties. A rolling programme has been included within the Pipeline list however exact details of works and potential costs are yet to be determined;
- A Transport Infrastructure Plan is being developed for agreement in March 2019. This builds on the adopted 2018 Mobility Strategy and its

evidence base to clarify the transport infrastructure requirements in the next 10-15 years. As this work is not yet completed it has not informed this current capital programme. Outputs from this Plan will inform the capital programme to be agreed in 2019/20;

- It is also likely that the Council will need to improve net financial returns across its asset base over the medium term to meet capital requirements, or to contribute (under new legislation) to the transformation costs of the Council. This has also not yet been fully identified or included within the programme.

Table 14: Forecast Medium Term Summary of Capital Resources and Expenditure

	2019/20 £m	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 Onward £m**
Capital Resources	121.866	76.871	51.421	42.833	45.402
Capital Expenditure	107.403	61.459	51.559	42.404	44.610
Net Position (surplus) / deficit	(14.463)	(15.412)	0.138	(0.429)	(0.792)
Cumulative Position (surplus) / deficit	(14.463)	(29.875)	(29.737)	(30.166)	(30.958)

9. OTHER FUNDING

S106 Funding

9.1 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.

9.2 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.

9.3 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 and infrastructure as intended.

9.4 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.

9.5 A total of £1.306m new S106 funding has been allocated within the Capital Programme.

Tariff

9.6 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.

9.7 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.

9.8 **Annex M** shows a breakdown of the Tariff resource allocation for 2019/20 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.

9.9 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

9.10 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 2018). The grant and expenditure is monitored closely by the Schools Forum (a committee of the Council).

9.11 The DSG is broken down into four funding blocks; schools, central schools services, high needs and early years.

9.12 The 2018/19 DSG funding was the first year of a phased introduction of the Department for Education’s (DfE) National Funding Formula (NFF) for both the schools, central schools and high needs block within the DSG (the early years block remained unchanged after being revised in 2017/18). Previously the DSG had been allocated on an historic basis but the revised funding formula changed the allocation to be based on actual pupil demographics.

9.13 Milton Keynes saw an increase in the schools and high needs block in 2018/19 reflecting the allocation of the additional funding that the government announced as part of the NFF. This is recognition that Milton Keynes has experienced significant growth and has faced significant pressures in funding of high needs. Funding increases were capped in the first year of introduction, with the full funding allocation reflected in 2019/20.

9.14 The funding allocations for each of the blocks are calculated as follows:

- The schools block and central schools services block are calculated based on the number of pupils on roll at a specific census date in October 2018. There are also allocations within the schools block to reflect premises factors which are allocated on an historic basis;
- The early years block is calculated based on the number of early years pupils on roll at specific census dates in January 2019 and January 2020. An indicative allocation is based on census data at January 2019 which is then revised after the year end when January 2020 data can be confirmed;
- The high needs block is based on a mixture of October 2018 census data and historic spending allocations.

9.15 Indicative allocations for each of the funding blocks have been provided to give an initial estimate of the funding as a result of the next step towards NFF but these will be revised in December when the final October census information is available.

9.16 At present there is also some uncertainty about the calculation of growth funding within the schools block, as the DfE will be revising this for 2019/20. Growth had previously been allocated on an historic basis (at a time where MK had significant pupil growth) which will now be recalculated to reflect actual changes in pupil numbers year on year. The allocations below, currently reflect the historic growth allocation; it is likely there will be a reduction in the allocation as a result of this change.

Table 15 – DSG Allocations

DSG Budget	Schools £m	Central Schools £m	High Needs £m	Early Years £m	**Total £m**
2018/19 Allocation	184.489	1.478	39.270	20.151	**245.388**
2019/20 Allocation (Provisional)	187.499	1.450	39.964	20.151	**249.064**
Increase / (Decrease)	**3.010**	**(0.028)**	**0.694**	**0.000**	**3.676**

9.17 Previously Local Authorities have had the flexibility to move funding between blocks to manage local pressures (usually seen in the areas of high needs). However, with the introduction of the NFF, the DfE has limited the flexibility to do this and will only allow a maximum of 0.5% of the schools block to be transferred to other blocks. This must also follow a consultation with all schools and the schools forum. Based on initial estimates it is not anticipated that this will be required. It is essential that each of the blocks contain sufficient contingency to ensure that they remain in surplus as the DfE have also introduced new scrutiny on Authorities with deficits on any part of the DSG.

9.18 Local Authorities will still continue to set the school funding formula in 2019/20 and 2020/21, after which it is anticipated that school funding will be allocated at individual school level based on the central government formula. The DfE are encouraging Local Authorities to move towards the funding formula as soon as possible. MK fully transitioned to the new formula in 2018/19 and only minimal adjustments will be required for 2019/20 to the formula to keep in line with the DfE changes.

9.19 No changes are proposed to the early years funding formula as although a small contingency is held (2.8%) this is appropriate given the volatility of expenditure on the block.

9.20 The high needs block expenditure is currently being reviewed to reflect demographic changes, changes in need and place planning requirements for growth (including the growth in the grant allocation).

9.21 As the final grant allocations are uncertain (as they are driven by census information), the implications of the changes are currently being modelled in order to prepare the DSG budget for 2019/20. The budget for 2019/20 will also incorporate the predicted surplus balance expected on the DSG by the end of the 2018/19 financial year (against each of the relevant blocks). Based on the latest forecast position (October 2018), it is expected there will be a surplus carry forward of £1.9m (£0.2m schools block; £0.5m early years block; £1.2m high needs block). The budget for 2019/20 will be prepared in line with the funding regulations and following consultations with schools and the schools forum in December and January 2018 (Schools Forum October 2018).

10. BUDGET CONSULTATION

10.1 Consultation on the proposals outlined in this draft budget will begin on 4 December and continue until 31 January. The consultation will be publicised through a Budget Roadshow, on the Council website and social media channels, through local media advertising, and other means.

10.2 The responses to the consultation will be evaluated to inform the final Budget decisions to be taken in February 2019.

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

11.3 In preparing the Budget for 2019/20, 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 draft Budget adequately reflects known issues including the best forecast position at this point in time. The demand pressures and other issues will continue to be reviewed before the Budget is finalised in February and reviewed if necessary.

11.5 A Budget Risk Register is included in **Annex N**, 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 E**.

11.6 At the time of preparing the draft budget there were a number of significant uncertainties which potentially could revise the current view on the adequacy of GF reserves. A view on these will be taken as part of the final budget proposals in February 2019:

- There remains significant uncertainty over the impact of Brexit on the UK economy and how this might translate locally. Whilst an assessment has been made (see 11.10) and is reflected in the view on the level of GF reserves this view may change depending on events leading up until the finalisation of the budget in February 2019.
- The projections for reductions in the demand for temporary accommodation are based on investment in a range of measures including prevention and alternative lower cost accommodation. These reductions are based on recent trends in the first half of 2018/19. This will be reviewed again ahead of the final budget being set to ensure that these remain on track.
- Business Rates, at present the earmarked reserve to mitigate against Business Rate fluctuations is £3m. 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 3.32). The level of appeals settled and now actively under Check, Challenge, Appeal will be reviewed prior to February Cabinet to ensure that both sufficient reserves and that adequate provision are in place for 2019/20.
- Recycling contamination - The contract to operate the MRF includes a 10% threshold for contamination of Authority Materials, above which the Authority will pay any charges where sampling has been undertaken with the quality assessment protocols. Contamination levels in Milton Keynes are higher than the threshold, and negotiations are currently being undertaken with the contractor to agree the basis of future charges to compensate for resulting loss in recyclate value and higher operating costs. The impact of this negotiation will be reviewed prior to February Cabinet.

11.7 In the medium term the financial strategy 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 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 target operating model and reflecting the difficulty of delivery further budget reductions and income.

11.8 The General Fund Balance of £18.1m is estimated to be adequate to meet the Council's financial needs in 2019/20.

11.9 This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2018; the movement of these reserves since that date (as tracked through the Budget Monitoring process); and the proposed use of reserves as part of the draft Budget 2019/20.

Table 16: Section 151 Officers Assessment on the Adequacy of Reserves

Reserve	**Balance at 31/3/2018**	**Forecast Balance at 31/3/2019**
GF Working Balance	(19.680)	(20.479)
Specific Risk Reserves*	(16.739)	(17.856)
Total Reserves Available to meet known and unknown budget risks	**(36.419)**	**(38.335)**
% Net Revenue Budget**	19.1	20.0

**See annex F which sets out details of these reserves held to manage specific known budgetary risks.*

*** This excludes schools budgets (DSG) and the HRA for which a separate reserve is held. It should however be noted that the Council continues to underwrite certain financial risks around schools funding, a provision for which is included within the risk assessment.*

Impact of Brexit

11.10 The UK is due to leave the EU on the 29 March 2019 with a transition period running after this date until December 2020. At the time of preparing the draft budget proposals there is no clear view on how the UK will exit the EU or the relationship that will exist during and after the transition period.

11.11 The LGA has been lobbying government for clarification on a range of key issues that will impact on the sector. Limited information has so far been produced reflecting the status of the current negotiations and lack of preparation.

11.12 In the absence of any real clarity we have considered the potential impacts that might arise from the UK leaving the EU. This assessment is very high level and has been carried out to provide a view on some of the financial impacts that may arise following the UK's departure which fall outside of the assumptions used in preparing this draft budget.

11.13 The key budget risks identified as part of this assessment include:

- **Rising Inflation** – whilst the draft budget includes an allowance for inflation to reflect the expected price changes to contracted out services, staff pay and other key costs these assumptions are based on published inflation forecasts and would not address any further movement in inflation caused as a result of the UK leaving the EU should tariffs be imposed, further currency depreciation and wider cost pressures arising from the UK exit.

- **Staff Changes** – The budget does not include any specific allowance for any changes in normal activity levels from increased staff turnover in the event that we experience a sharp increase in EU National staff choosing to leave as a result of the UK's departure from the EU. The Council does not hold data on EU nationals within its workforce records (requirement only applies to non EU nationals).

- **Contracts** – The Council delivers works, goods and services through a large number of contracts with commercial organisations ranging from local to international organisations. There is a risk that key suppliers and contractors lose EU national employees that they rely upon to deliver these contracts which may impact on both the future cost and delivery. This is particularly a risk in areas such as Adult Social Care and construction sectors. The Council does not hold information on the make up of providers workforce but national data would suggest that this likely to be a key part of their workforce.

- **Reduced Business Rates Income** – in the event of a sharp economic slowdown, an increase in business failures could lead to increased non-payment of business rates, increased empty property relief leading to a reduction in to the Councils core income. The Council has estimated that its share of income through business rates in 2019/20 is £49.6m which includes a growth dividend of £3.9m. In the event of a sharp reduction to business rates income the Council's maximum financial risk is £7.5m (growth dividend and risk share prior to the Safety Net applying). A drop on this scale would need to see overall total business rates income that the Council collects fall from £153m to £136m given part of this loss would be met by the government central share and other major preceptors.

  To mitigate the financial risks the Council holds a separate reserve (Equalisation Fund) which the forecast balance at 31/3/2019 is £3.1m. This reserve would fund a 6% drop in 2019/20.

Table 17: Brexit Key General Fund Revenue Budget Risks

Key GF Revenue Budget Risks	2019/20 Budget £m	Impact		
		Low	Medium	High
		1% Higher	3% Higher	5% Higher
General Expenditure – inflation risk	68.6	69.3	70.7	72.0
Staff Costs – recruitment and retention risks	89.3	90.2	92.0	93.8
ASC Contracts – recruitment and retention impact on service delivery and contract viability	30.5	30.8	31.4	32.0
Other Service Contracts – inflationary impacts of new relationship with EU	48.6	49.0	50.0	51.0
TOTAL	237.0	239.3	244.1	248.8

Capital Projects

11.14 A review of the Councils capital projects is being carried out to understand the potential risks of Brexit in the event that downside risks materialise, which will include discussions with our supply chain.

12. HOUSING REVENUE ACCOUNT

12.1 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.

12.2 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. Income and expenditure of the HRA is now based largely on local rather than national decisions, and reflects investment informed by the HRA Business Plan and Asset Management Plan.

12.3 A further major change was announced in the October 2018 budget, when the "Debt Cap" which had limited councils' ability to borrow to invest in housing was abolished. Councils are now able to borrow for housing purposes under the same "Prudential Code" regime as applies to borrowing for non-housing purposes. Officers are currently assessing how this change can help accelerate delivery of the Council Plan objectives to deliver new council housing and regeneration.

HRA Planning Assumptions & Policy Choices

12.4 The draft HRA Budget for 2019/20 has been prepared on the basis of the corporate planning assumptions. In addition the following planning assumptions and policy choices specific to the HRA have been made.

Income:

a) Dwelling Rents

12.5 The Government incorporated into the Welfare Reform and Work Act 2016 a reduction in social housing rents of 1% per year for the four years commencing April 2016, until April 2020. This is therefore the last year of rent decreases fixed by statute.

12.6 Rent decreases complying with the 1% cut will continue to decrease income for the HRA in 2019/20. Average rent will decrease to £86.07 per week, an average decrease of £0.87 per week.

12.7 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 £82.82 per week (a decrease of £0.84 per week) although this figure varies with the share owned by the tenant.

12.8 The rent decreases will reduce HRA income by £0.481m in 2019/20.

12.9 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.

12.10 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. 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.

12.11 The budgeted level of collection for all rental income from has been reviewed and, due to the risks in relation to income collection, it remains prudent to assume a level of 93% for 2019/20. All debts will continue to be rigorously pursued through prompt, proactive and robust processes. Income collection remains a priority and is demonstrated by the 2017/18 year end BVPI66a collection rate (covering rent income only) of 97.01%.

b) Right to Buy Sales

12.12 The draft budget provides for 50 Right to Buy (RTB) sales in 2019/20, based on recent and current year activity, which reduces the rent income expected by £0.186m.

c) Garage Rents

12.13 Following research 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 2019/20.

d) Leaseholders' Service Charges and Major Works Recharges

12.14 Leaseholders' service charge income is estimated in line with costs of providing the service, and in accordance with the terms of the leases. Recovery of costs for leaseholders liabilities for major works is assumed in full.

e) Tenants' Service Charges

12.15 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, as agreed, applied as a cap to service charge increases. Proposals will be brought forward during 2019/20 to deal with any remaining shortfalls on the expiry of the 1% rent cuts.

Expenditure:

f) Repairs and Maintenance

12.16 Additional costs of £0.030m are expected as a pressure from increased lift repairs as a result of Anti-Social Behaviour (pressure HP11).

g) General Management, Special Services & Other Property Costs

12.17 Additional investment of £0.277m is planned in environmental improvements for housing estates (HP5).

12.18 Additional budget of £0.367m is provided for a dedicated Tenancy Sustainment Team to mitigate the ongoing and increasing risks of welfare reform (HP8).

h) Interest and repayment of Borrowing

12.19 Interest charges are expected to decrease by £0.157m 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

12.20 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.

12.21 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. The contribution is expected to decrease by £2.093m, from £13.242m to £11.148m, reflecting the net movement in other HRA budgets.

j) Contribution to Earmarked Reserves

12.22 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.

Summary of the draft HRA Budget

12.23 Table 18 shows the summary draft 2019/20 budget for the HRA.

Table 18: Summary of the draft HRA Budget

Item	**2019/20 £m**
Income:	
Dwelling rents	(52.016)
Other income	(3.072)
Total income	**(55.088)**
Expenditure:	
Repairs and maintenance	10.560
General Management & Special Services	11.313
Interest and repayment of borrowing	7.963
Funding for future capital repairs (depreciation charge)	13.490
Funding for future capital improvement works (RCCO)	11.149
Contribution to provision for bad debt	0.614
Total Expenditure	**55.088**
Net budget for the year	**-**

12.24 The minimum level of prudent HRA reserve to cover unforeseen adverse circumstances has been assessed at £5.786m. The overall working balance is forecast to remain at £7.259m for the period ending 31 March 2020.

13. RELATED DECISIONS

13.1 Related decisions include:

- The Medium Term Financial Outlook 2019/20 to 2022/23, approved by Cabinet in September 2018;

- Council Tax Base 2019/20 report, approved by Cabinet in November 2018.

14. ANNEXES

14.1 The following annexes are appended to this report for the purposes of the January 2019 Budget and Resources Scrutiny Committee Challenge meetings:

2019/20 Budget Reductions and Income	Annex C1 and C2
Business Cases in Support of Reductions and Income Generation Proposals	Annex C3
GF Reserves Assessment	Annex E
Earmarked Reserves	Annex F
Fees and Charges: Exemptions to the Income Policy Additional Concessions	Annex G
2019/20 – 2022/23 Forecasting Model	Annex H
2019/20 GF Budget Summary	Annex I
2019/20 Draft Parking Account	Annex J
Capital Strategy	Annex K
Draft Medium Term Capital Programme	Annex L
Draft Tariff Resource Allocation	Annex M
2019/20 Draft Budget Risk Register	Annex N
Legal Framework	Annex S

15. IMPLICATIONS

Policy

15.1 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

15.2 A detailed budget risk register is available at **Annex N** 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 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

15.4 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.

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

15.6 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.

15.7 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.

15.8 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 4.12 to 4.16, and to the robustness of the budget proposals in section 11.

15.9 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 Committee have also scrutinised the budget process and challenged budget pressure proposals. The Committee will provide further challenge to savings proposals in January 2019 prior to the setting of the final Budget in February.

15.10 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

15.11 An Equality Impact Assessment was conducted on all 73 pressures, reductions and income proposals of which 19 were considered as being 'significant' and 'relevant' to equality. Similar decisions have been brought together to produce 7 in-depth assessments. Full details can be found at http://bit.ly/MKCEqIA-Bud17b.

15.12 These assessments recommend that:

- In five (5) green areas proposal should continue, as there is a potential to improve the advancement equality of opportunity.
- In one (1) green-amber area, adjustments have been/are made to remove barriers or better promote equality. Adjustments are identified below.
- In one (1) amber area, there is a budget option that is continuing, despite having identified some potential for an adverse impact or a possible missed opportunity to promote equality. Adjustments are identified below.

- There are no (0) red areas, where it is recommended that savings not continue, as there is a potential for unlawful discrimination.

Table 19: Summary of impact assessment for Green-Amber & Amber

Area of Work	Adjustment Made/Being Made
Children Centre Income *Green-Amber*	The potential for income activities to hinder preventative services needs to be assessed and the message given in these changes needs to be clear, to ensure that there is no an adverse impact or curtailing of potential new services. The future of programmes like "Supporting Families" are also a part of these assessments.
Travellers *Amber*	An EqIA in July highlighted three difficult aspects that the council needs to: • Ensure that the strategy towards illegal encampments is developed in a similar manner for all types of encampments; • Consider more fully the needs of the resident, and visiting, Gypsy and Travellers; • Challenge behaviour contrary to the fostering of "good community relations"

15.13 With regard to equality, the 2019/20 budget is focused on meeting the challenges of continuing demographic pressures, particularly amongst vulnerable people and children. Whilst evidence for demographic changes is well documented and most areas use a proven methodology, some of the statistical data used for pressures outlined in the budget may require post-budget scrutiny, to ensure a strong basis for demographic and data projections. However, faced with increases in demand, a focus in the budget on these issues will be essential to the advancement of equality of opportunities, as well as the meeting of various duties.

Background Papers: Budget and Resources Scrutiny Committee papers.

Annexes: Listed at 14.1 above.