ITEM 7(b)

Extract from the Minutes of the meeting of the BUDGET REVIEW GROUP held on MONDAY 17 DECEMBER 2012

BRG22 MEDIUM TERM FINANCIAL PLAN (MTFP)

The Group received a presentation from the Corporate Director Resources and the Assistant Director (Financial Management) updating them on the current position of the Medium Term Financial Plan and noted that:

- The Council's 2013/14 provisional financial settlement would be announced on either 18 or 19 December 2012;
- The cost of growth was likely to outweigh any benefits from changes to the Business Rate allocation; Milton Keynes, as a 'growth city' could be significantly disadvantaged;
- The Council had been making its case for support funding growth as part of its City Deal bid. Although the legislation was fixed, the formula grant needed to reflect the growth potential of Milton Keynes;
- The Milton Keynes Council Cabinet was raising the issue of growth with central government at every opportunity but without success so far;
- The proposed Council Tax increase for 2013/14 was 1.95% (2% was the maximum increase before a referendum was triggered). An increase of 1.99% would only raise another £40,000;
- A Council Tax referendum would cost approximately £250,000; such referenda tended to be unsuccessful although they did provide an opportunity for councils to ask local residents if any increases should be ring-fenced for particular services / projects;
- Commissioning and Efficiency, Service Redesign, Charges to Users, Service Reduction, Overhead Reduction, Use of One-off Funding to Meet One-off Pressures had all been identified as areas which could provide savings (£21.3m) before front-line services needed to be reduced;
- How much could be raised by fees and charges, including fines, would be discussed at the relevant Service Group Challenge meetings in January;
- There was a £68m funding gap which needed to be addressed between 2013/14 – 2016/17. This equated to the Council's annual salary bill;

- All contracts were examined on a business case by business case basis as there were benefits and savings to be made through this process;

- The headline announcements in the Autumn Statement indicated that the funding position would be worse than the MTFP projections; actual allocations for future years were unlikely to be available before the Spring 2013 spending review. The position could be worse if other government departments such as health were protected. The forecast following the Autumn Statement was that Milton Keynes Council would be +£1m worse off in 2014/15 and 2016/17 with continued reductions in 2017/18;

- The Business Rate was static and it was not yet known what the position would be once the proposed changes came into force. Although it was likely that the Council's income from this source would increase, it would not be sufficient to address the shortfall;

- The amount businesses had to pay was set by the government and the Council would only get the benefit of any growth in this sector at a rate of 20p in the pound. The government would still top-slice the first 50p in the pound of Business Rate. The Council was still waiting for an announcement of what the baseline would be;

- It was possible that if Milton Keynes derived a significant benefit from the changes to the Business Rate system other government grants could be reduced;

- Since 2007 £18,000 per property (known as the Milton Keynes Tariff) had been levied on investment sites to provide funding for infrastructure works in those areas. The Tariff had been administered by the Homes and Communities Agency (HCA) but responsibility for it would transfer to the Council along with the other HCA assets from January 2013. Part of the tariff would be ear-marked for the development of the new Milton Keynes University;

- The Council was in the process of developing a transparent process for the future allocation of the tariff;

- As much S106 money as possible had been allocated to specific projects. The new Community Infrastructure Levy (CIL) and S106 regime applied from April 2013. Any current agreements on the allocation of S106 money would not be affected and the new system should give the Council more flexibility over the allocation of funds;

- A break down of the new home bonus for 2013/14 and 2014/15 had been included in the budget report presented to Cabinet on 28 November 2012. The new homes bonus would not be earmarked against the funding gap until 2016/17;
- There was no indication that the Housing Revenue Account (HRA) debt cap would be removed. Any surplus on the HRA would continue to be ring-fenced for housing spending.

The Group then expressed its concern that:

- Where services were being provided under contract at arm's length from the Council the money paid to contractors was leaving Milton Keynes and not staying in the local economy;
- The Council was loosing too many in-house staff to external contractors and that in the long term the cost to the Council of many of these contracts would be greater than paying its own staff;
- There was a notable depreciation in service delivery by the Council for which councillors were 'taking the flak'. The Group expressed its concern at the lack of response from some Council departments in resolving issues done once they had been reported;
- Some of the formats used to present information in the budget report which went to Cabinet on 28 November were not always clear to lay persons. The Group would have liked to have seen more use of straightforward income and expenditure balance sheets, particularly in relation to salaries and wages (see page 98 of the Cabinet Budget Report);
- They would also prefer to see increases in fees and charges expressed in actual pounds and pence and not as a percentage (see page 127 of the Cabinet Budget Report).

RESOLVED –

1. **That the Cabinet, on behalf of the Council, reiterates its call to the Secretary of State for the continuity of the established additional population growth funding previously awarded to the Council in recognition as one of the fastest growing areas in the United Kingdom in order to protect the increased demand for Council services.**
2. **That the Cabinet be urged to look at land availability in the town centre and identify any unused land which could be used to increase the number of parking spaces and thus revenue, in order to avoid proposed increases in parking charges.**
3. That the Corporate Director Resources be asked to supply the Review Group with information about the money the Council spends to date on contracts as follows:

- One-off contracts;
- Contracts of less than 3 years duration;
- Contracts of more than 3 years duration.

4. That the Cabinet be urged to look at different models for the delivery of services to the residents of Milton Keynes such as partnerships, co-operatives, voluntary / third sector providers and not just outsourcing work to private contractors.

5. **That the Cabinet be urged to look at the transferred Homes and Communities Agency (HCA) assets and identify those that could be developed to generate a sustained income for the Council.**