Annex X

Medium Term Financial Plan

February 2021

1 Purpose

1.1 This plan sets out how the Council will address its financial challenges, prioritise the resources it has and support the delivery of the Council Plan. Unlike previous plans this is being done against an unprecedented backdrop of a global pandemic which has and will continue to change all aspects of what the Council deliver. There continues to be no funding strategy from government and the financial impact of the pandemic on public finances, together with the wider economy has created a very fluid and unpredictable backdrop.

1.2 The Council has responded effectively to the initial challenges presented by the pandemic both in terms of making critical service decisions and strengthening its financial and risk management approach. The Council will need to continue to evolve and respond to the rapid changes taking place within our communities, business sector and wider economy to ensure that the Council continues to provide support and leadership whilst remaining financially resilient.

1.3 This plan sets out the key financial planning assumptions, considers the key financial risks and provides the framework from which the Council will deliver the Council Plan on a financially sustainable basis.

Ambition for Milton Keynes

1.4 Milton Keynes has a successful economy and is a successful place:

Milton Keynes is one of the UK's fastest growing economies, both in terms of employment and output. The latest UK Powerhouse reports produced by Irwin Mitchell (November 2020) forecasts that by Q4 2021 Milton Keynes will be the fastest growing economy of any UK city. The city is highly productive, Gross Domestic Product (GDP) for 2018 was £15.69bn, with a GDP of £84,784 per worker – one of the highest in the country outside of London.

The latest Centre for Cities City Outlook publication (2020) on the UK's 63 largest towns and cities reported that Milton Keynes had the:

4th highest GDP per worker

2nd highest business stock per 10,000 population

4th highest start-up rate per 10,000 population

In 2019 (the latest available data), there were 183,000 jobs in Milton Keynes. This equates to a job density of 1.17, meaning there are more jobs in the MK economy than working age residents. In terms of sectors, there is a lot of diversity. By employee jobs, Wholesale and Retail is still the largest sector (31,000 or 16.9% of all jobs) followed by administrative and support services (18,000, 9.8%); education (18,000 jobs, 9.8%); transportation and storage (18,000, 9.8%); Human health and social work activities (17,000, 9.3%).

The Claimant Count stood at 6.2% (10,425individuals) in November 2020. The

Unemployment Rate in Milton Keynes is lower than the national (UK) rate of 6.3%, but higher than the South East Midlands (SEMLEP) rate of 5.9%.

1.5 It should also be recognised however, that Milton Keynes also has areas of deprivation. The latest English Indices of Deprivation data (2019) ranked Milton Keynes the 172nd most deprived Local Authority (out of 317), 8 out of 152 of its local areas feature within the top 10% most deprived areas in the country. The MK Child Poverty commission reported that 22,940 children in Milton Keynes are living in poverty after Housing Costs.

1.6 In July 2016, the MK Futures 2050 Commission published their report "Making a Great City Greater" which was endorsed by full Council and proposed a programme to deliver continued growth and economic success for Milton Keynes. The Commission identified the need for a new long-term strategy to guide the next phase of the development of Milton Keynes. The Milton Keynes Strategy for 2050 was consequently developed through detailed evidence studies and extensive public and stakeholder engagement that included a draft strategy published for comment in January 2020 for 18-weeks and a subsequent 5-week long review of the impacts of COVID-19. It was agreed by Cabinet on 15 December 2020 and then by Council on 20 January 2021.

1.7 The Strategy sets out a long-term approach to spatial development. It aims for a steady population increase to around 410,000 people in the borough by 2050 as the best means of achieving Seven Big Ambitions:

- strengthen those qualities that make Milton Keynes special;
- make Milton Keynes a leading green and cultural city – by global standards;
- ensure everyone has their own decent home to rent or buy;
- build safe communities that support health and wellbeing;
- provide jobs for everyone by supporting our businesses, and attracting new ones;
- offer better opportunities for everyone to learn and develop their skills; and
- make it easier for everyone to travel on foot, by bike and with better public transport.

1.8 The Strategy includes a commitment to provide essential infrastructure and services, including a Mass Rapid Transit System. It also commits to keep and strengthen those things that make Milton Keynes special – green spaces and trees, being able to move around easily using grid roads and redways, a vibrant economy and diverse communities and a strong community spirit. It includes proposals to help achieve the council's ambition to be carbon neutral by 2030 and to support the mental and physical health of the community.

1.9 The Strategy for 2050 has been prepared to provide ambition and focus at a time of great uncertainty but to be flexible to adapt to changing circumstances. Cabinet has required that a delivery programme be created by the end of June 2021. The Council's budget has allocated funding to undertake detailed work on Mass Rapid Transit and infrastructure planning. The delivery programme will also explore the potential of new forms of delivery vehicles and seek new partnerships, including with government and Homes England, that will help secure the investment in public services and infrastructure necessary to secure high quality growth. The council is also working with government and partners across the Oxford to Cambridge Arc on joint economic and development plans.

1.10 We have produced a Council Plan, which sets out the vision, values and objectives for the Council. The revised Council Plan 2016 -22 was adopted at Council on 17 June 2020.

1.11 The delivery of this Council Plan will determine the financial choices we need to make over the medium term. However, the overall financial position is very challenging; the choices we will need to make will be very difficult.

1.12 The Labour Group and Liberal Democrat Group signed a new Agreement to Work in Partnership (The Agreement), on 01 May 2020. The revised Council Plan 2016 - 22 is based on the joint key priorities and deliverable policies agreed by the Labour and Liberal Democrat Groups, as set out in the Agreement.

1.13 Given the nature of the Council Plan, some of the work involves identifying solutions and programmes which will address key priorities and therefore further resource implications are still to be identified.

2 Financial Delivery

2.1 Our Budget and Medium Term Financial Planning is based on 12 core principles, which have and continue to be endorsed by the Cabinet:

- Emerging pressures are managed, where possible within existing budgets.
- Spending is aligned to key priorities as set out in the Council Plan.
- Income is only included in the budget where supported by robust proposals and is deliverable.
- Future liabilities are anticipated.
- Budgets are sustainable.
- Base Budget / one-off expenditure/ capital expenditure are distinguished.
- Savings proposals are supported by implementation plans and the impact on service delivery is clear.
- The allocation of capital resources is separate from expenditure approval.
- Capital and revenue planning needs to be integrated to ensure implications are fully anticipated.
- The use of specific grant funding does not lead to revenue budget pressures.
- The Council’s reserves (and other one-off resources) are not to be used as a primary method to balance the ongoing pressures in the budget.
- Earmarked reserves are used for specific one-off purposes to support the

delivery of corporate objectives and to mitigate risks.

Responding to COVID-19

2.2 During 2020 we implemented a number of additional measures in response to the financial impact of the Pandemic. These included additional restrictions on non-essential spending (£3m in year savings delivered), on-going review of all non-essential spending by an independent panel reporting through to CLT and the implementation of structural budget changes to improve reporting and accountability of budget managers.

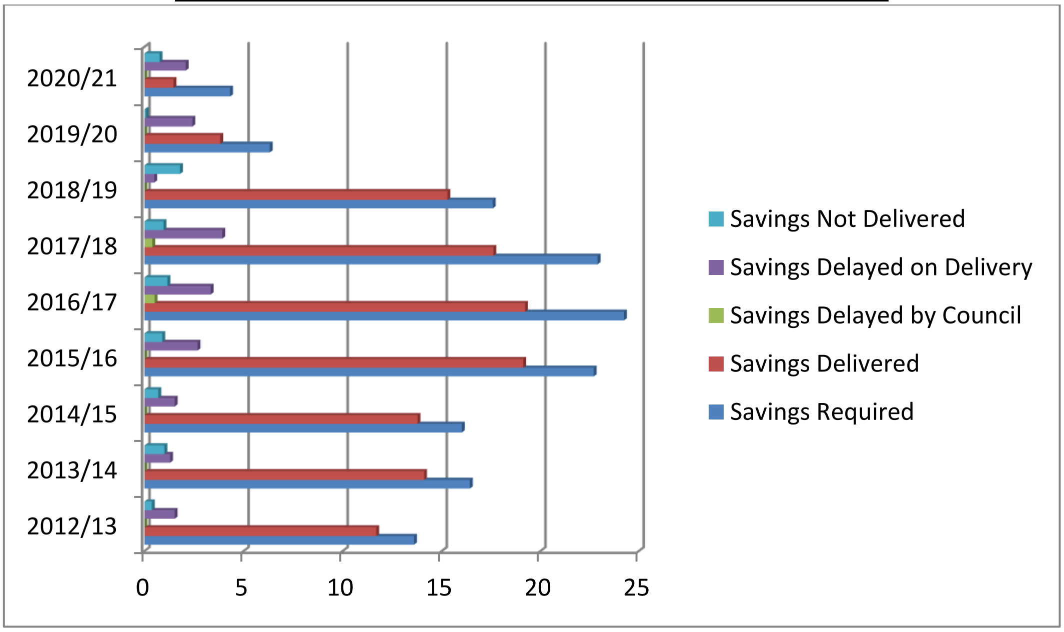
2.3 All services produced Flexible Operating Plans in the spring in response to the challenges presented by COVID-19 and this was further supported by a comprehensive programme of Rapid Service Reviews which was completed in November 2020.

2.4 All significant supplier contracts were reviewed with respective Contract Managers to ensure that the Council was managing the increased risks presented by COVID-19 effectively and a new Contract Management System was procured and will go live from April 2021.

2.5 All of this was achieved whilst managing the additional demands of COVID-19.

2.6 We have a good track record of savings delivery. Sometimes councillors choose to delay the implementation of a budget reduction as part of the Budget decision, and on occasion the delivery of savings is more complex than anticipated which impacts on the rate of delivery or the ability to deliver a budget proposal overall. The Chart below sets out our performance in delivering budget reductions and income since the period of substantial cost reductions began. The delivery of savings is closely monitored throughout the year.

Chart 1: Financial Outturn and Delivery of Savings



3 Responding to COVID-19 Uncertainty through the Budget

3.1 The Council set out its approach to developing a budget for 2021/22 in the face of unprecedented uncertainty caused by COVID-19. The principles / framework was set out in the September Cabinet report and was based on:

- COVID-19 to remain in general circulation.
- General government measures remain in place.
- No new national or local lockdown.
- Customer behaviour will change and move towards a new norm of reduced social interaction and supressed demand for discretionary spending.
- Schools will remain open.
- 2022/23 – 2024/25 – assume will be the same and model changes in inflation, demand and other known issues.

3.2 We have worked closely with budget managers to rebase service budgets to take account of the impact of COVID-19 on changes to demand and agreed key assumptions on how this is likely to change in 2021/22 using the key principles above as a consistent reference point. In total we have added in £14.1m in additional demand pressures, of which £12.5m relate specifically to COVID-19. We recognise that particularly on some of key front-line services there is likely to be lag impact on demand (e.g. mental health interventions, homelessness (eviction restrictions in place) etc. We have used the savings from 2020/21 on non-essential spending and the resources released through the review of reserves to strengthen our GF working balance, reflecting the increased risk exposure the Council now faces.

3.3 The next section summarises the key cost pressures that we have reflected in the MTFP in 2021/22, rationale and been reflected in subsequent years of the plan. It is fully recognised that these assumptions will need to be kept under regular review throughout 2021/22 to ensure that any necessary action is taken to manage any material variations to this plan.

4 Cost Increases

4.1 We have identified a number of service pressures which will increase the cost of delivering services by more than £32m over the next four years. The main increases are set out below:

Demography and Demand

4.2 Milton Keynes' population of under-19s is set to grow by approximately 0.3% per year. This is equivalent to 241 children each year and will impact on a number of services including the number of school and early years places required to be available, demands on other children's services and it will result in additional children needing safeguarding and those with special education needs where the number of children with an education and health care plan (EHCP) has increased by 22% in the last year. Over the medium term this is estimated to cost an additional £2.0m in order to fund the costs of placements, social worker support for increased caseloads and legal fees associated with the overall level of interaction with children's social care and SEN. This increase in budget also reflects the increasing complexity of young people requiring support.

4.3 The increased complexity of need of young people is also reflected in the home to school transport budget where an additional cost of £0.3m has been included in the MTFP to allow for the changes in the complexity of needs of children eligible for travel together with an increase in the number of young people requiring travel (as a result of an increase in the number of children with an EHCP).

4.4 Milton Keynes has a relatively low number of over 65's. 2020 estimates show that 13% of the population in Milton Keynes were over 65, compared to 18% nationally. However, the amount of care required per service user is increasing to meet the level of need of an ageing population. The additional number requiring care provided by the Council between 2020 and 2024 is estimated to increase by 3% per year.

4.5 This includes the growth in older people with dementia in Milton Keynes which is estimated to increase by 21% over the MTFP.

4.6 Over the medium term it is estimated that we will need to look after 72 more people with learning disability needs, costing £1.520m and an additional 52 people with Mental Health or Autism needs, costing £1.836m.

4.7 Our positive approach to housing growth leads to the delivery of approximately 2,000 additional homes a year, 8,000 over the next four years. The additional cost of collecting and disposing of waste from these houses is estimated at £1.363m

4.8 The economic success of Milton Keynes means more people are moving to the area. The value of houses is increasing, as is the cost of rents in private rental sector homes, impacting affordability, which contributes to more people having a statutory requirement for rehousing.

4.9 The Council has invested significantly in recent years in order to provide accommodation to meet the growing demand of homeless people and families. It is committing further investment over the next five years to deliver the plans set out in the Homeless Prevention & Access Business Case to transform the care and support through a combination of:

- Intervention to prevent evictions and homelessness
- Supporting those in temporary accommodation to move on to assured short term or flexible tenancy in their own home.

4.10 The plan aims to reduce the number of families and people in temporary accommodation by 660 to just over 500 and in the process provide real homes, delivering better quality and realising a return on the investment by saving over £3.8m per annum.

Legislative Pressures

4.11 Changes to national legislation also create cost pressures for the Council. We expect the following legislative changes to increase the costs to the Council:

- The Homelessness Reduction Act which came into effect from April 2018 places additional duties on the Council which include providing support and advice for non-priority homeless cases, accepting referrals from other agencies, and the provision of additional temporary accommodation. The Business Case outlined above focuses on delivering the ambitions set out in the Act

4.12 The Government introduced a National Living Wage (NLW) from April 2016. The minimum pay from April 2021 for over 23's is £8.91 per hour (ph) and the Government has pledged to increase it to £10.50ph within four years. While the Council pays its staff above this level we are aware that a number of contractors will need to increase pay rates over the next four years. We have also introduced the Ethical Charter recognising that the National Living Wage is still a minimal rate. While we would not expect to meet all of the cost of this change and we are discussing with contractors how they can reduce costs to offset the increase, we estimate there will be a £6.1m additional cost for the Council over the life of the MTFP. This is included in the inflation assumptions in **Annex H** to the budget report.

Inflation

4.13 Before the pandemic, inflation was broadly expected to meet the Government's 2% target in the medium term. The impact of COVID-19 has seen CPI drop sharply in 2020. The latest CPI rate is 0.6% (December 2020). According to the Office for Budget Responsibility inflation should rise slowly as the economy recovers to be back to target over the medium term[1].

4.14 We have a number of large revenue contracts with significant annual costs, for example waste collection at £9.8m (Serco), landscaping £2.2m (Serco), street cleansing £4m (Serco), residential care beds for elderly people £8.15m (Excel care) and highways maintenance £2m (Ringway). These contracts are subject to inflation based on specific indices. The volume of spend through all our major contracts means that even though increases are relatively low at present they will cost us around £1m per year. The risk to the Council is as inflation is projected to increase, these costs will increase by a greater than forecast level.

4.15 In his November Spending Review the Chancellor announced a public sector pay freeze for 2021/22 except for employees paid less than the median wage (£24,000) who will receive minimum £250 increase. A pay award provision of £0.270m has been included in the 21/22 budget with a further 2% per annum over the medium term. This amounts to £6.1m over the period of the MTFP.

[1] OBR Economic and Fiscal Outlook – November 2020

5 Total Additional Costs

5.1 In total, we are expecting the additional ongoing costs for services to be as follows:

Table 1: Total Pressures 2021/22 – 2024/25

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

5.2 The costs set out in this table increase the base budget each year. So, by 2024/25 we estimate that we will be spending £32m more every year on demographic and demand led pressures. In addition to these base budget pressures we have also provided funding for £1.4m one-off pressures in 2021/22. (**Annex D**).

6 General Fund Resources – Ongoing

6.1 Beyond 2021/22 there is no clarity on the future of government funding. The November 2020 Spending Round only confirmed a one year settlement.

6.2 The provisional Local Government Finance Settlement (LGFS) published in December 2020 confirmed that the Fair Funding Review and any changes to the Business Rates Retention scheme would be paused due to COVID-19 and would not take place before 2022/23.

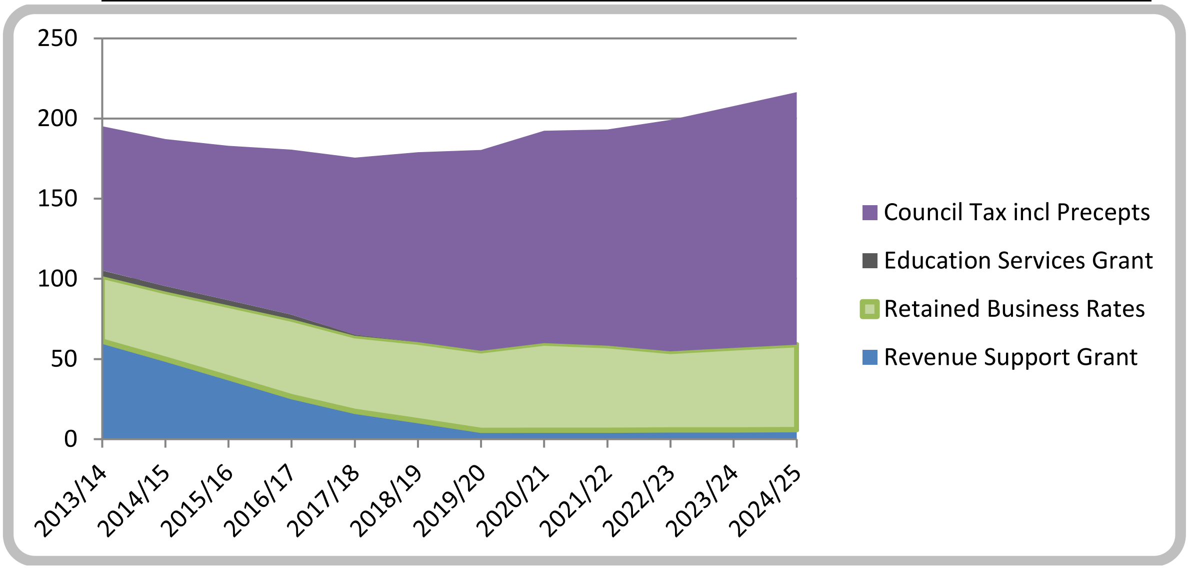
Funding

6.3 We currently have three main sources of funding:

- Council Tax
- Retained Business Rates
- Revenue Support Grant

6.4 The chart below shows how our overall funding has changed since 2013/14 and our best view of how we are is projecting this to change by 2024/25. The clear shift is from national funding to locally generated income.

Chart 2: Council Funding from 2013/14 and projected funding to 2024/25



7 Council Tax

7.1 There are three factors which raise additional Council Tax in Milton Keynes. These are:

- An increase in the number of houses paying Council Tax, as we continue to grow. The impact of COVID-19 has resulted in a reduction in the overall tax base for 2021/22 but this is expected to recover over the medium term. Further details can be found in the Council Tax Base report which went to 15 December Cabinet.

- A local choice about increasing Council Tax. Since 2012/13 there has been a maximum increase allowed before a referendum will need to be held with a public vote in favour for the Council to approve a higher increase. The provisional LGFS set the Council Tax referendum principles for 2021/22 at a maximum increase of 1.99%.

- The 2021/22 provisional LGFS also allows a 3% Social Care precept which can be spread over 2021/22 and 2022/23. The Council has included a 0.51% Social Care precept in its 2021/22 Budget, with a further 2.49% increase in 2022/23.

7.2 The table below shows the key assumptions and the forecast Council Tax income incorporated into the financial projections. As noted above, it is important to remember that while additional housing increases income, this also places demands on our services.

Table 2: Council Tax Assumptions

	2021/22	2022/23	2023/24	2024/25
Increase/(Decrease) in Council Tax Base (Band D equivalents)	(500)	2,000	2,000	2,000
Increase in Council Tax charge	1.99%	1.99%	1.99%	1.99%
Increase in Adult Social Care charge for Adult Social Care precept	0.51%	2.49%	N/A	N/A
Estimated Collection rate	97.4%	97.8%	98.1%	98.4%

7.3 These assumptions result in the following increases in Council Tax:

Table 3: Council Tax Increases

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Increase/(Decrease) in Council Tax Base	(0.681)	3.174	2.856	2.982
Increase in Council Tax charge	3.082	5.819	3.252	3.332
Total Additional Income*	**2.401**	**8.993**	**6.108**	**6.314**

*excludes estimated parish precept increase

7.4 The Council Tax Collection Fund is monitored closely throughout the financial year. As a consequence of COVID-19 we are currently forecasting a deficit on the Council Tax Collection Fund. The Council's share is expected to be £1.4m. The surplus or deficit is shared between the major preceptors, Milton Keynes Council, Buckinghamshire and Milton Keynes Fire Authority and the Police and Crime Commissioner for Thames Valley. Regulations have been amended to allow this deficit to be split over three years.

8 Retained Business Rates

8.1 Under the retention system central Government retain 50% of the Business Rates collected, the remaining 50% are held locally. The local element is known as retained business rates, of which, 1% is paid to Buckinghamshire and Milton Keynes Fire Authority.

8.2 The Council's retained 49% is then subject to a Tariff and also a Levy which is applied to "disproportionate growth". These amounts are paid to central Government. The Tariff funds other authorities where their needs are higher than the Business Rate income they would have retained, while the Levy funds the national Safety Net which provides authorities with protection against a reduction in Business Rates funding compared to their Baseline Funding Level of 7.5%.

8.3 The level of Tariff and Levy means that in Milton Keynes we only retain £0.30p in every £1 of business rates collected and therefore only £0.30p in every £1 of business rates growth also. Normally we collect around £150m - £160m in

Business Rates locally, of which around £50m is retained by Milton Keynes Council. As a consequence of COVID-19 the government has given all businesses within the retail, hospitality and leisure 100% rates relief for 2020/21. This has reduced the amount we collect this year, but we are fully reimbursed for this through S31 grant.

8.4 The Business Rates Retention Scheme has now been in operation since 2013/14. During this time, we have experienced a number of issues which highlight the risks in this funding regime which has increased with the recent epidemic. The major risks are as follows:

- There have been issues with delays to new properties being entered onto the Valuation List; this has impacted on the timing of receipts. We have known properties to be delayed for up to six months, due to capacity issues and technical valuation issues in the Valuation Office, but this is down from up to two years previously. Unfortunately, these delays still make income forecasts unpredictable.

- Successful appeals for business rates reductions by ratepayers have caused a major uncertainty in the system nationally; this is particularly evident in Milton Keynes due to the nature of our ratepayers. We currently have nearly 116 appeals outstanding relating to the 2010 list and current information indicates these will be resolved by the Valuation Office in the current year or next financial year. Again, this makes it difficult to determine income levels in year and the underlying baseline level of income, as appeals are often backdated for several years.

- There have also been a number of appeals addressed on both the 2010 and 2017 lists at a national level, where a ruling is given which impacts on our local income potentially without us being aware that the case is being considered. We work closely with the Valuation Office to understand where these risks may apply.

- There is very limited information on any potential losses relating to the 2017 list as there have been significant implementation issues at the Valuation Office with the new Check, Challenge, Appeal system which was brought in on 1 April 2017 to apply to the 2017 list.

- Since April there have been significant numbers of challenges to business rates (1360 to December) raised by businesses as a direct result of COVID-19 changes to work practises or having to close due to COVID measures. Of these 463 ratepayers have received COVID related reliefs which MKC has been reimbursed for already.

- Over the last four years, the economy in Milton Keynes has continued to grow, but there is a risk that if the economy started to decline income would fall. The Safety Net operates to protect against losses of more than 7.5% from the Business Rates Baseline. If income reduced the Councils potential financial exposure is £9.4m in a single year, based on £5.4m growth which has been baselined and £4m which is the maximum reduction that can happen before the Safety Net would apply. The actual losses in business rates income would need to be higher than this as these amounts are net of any Levy payment to the government.

- The Business Rates system was due to be reset in 2021/22 but has been delayed until at least 2022/23 due to COVID-19. A reset means in theory all growth and losses will be reset nationally and locally in the system. In reality this is likely to be based on historical information and due to the dynamic nature of the tax cannot be accurate. To mitigate the potential impact of this risk the MTFP reverses out £5.4m in growth from 2022/23 from the base budget, and should this prove insufficient a separate reserve is held to deal with any further volatility.

9 Revenue Support Grant

9.1 Local authorities Settlement Funding Assessments for 2021/22 were confirmed in the provisional LGFS. This is made up of Revenue Support Grant (RSG) and Business Rates Baseline Funding Level (BFL). For 2021/22 RSG has been uplifted by 0.55% to £5.593m and BFL remains at £46.471m in line with the freezing of the business rates multiplier.

10 Other Resources

10.1 There are a number of other grant funding streams which are critical to the operation of the Council, these are:

Public Health Grant

10.2 The Health and Social Care Act 2012 transferred substantial health improvement duties from the NHS to local authorities from April 2013. Local authorities have been given a ring-fenced Public Health grant to discharge their responsibilities to:

- Improve significantly the health and wellbeing of local populations.
- Carry out health protection functions delegated from the Secretary of State.
- Reduce health inequalities across the life course, including within hard to reach groups.
- Ensure the provision of population healthcare advice.

10.3 Public Health England has implemented a year on year reduction in Public Health Grant funding (6.2% in 2015/16, 2016/17 2.2%, 2017/18 2.5%, 2018/19 2.6%, 2019/20 2.6%) until 2020/21 where the authority received a 4.7% increase. Changes in population have not been reflected in the public health funding the Council receives.

10.4 The service has been retendering contracts and have reviewed staff structures across Milton Keynes, Bedford Borough and Central Bedfordshire (as part of Public Health shared service) in order to share resource and reduce costs.

Better Care Fund

10.5 The Better Care Fund (BCF) is pooled funding between the NHS and local authorities and has been in place since 2015/16, to support the delivery of integrated health services and to also support local authorities in implementing the 'Care Act 2014'.

10.6 The pooled Budget has a legal basis in Section 75 of the NHS Act 2006. A condition of this funding is that local authorities must agree with local health partners how the funding should be utilised and the expected outcomes. These spending plans must include detail on how Adult Social Care services will be protected. The total minimum CCG contribution to the BCF pool for Milton Keynes was £16.619m of which £5.563m was agreed as protection for Adult Social Care. Planning guidance for 2021/22 has not yet been issued so for 2021/22 planning it is assumed this will remain the same as 2020/21.

improved Better Care Fund

10.7 The improved Better Care Fund (iBCF) was first introduced in the 2015 Spending Review and has increased year-on-year since. The iBCF grant for 2020/21 £5.086m. While no announcement has been made about the level of the grant for 2020/21 it is assumed to remain at the same level of funding for budget planning purposes.

10.8 The iBCF grant may only be used for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when ready; and ensuring that the local social care provider market is supported. The local spending plan for Milton Keynes for 2019/20 was agreed with the Clinical Commissioning Group (CCG) in Milton Keynes and approved nationally as part of the overall BCF plan.

New Homes Bonus

10.9 The New Homes Bonus (NHB) is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the NHB was to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place.

10.10 As part of the 2017/18 LGFS, the total amount available for the NHB was reduced by two-thirds, with funding re-directed to the Better Care Fund. The period over which the NHB would be paid was also reduced from 6 years to 5 years in 2017/18 and to 4 years from 2018/19 and a national baseline for housing growth of 0.4% was introduced.

10.11 No formula changes were made for 2020/21 but it was confirmed that only existing legacy payments would be paid going forward. The 2021/22 provisional LGFS confirmed the NHB allocation for 2021/22 as £5.2m The NHB reduces to zero by 2023/24 and this is reflected in the MTFP.

10.12 The future of the NHB is very uncertain with the Government pledging to consult on a more "targeted" approach to rewarding housing growth in Spring 2020.

Dedicated Schools Grant

Overview

10.13 The Dedicated Schools Grant (DSG) is a ring-fenced grant supporting individual schools, academies and other pupil related expenditure as defined in the School and Early Years Finance (England) Regulations 2021. The grant and expenditure is monitored closely by the Schools Forum (a committee of the Council) and the funding and expenditure are ring-fenced within the individual blocks. The full budget summary is taken to the schools forum on 14 January 2021 (Schools Forum Meeting Papers) and a summary of the position is outlined in table 4.

10.14 Final funding allocations were received week commencing 14 December, however some elements of the DSG are still subject to future revisions (namely the whole of the early years block and the import and export adjustments on the high needs block), both of which are confirmed in June 2021.

Table 4: Dedicated Schools Grant

DSG Budget	Schools £m	Central Schools £m	High Needs £m	Early Years £m	**Total £m**
2020/21 Allocation	203.584	1.496	44.506	21.652	**271.236**
2021/22 Allocation	219.636	1.654	48.794	21.904	**291.989**
Increase / (Decrease)	**16.052**	**0.159**	**4.289**	**0.253**	**20.752**
Forecast DSG Carry Forward into 2021/22	0.432	0.006	2.481	0.427	**3.346**
Total Resources 2021/22	**220.068**	**1.660**	**51.275**	**22.331**	**295.334**

10.15 2021/22will be the fourth year of the national funding formula (NFF) which covers not only how the funding allocation is calculated, but also the distribution of funding out to schools via the school funding formula. Whilst LAs will have local input into the formula in 2021/22, it is expected that this will match the formula proposed by the DfE to aid transition to a hard introduction of the formula at which point it is expected that local involvement will cease. There is no confirmed date for the hard formula introduction.

10.16 The transfer to a hard formula allocation of funding to schools is not likely to affect MK significantly as subject to managing local demographic pressures our formula is already in line with that of the DfE.

10.17 The forecast carry forward against the schools block will be allocated as part of the school funding formula distribution for 2021/22. The forecast carry forwards against both the early years and high needs blocks are one-off underspends and are held to manage volatility as all expenditure can vary during the year based on the number of and needs of the children. The DfE have also issued revised guidance on the requirement for each of the individual blocks to remain in surplus and in the case of any deficits detailed recovery plans must be submitted to the DfE.

Changes from 2020/21

10.18 Additional funding nationally for schools was announced by the Government in September. The impact of these changes to the MK DSG are:

- Additional funding of £329.39 and £410.34 per pupil in primary and secondary respectively (these rates include £180 and £265 per pupil in primary and secondary respectively for teachers pay and pension costs, this was paid via a separate grant in 2020/21 but from 2021/22 will be part of the formula). The total increase in NFF factors is £6.4m.
- Reduction in growth funding of £1.0m. A further decrease of £0.3m is also expected 2022/23 – this is due to a recalculation in 2019/20 for which we are receiving protection funding which will taper down annually.
- Additional high needs funding of £4.2m, however £0.7m of this relates to teacher pay and pension costs which were funded via a separate grant in 2020/21.
- Additional early years funding of £0.3m
- No school will lose funding and all will see a minimum increase of 0.5% when comparing their per pupil funding.

10.19 Additional funding for schools and high needs was also announced nationally for 2022/23 (£7.1bn) although the distribution methods are not yet confirmed for future years.

10.20 Authorities can still move up to 0.5% between blocks with approval by the schools forum but the DfE expects the number of LAs who do this to significantly reduce given the increase in funding to high needs. MK will not be proposing any block transfers.

School Budget

10.21 Although the DfE outline their expected formula for allocation of funding to schools, there are often occasions where this cannot be matched exactly and remain within the overall funding allocation. The reasons for this are:

- We only receive an average amount of funding per pupil. It may be that in some cases the actual cost per pupil via the formula may be higher due to the specific demographic characteristics.
- Funding is still lagged meaning that some increases in areas such as premises factors, cost more than the amount of money allocated.
- Authorities that are growing are likely to need to top slice the cost of this from within the schools block. Again, the nature of growth funding is lagged and is only received at a per pupil amount of funding which does not cover the cost of growth. This is especially an issue in MK where we are experiencing rapid growth.

10.22 The shortfall in meeting the NFF is £0.3m (0.1% of the schools block allocation). During November we consulted with all schools on the changes that could be considered to manage within the overall funding envelope. These results have been analysed and together with a discussion at January schools forum meeting, have been considered as part of the setting the 2021/22 formula.

10.23 To manage the residual pressure on the funding formula, we are going to reduce the AWPU (average weighted pupil unit) by 0.35% across all sectors.

High Needs Expenditure

10.24 High needs expenditure largely consists of commissioned place funding, top up funding and central special education support services. It is allocated to a number of different types of settings in line with the DfE funding regulations.

10.25 A full review of the high needs budget for 2021/22 has taken place to reflect increases in demand, inflation and other cost pressures. There have been a number of significant cost pressures resulting from increased demand in the current year and these have been reflected in the base budget for 2021/22 using the majority of the additional funding that was announced. Future funding beyond 2021/22 still remains uncertain, it is unlikely to continue increasing at this level of funding and there remains increased demand across the service therefore all rates will remain the same as those paid in 2020/21. The table below summarises the change in budgets as a result of both demand and formula cost increases:

Table 5: High Needs Budget

High Needs Budget	2020/21 Budget	2021/22 Budget	Increase / Decrease
	£'m	£m	£m
Special School Funding	21.807	24.113	2.306
Special Department	2.391	2.244	(0.147)
Alternative Provision Funding	3.155	3.156	0.001
Mainstream Top Up Funding	5.711	6.428	0.717
Post-16 Provision Funding	2.235	2.538	0.303
Independent Special Schools Fees	5.350	5.200	(0.150)
Demand Risk Reserve	0.487	1.400	0.913
Central Services	3.371	3.715	0.343
Total Expenditure	**44.506**	**48.794**	**4.288**
High Needs Funding	(44.506)	(48.794)	(4.288)
Total	**0.000**	**0.000**	**0.000**

Early Years Expenditure

10.26 Additional funding of £0.08 per hour has been confirmed in the DSG allocation for 2 year olds and £0.06 per hour for 3 and 4 year olds. 50% of this rate increase will be passed to providers in 2021/22, the remaining 50% will be held back to manage the volatility within the block as a result of lower January census numbers on which the funding is based.

School Grants

10.27 In addition to the main DSG, schools also currently receive a number of specific grants, e.g. pupil premium, teacher pay and pension, PE and sport grant etc. These are calculated and allocated directly by the DfE. Often these grants are only announced annually and whilst some grants have been confirmed to continue into 2021/22, we await further information from the DfE on the rate that will be paid out and in some cases if they will continue at all in 2021/22.

Other Specific Grants

10.28 We also receive a number of other specific grants, although the number and value of these have and will continue to reduce. These grants are in some cases “ring fenced” to individual activities, so spending is dictated along with the funding. Some specific grants are not ring fenced, which means that the Council can choose how funding is spent in accordance with local priorities (even where a grant was previously linked to a specific service or priority). The specific grants we are expecting to receive are as follows:

Table 6: Specific Grants

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Non-ring fenced Grants:				
Benefits Administration Grant	(0.793)	(0.769)	(0.724)	(0.702)
NNDR Administration Grant	(0.395)	(0.395)	(0.395)	(0.395)
CTR Administration Grant	(0.271)	(0.263)	(0.255)	(0.247)
DHP Admin Grant	(0.036)	(0.035)	(0.035)	(0.035)
Extended Right to Travel	(0.100)	(0.100)	(0.100)	(0.100)
Strengthening Families Grant	(0.634)	0.000	0.000	0.000
Business Rates Retention Tax Loss Reimbursement	(5.500)	(5.500)	(5.500)	(5.500)
Syrian Voluntary Relocation Package	(0.102)	(0.038)	0.000	0.000
New Homes Bonus	(5.222)	(1.970)	0.000	0.000
Total Non-ring fenced Grants	(13.053)	(9.070)	(7.009)	(6.979)
Ring Fenced Grants:				
Mandatory Rent Allowances: Subsidy	(35.036)	(27.825)	(20.613)	(20.613)
Mandatory Rent Rebates outside HRA: Subsidy	(14.094)	(10.783)	(7.472)	(7.472)
Pupil Premium Grant	(5.762)	(5.762)	(5.762)	(5.762)
Sixth form funding from Education Funding Agency	(2.895)	(2.895)	(2.895)	(2.895)
Universal Infant Free School Meals	(2.450)	(2.450)	(2.450)	(2.450)
PE & Sport Grant	(1.245)	(1.245)	(1.245)	(1.245)
Skills Funding Agency Grant	(0.716)	(0.716)	(0.716)	(0.716)
Discretionary Housing Payments	(0.837)	(0.837)	(0.837)	(0.837)
Youth Offending Team Grant	(0.226)	(0.226)	(0.226)	(0.226)
Local Reform & Community Voices Grant	(0.126)	(0.126)	(0.126)	(0.126)
Prison Specific Grant	(0.076)	(0.076)	(0.076)	(0.076)
War Pensions Disregard Grant	(0.028)	(0.028)	(0.028)	(0.028)
Social Care Grant	(4.830)	(4.830)	(4.830)	(4.830)
Winter pressures funding	(0.908)	(0.908)	(0.908)	(0.908)
Bus Service Operators Grant	(0.465)	(0.465)	(0.465)	(0.465)
Bury Field Common Grant	(0.024)	(0.024)	(0.024)	(0.024)
Asylum Seekers Grant	(1.620)	(1.620)	(1.620)	(1.620)
Staying Put Grant	(0.158)	(0.158)	(0.158)	(0.158)
Looked After Children Remand Grant	(0.077)	(0.077)	(0.077)	(0.077)
Former Independent Living Fund Grant	(0.662)	(0.662)	(0.662)	(0.662)
Homelessness Prevention Grant	(1.990)	(1.514)	(1.514)	(1.514)
Extended Personal Advisor Duty	(0.046)	(0.046)	(0.046)	(0.046)
Arts Council (Music) Grant	(0.428)	(0.428)	(0.428)	(0.428)
Neighbourhood Planning Grant	(0.040)	(0.040)	(0.040)	(0.040)
Police Crime Commissioner (Substance Misuse)	(0.040)	(0.040)	(0.040)	(0.040)
Free School Meals Supplementary Grant	(0.204)	(0.204)	(0.204)	(0.204)
Community Learning 16-19 & 19+	(1.430)	(1.430)	(1.430)	(1.430)
School Improvement & Brokerage Grant	(0.302)	(0.302)	(0.302)	(0.302)
KS2 Moderation and Phonics Grant	(0.010)	(0.010)	(0.010)	(0.010)
Previously Looked After Children Improvements	(0.047)	(0.047)	(0.047)	(0.047)
Improved Better Care Fund	(5.086)	(5.086)	(5.086)	(5.086)
Public Health Grant	(11.642)	(11.642)	(11.642)	(11.642)
Next Steps Accommodation Programme (NSAP) - Revenue	TBC	TBC	TBC	TBC
Cold Weather Fund	(0.090)	(0.090)	(0.090)	(0.090)
Total Ring Fenced Grants	**(93.590)**	**(82.591)**	**(72.068)**	**(72.068)**
Total Specific Grants	**(106.643)**	**(91.661)**	**(79.077)**	**(79.048)**

11 Reserves and Balances

11.1 A risk assessment of the General Fund and Housing Revenue Account balances informs the Director of Finance and Resources view of the adequacy of reserves to provide assurance to the Budget. This is a statutory requirement. This risk assessment has been carried out alongside the development of the 2021/22 Budget to confirm overall General Fund and Housing Revenue Account balances (**Annex T and Annex N** of the Budget Report).

11.2 In addition to the General Fund Balance, the Council keeps several earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

11.3 All the reserves listed at **Annex U** of the Budget Report 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. They are summarised in the table below.

Table 7: Reserves Analysis

	Forecast Balance at 1 April 2021	Forecast Balance at 1 April 2022	Forecast Balance at 1 April 2023	Forecast Balance at 1 April 2024
	£m	£m	£m	£m
GF Working Balance	(30.387)	(28.037)	(28.037)	(28.037)
Earmarked Budget Management & Risk				
- Corporate Property	(2.613)	(1.730)	(0.808)	(0.886)
- Specific Budget Risks	(19.280)	(17.429)	(15.834)	(14.739)
- Welfare Funding	(0.790)	(0.690)	(0.590)	(0.490)
- Transformation/Restructuring Programmes	(3.822)	(1.733)	(1.233)	(1.233)
Total	**(56.892)**	**(49.620)**	**(46.503)**	**(45.386)**

11.4 The level of General Fund working balance and risk reserves is projected to fall by £11.5m. The Section 151 Officer considers that these balances are prudent and appropriate given the level of risk and complexity of the delivery of the budget.

11.5 Housing Revenue Account balances are in excess of the minimum prudent level. These will reduce over the medium term as the investment plans set out in the HRA Rolling Business Plan are delivered into our existing stock, through regeneration and new build schemes.

11.6 In addition, there are a number of reserves which address the difference in timing between cash receipt and payment, for example the Business Rates

Volatility reserve which helps manage the turbulence and risks in the Business Rates regime.

12 Summary of Available Resources

12.1 The total ongoing resources forecast to be available over the medium-term are shown in the table below.

Table 8: Summary of Available Resources Ongoing over MTFS Period

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

12.2 Specific grants and the Better Care Fund are offset against expenditure within services, so are not shown in the table above. The Dedicated Schools Grant is treated as a separate ring-fenced grant, where contributions, if agreed by the Schools Forum reduce expenditure, so again this is excluded from the resources table.

13 The Future Challenge

13.1 Increases in demand for services and uncertainty over Government funding are creating an ongoing need to generate cost reductions and increased income. In total we need to address £30m of financial pressures over the next four years.

13.2 The nature of some of the financial risks and uncertainty is managed through a prudent approach to how some elements of funding have been applied. The Council has retained an element of the Business Rates Growth in a reserve to help manage the impact of the Business Rates Reset. This funding has been included in the MTFP on a reducing basis between 2021/22 and 2023/24. The Council has also used a limited amount of NHB funding for day to day services and this has been removed entirely from 2023/24.

13.3 Net expenditure for the costs of debt financing is anticipated to increase over the medium term as the short term savings on Minimum Revenue Provision, seen through the re-profiling undertaken in 2014/15 of pre 2008 debt, unwind bringing the charges in line with current accounting policy. This is illustrated in

Table 9. Prudential borrowing charges increase as new internal borrowing is undertaken to support the investment highways infrastructure, and health facilities, however external debt is planned to decrease from £458m in 2020/21 to £409m by 2024/25 as existing loans expire and no new debt undertakings are currently planned.

Table 9 – Minimum Revenue Provision

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Historic debt liability (pre-2008)	3.961	3.961	3.961	3.961	3.961
Drawdown of backlog over-provision	-3.961	-3.961	-2.531	0	0
Net Historic debt liability (pre-2008)	0	0	1.43	3.961	3.961
Residual Waste Treatment Facility (RWTF)	4.403	4.403	4.403	4.403	4.403
Other Prudential Borrowing (from 2008 onwards)	3.2	3.35	3.495	3.495	3.55
Total Minimum Revenue Provision	**7.603**	**7.753**	**9.328**	**11.859**	**11.914**

13.4 The table below, shows the financial pressures we must address over the next four years. So far, we have identified specific proposals and one off funding which could address up to £14.7m of these financial pressures but there is still significant work for the Council to do to close the gap and to ensure that it remains financially sustainable.

Table 10: Medium Term Financial Forecast

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

14 Longer Term Financial Prospects

14.1 The MTFP focuses on the next 4 fiscal years. Over the past 3 years the Government has only provided a single year Spending Review, which has made financial planning very challenging. The forecasts included within this plan must therefore be taken against this context and are subject to potentially significant change beyond 2021/22. The Councils approach to budget planning aims to balance the uncertainty from both government funding decisions and general economic factors through a measured approach to delivering new savings, holding prudent levels of reserves and putting in place change programmes which can deliver future efficiencies over a longer timescale. It is recognised that if government support is withdrawn or the wider economic impact is worse than predicted then the Council would need to reconsider the scope of services that it can provide. In this section of the plan, a number of key longer term planning assumptions / decisions are assessed to demonstrate their longer-term potential financial impact.

Children's Social Care – The Milton Keynes child population is increasing at a higher rate than the UK average. In the last year children's services has seen a 14% increase in the number of referrals and 10% increase in contact, 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.

Adult Social Care - POPPI and PANSI data alongside local activity data is used to project increases in demand for services. We also look at average cost of care packages (as people's need get more complex, their package of care and therefore cost increases). We are bound by the Foundation Living Wage in some of our contracts so this impacts on the contractual inflation award, particularly for homecare providers.

Homelessness – demand for help and support is difficult to predict, and the financial impact of its translation into temporary accommodation costs is also affected by the variability in supply of affordable permanent or rental housing into which the homelessness duty can be discharged. The Homeless Prevention and Access Business Case outlined above (section 4.9 – 4.10) sets out an intervention, prevention and move-on strategy to anticipate the uncertainty which will emerge out of the pandemic and Brexit.

Major Contracts – A number of major Environment procurements will be commissioned to commence in 2023. Services will include highways, waste collection and cleansing; landscape maintenance; play areas; management of the Materials Recycling Facility (MRF); food and garden waste treatment; and the operation and management of the household waste recycling centres. The impact of commissioning will include reviewing and facilitating of new infrastructure; including future fleet delivery and linkages between services, investment in new and refurbished facilities and consideration to the potential insourcing of services.

14.2 A high level 10 year review has been undertaken looking at the assumptions for demand, inflation, council tax, business rates income and other government funding over the longer term. **This results in an estimated £3- 4m net pressure per annum showing a need to continue to make savings as increases to costs outstrip growth in income.**

This highlights the need for:

- Real Reform of Social Care Funding
- Relaxation of Council Tax Referendum Limits
- Reform of Business Rates System
- Demand management as potentially bigger impact than transformation savings
- Continue to improve productivity through greater use of technology and changes to working practices.
- Review of limit to how much of the budget is dependent on commercial activity – MKC is low (current budget for commercial property income £1.9m)

Once the impact of COVID-19 is fully understood these assumptions may need to be revisited.

15 Sensitivity and Financial Resilience Assessment

15.1 The Council has a significant number of statutory duties that it must perform in addition to its other political and local priorities that it delivers for the benefit of its residents, visitors and businesses. The financial model is complex and subject to significant factors, some of which are not within the direct control of the authority. To help inform members, residents and other stakeholders about the overall financial strength and sustainability of the Council's operations the MTFP considers a series of scenarios, the impact that these would have on the Councils financial position and ability for the Council to manage this.

15.2 The budget is complex and includes many different assumptions across a large range of service areas. The sensitivity assessment considers the key budget assumptions where there is an increased likelihood of change and where this is likely to have a material bearing on the Council's Financial Sustainability. This assessment helps provide an understanding for the organisation and its stakeholders and inform future choices on intervention and the organisations ability to manage existing and appetite for increased risk.

15.3 Based on current assumptions the budget gap over the MTFP is £14.9m. The table below illustrate the financial impact key variables could have on the MTFP.

Table 11 –Key Variables to MTFP Assumptions

	Optimistic View	Pessimistic View	Optimistic View £m	Pessimistic View £m
Revenue Support Grant	+2% years 2-4	0% years 2-4	(0.005)	0.339
Business Rates Baseline	+2% years 2-4	-1% years 2-4	(0.411)	4.373
Business Rates Reset	Reset 23/24	Reset 22/23	(5.400)	No change
Council Tax	+2.5% years 2-4	+1.0% years 2-4	(1.482)	7.682
Social Care Grants	Current	50% grant yrs 2-4	No change	2.415
Contractual Inflation	5% decrease	5% increase	(0.749)	0.749
Pay Inflation	1% years 2-4	2% year1, 2.75% yrs 2-4	(2.927)	3.795
Homelessness Temporary Accommodation	10% decrease	10% increase	(0.816)	0.816
Looked After Children	5% decrease	5% increase	(0.975)	0.975
Total Movement			**(12.765)**	**21.144**

16 Budget Prospects and Transformation

Management Action Plan

16.1 In February 2020 a programme was approved with a savings target of £5.500m. In response to the disruption caused by the COVID-19 crisis the programme was reviewed as part of a wider Management Action Plan, with a change in focus and time scale. This has been further reviewed and Table 12 provides a summary.

Table 12: Management Action Plan Savings

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

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

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

- **Property Commercialism –** The Council is working with MKDP to deliver growth in revenue streams through its investment in development and property acquisitions within Milton Keynes which contributes to the continued growth of the borough. The first of these developments is underway. An income target of £0.500m is on track to be delivered in 2020/21.

- **Corporate restructure** - review of the top 3 tiers of the management restructure completed (£0.623m saving to date). The target for 2020/21 has been fully delivered.

- **Social Care & Homelessness** – Older People services savings planned for 2020/21 of £500k have been fully delivered through improved demand management actions. Work is progressing in homelessness to improve our approach to prevention and reduce the use and cost of using temporary accommodation. The impact of COVID-19 has impacted, in particular in social care with significant disruption. Despite this the Council has continued to deliver key services and new demand.

- **Customer Services and Digital Transformation –** We are rapidly expanding and repurposing our customer contact centre into a local help hub, with a greater emphasis on phone access and offering more than the current range of services (for example handling the initial contact from people who are at risk of being made homeless) and with the capacity to grip and resolve problems rather than signpost. A review of demand (current and future) is in progress to identify the level of savings that can be delivered in 2020/21. Planned savings were deferred due to the impact of COVID-19 and an increase in demand for support, with an additional 4 staff redeployed into the team to help manage this. Total budget savings of £0.343m have been identified and are in the process of being implemented.

- **Organisational Efficiency** – In year savings are being achieved to deliver this through a rationalisation of non-essential spend. This target will be exceeded in 2020/21 as part of a wider approach to mitigate new unfunded budget pressures arising from COVID-19. A base budget saving of £0.585m has been achieved from 2021/22 onwards following a comprehensive review.

- **Operational Property Savings** – continue to review the council's operational asset portfolio and explore the benefits of increased home working. Through a rationalisation of administrative buildings savings of £0.400m will be delivered in future years.

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

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

Other Transformation Work streams

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

Environmental Services – Commissioning Strategy

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

Asset Management - Review of Property Portfolio

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

Demand Management

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

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

Next Steps

16.10 The need to continue to make financial savings and deliver improved services, means that there is continuing need to identify new opportunities, grow our revenue and bear down on costs and inefficiency within the organisation. This process is continuous and CLT are continuing to review opportunities and identify schemes which have scope to deliver both financially and non financially for the Council. Through the dedicated Portfolio Boards, along with an overarching Corporate Board, that consists of the Deputy Chief Executive and Directors, and other relevant senior colleagues, new opportunities will be identified and assessed. These portfolio boards will therefore be the initial destination for any new business cases, where they will be 'stress tested'.

17 Treasury Management

17.1 The Council's Treasury Management Strategy provides the framework within which authority is delegated to the Director Finance and Resources to make decisions on the management of the Council's debt and the investment of surplus funds. The Council is authorised to borrow on a long-term basis to finance capital expenditure and short-term to deal with cash flow fluctuations pending the receipt of revenues.

17.2 The detailed Treasury Management Strategy and Policy is updated on an annual basis alongside the Budget Report.

17.3 The Council's Investment Strategy outlines the investment priorities:

- **Security** – protecting funds by managing the credit risk associated with investment decisions.
- **Liquidity** – the ability to fulfil spending obligations and maintain service delivery.
- **Yield** – achieve optimum returns on investments, consummate to the Council's appetite to risk.

17.4 The Prudential Code for Capital Finance incorporates a number of indicators, set as part of the Treasury Management Strategy and Capital Strategy, which are designed to ensure that:

- Capital programmes are affordable.
- External borrowing and other long-term liabilities are within prudent and sustainable levels.
- Treasury Management decisions are taken in line with professional good practice.

Council Debt

17.5 The timing of external borrowing is a treasury management decision dependent on expenditure forecasts, cash-flow resources and market conditions, and is not directly associated with any particular items of expenditure (in line with legislation).

17.6 The difference between the Capital Financing Requirement and External Debt position is referred to as 'internal borrowing' – the funding of capital financing needs through the use of temporary cash-flow resources in lieu of external borrowing. This strategy is prudent in the current economic climate as counterparty risk is high and investment returns are low.

17.7 The Council's borrowing plans incorporate funding a number of major investments set out in the Capital Strategy.

17.8 In October 2018 the Government abolished the Housing Revenue Account (HRA) Debt Cap which limited Councils' ability to borrow for housing purposes. Whilst the removal of the HRA debt cap gives rise to more capacity to invest in housing stock, and although currently accompanied by low market interest rates, it is not a panacea for unconstrained borrowing. The revenue financing costs of servicing new debt need to be sustainable over the long-term.

17.9 The Council has introduced a local Interest Cover Ratio (ICR) indicator to quantify risk and inform sound financial judgement. The ICR, which we have set at a floor of 1.25, calculates a prudent proportion of HRA Operating Surplus allocated to cover debt servicing costs (voluntary MRP and interest charges). The Council will set and review each year annual upper limits on HRA debt over the 5-year medium term planning period as part of its Treasury Management Strategy.

17.10 With no statutory upper limit on HRA borrowing capacity other than affordability, then whilst broadly balanced now, capital spending plans funded by borrowing by the HRA and General Fund will diverge. In response the Council re-evaluated and changed the method applied for allocating borrowing costs between the General Fund and HRA from a single consolidated loan pool to two separate loan pools from 2020/21 onwards. See the Housing Revenue Account sections below for further details.

HOUSING REVENUE ACCOUNT

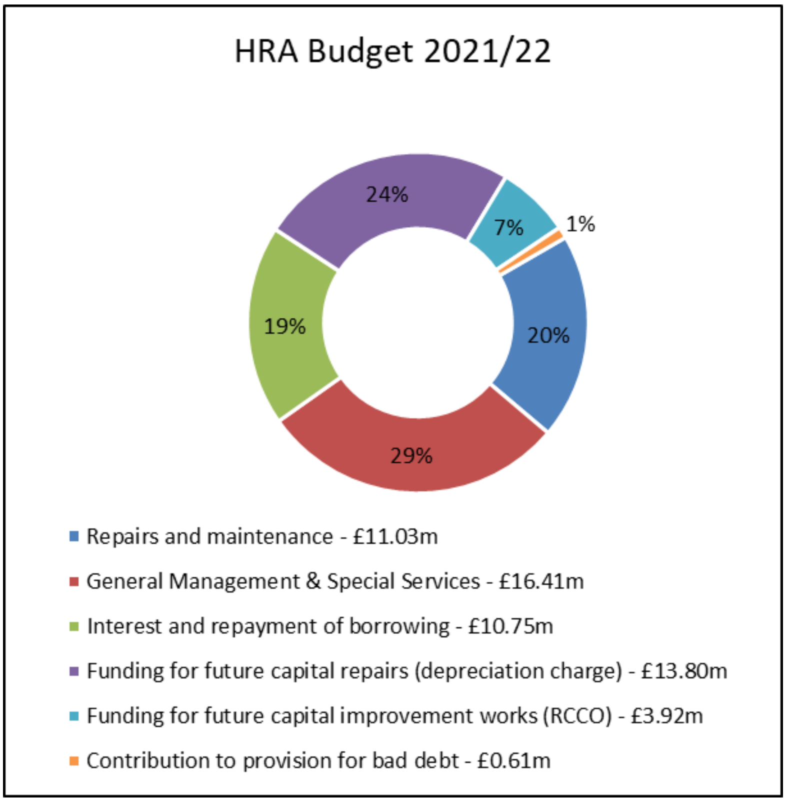
18 Overview

18.1 Since 1st April 2012, the Housing Revenue Account (HRA) has been operating under 'self-financing' arrangements. The HRA took on £170m of debt and the costs of financing that debt, in return for buying itself out of negative housing subsidy payments.

18.2 Under self-financing the only income to the HRA is from rents (94%) and other charges to tenants and leaseholders (6%).

18.3 This income must pay for debt financing costs, for the maintenance of houses (and other assets) for tenants, and for management of council tenancies.

Diagram 1: HRA Expenditure Budgets 2021/22



18.4 It is therefore important to consider the long-term position for the HRA through a thirty-year HRA Business Plan, to ensure it remains financially sustainable. This informs the Medium Term Financial Plan for the HRA as shown in para 22.1.

18.5 The investment required to maintain the housing stock, or to fund regeneration where ongoing maintenance liabilities are prohibitive, needs to be managed within the overall resources available to the HRA including any new borrowing permitted since the October 2018 budget subject to the Prudential Code. Capital expenditure plans therefore need to reflect estimated future costs of regeneration, including the timing and profile of spend.

18.6 The key financial issues for the HRA, analysed below, are as follows:

HRA Income:

- Future rent levels
- Other income assumptions

HRA Expenditure:

- Key expenditure assumptions
- Depreciation
- Asset Management & Regeneration
- Debt financing
- Balances and reserves

19 HRA Income

Future Rent Levels

19.1 Under HRA self-financing, rents are no longer constrained by Housing Subsidy considerations, but have been set by the Council according to its own assessment of need. However, the affordability of the £170.0m of additional debt taken on assumed that future rent would be set in line with the government's 2002 Rent Restructuring guidance[2], that rents would be increased annually at a rate of RPI plus 0.5% with additional incremental increases toward a "formula" rent.

19.2 This is an important assumption under self-financing, as rent and other income are the only long term income resources for the HRA. Any reduction in rent levels below that assumed under Rent Restructuring, reduces the capacity of the HRA to fund investment in the housing stock.

19.3 Several changes have however been made by the Government including a move from RPI to CPI and culminating in a 1% annual decrease for four years from April 2016. This measure, brought into effect through the Welfare Reform and Work Act 20163, resulted in a loss over the MTFP period of £15.23 per week in average rent, or £31.0m in HRA resources. Over the thirty years of the HRA Business Plan, this loss totals £444.0m.

19.4 The government has announced a new rent policy for the years 2020/21-2025/26, reverting to a CPI + 1% basis for annual increases; this has been mandated through the extension of the Regulator of Social Housing's powers to

[2] https://www.gov.uk/government/publications/a-guide-to-social-rent-reforms-in-the-local-authority-sector
[3] http://www.legislation.gov.uk/ukpga/2016/7/contents

issue a Rents Standard binding on local authorities which incorporates the government's policy.

19.5 The key assumptions for HRA income are:

Table 13: Key Income Assumptions

	2021/22	2022/23	2023/24	2024/25
Council Tenancy rents	1.50%	3.00%	3.00%	3.00%
Shared Ownership rents*	2.70%	1.50%	3.00%	3.00%

* *Shared Ownership rent changes lag one year behind council rent changes*

19.6 The 2021/22 rent increase is considerably lower than previous expectations, due to the low inflation rate of 0.5% caused largely by the impact of COVID-19. The assumptions incorporate a return to an ongoing 2% CPI. This results in an increase in the average rent of £1.33 per week from £88.55 in 2020/21 to £89.88 in 2021/22. Shared Ownership rents will contractually increase by 2.7%, a "whole dwelling equivalent" average £2.21 from £82.02 in 2020/21 to £84.23 in 2021/22, in line with last year's increase in council rents.

19.7 The national Welfare Reform changes are currently a risk to some of the income in the HRA. Universal Credit started to be rolled out from early 2015. Under this change, the rent for those tenants in receipt of Housing Benefit, previously paid directly to the Council, is paid instead to the tenant, to themselves 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 further Welfare Reform changes, most recently the introduction of the lower Benefit Cap introduced in November 2016, reduces the income available to some tenants, which may increase the risk of non-payment. Measures, such as budgeting and debt management advice for tenants, are in place to mitigate this risk. The roll-out of Universal Credit continues with unemployed single persons, and so to date the number of tenants affected is quite limited. This is reflected in the risks identified in para 6. However, confirmation has now been received that Milton Keynes goes to digital Universal Credit Full Service during 2019, which will affect collection rates.

19.8 The current rate of gross income collection (i.e., the proposed provision for bad debts divided by the total of all current year income and arrears) is projected at 89.6% (reduced from last year's 2019-20 rate of 92.1%) due to impact of COVID-19 and increases in Universal credit cases. The budgeted collection rate has been reviewed and is proposed at 90.4% for 2021/22, reflecting the reduction in COVID-19 impact and improvement in collection. The gross collection rate includes all charges raised by HRA including garage & commercial rents, major works recharges, etc.

19.9 The net collection rate (former BVPI66a) refers to the collection of dwelling rent only, which is all eligible for Housing Benefit. The 2019/20 year-end BVPI66a collection rate was 96.00%, and the forecast for 2020/21 is 95.91%, reflecting the growing impact of Universal Credit and welfare reform. All debts continue to be actively pursued through prompt, proactive and robust processing by a specialist Housing Team.

Other income assumptions

19.10 The maximum discount available under the Right to Buy scheme is £84,200 from April 2020. This has resulted in 52.50 sales (including Shared Ownership staircasing) in 2019/20 against the original budgeted estimate of 50. The level of RTB sales is expected to reduce in the future as past and current demand has been satisfied, though there may be a relatively higher rate of sales of more attractive new build council houses.

19.11 Allowing for a reducing impact of the increased discounts, rent income budgets allow for Right To Buy sales and Shared Ownership escalation of:

Table 14: Estimated Right to Buy and Shared Ownership Sales

Stock Reduction	2021/22	2022/23	2023/24	2024/25	2025/26
RTB Sales & Shared Ownership staircasing	40.00	32.88	35.02	35.48	34.88

19.12 We are currently investing £53.4m through the Housing capital programme to buy and build new council housing, in support of Delivery Plan objective 2.3. The MTFP assumes that new stock will be delivered in line with current development and acquisition programmes from the point at which capital resource allocation is approved. The current approved capital programme includes budget for 289 additional units of stock.

19.14 Regeneration plans at the Lakes estate and Fullers Slade also include additional new council housing, which is not yet included in the MTFP, along with the costs of regeneration of the existing stock.

19.15 Refurbishment or replacement of Mellish Court and The Gables is not yet included in the MTFP, pending approval of the preferred option and budgets.

20 HRA Expenditure

Key Expenditure assumptions

20.1 The Council's corporate financial planning assumptions have been applied to inform the key HRA expenditure assumptions, which include:

Table 15: Key Expenditure Assumptions

	2021/22	2022/23	2023/24	2024/25
General Inflation	1.50%	3.00%	3.00%	3.00%
Construction Inflation	2.40%	3.40%	3.40%	3.40%
Insurance inflation	4.00%	4.00%	4.00%	4.00%
Water inflation	4.00%	4.00%	4.00%	4.00%
Gas inflation	5.00%	6.00%	6.00%	6.00%
Electricity inflation	7.00%	7.00%	7.00%	7.00%

Depreciation

20.2 Under self-financing the Major Repairs Allowance has been replaced by a depreciation charge based on a local assessment of capital spending needs. This is the resource that the Council sets aside to maintain current housing stock in future years.

20.3 Since April 2017, the major components of the stock (such as structure, kitchens, bathrooms, roofs and windows) are required to be valued and depreciated separately based on their different useful lives.

20.4 This is a prudent approach as it ensures sufficient resources will be available for the replacement of the relevant components..

Asset Management & Regeneration

20.5 The move to self-financing and reliance on rental income means that councils must plan the way that they manage their assets, to control costs and maximise income.

20.6 Ensuring that assets are maintained to a standard that enables them to continue to generate rent income is a key element of the self-financing HRA. This essentially means ensuring that homes are safe, warm and well maintained.

20.7 To do so, the priority for the Council is to make informed investment decisions that look at the overall life of the individual assets, the investment needed, and future revenue streams. This is part of the strategic asset management function.

20.8 The profile for asset investment in the existing stock, based on stock condition data has now been updated, has been used to inform the whole life cost and cost benefit analysis for the Regeneration programme. This data has highlighted a disproportionate need for spend across asset types, which require a detailed strategic review as follows:

- **Non-traditional construction housing** is largely within the first tranche of asset data. These properties are hard to heat and maintain. A whole house “regeneration” approach as tested at the Lakes estate could be a viable solution. Also included in this category are the REEMA blocks in West Bletchley, which require a detailed structural assessment and feasibility study incorporating a range of options and detailed cost plans to test the viability of retaining these assets.

- **Traditionally constructed housing** will be assessed for future spend based on outputs from the Asset Management system. This profiling will enable the correct balance of spend to be applied between regeneration and non-regeneration areas.

- **Sheltered Housing schemes** where significant costs have been identified as being associated with the replacement of communal heating systems; an ongoing programme that seeks to provide renewable energy heating sources is in place with bespoke solutions needed for each scheme. A small number of schemes have wider issues with long-term sustainability, which is being considered jointly between Housing and Adult Social Care.

- **Rural stock**, where some complex roofing issues and provision of modern facilities drive the overall cost up. Properties will be assessed on a case-by-case basis with some high cost and/or low demand properties being disposed of in the open market.

- **High Rise blocks**, specifically the Gables in Wolverton and Mellish Court in West Bletchley, where a refurbishment or replacement programme is currently being consulted on.

20.9 The Council owns over 11,000 social rented and 1,500 shared ownership properties spread over 70 locations.

20.10 The Housing Revenue Account Business Plan, on this agenda, sets out the updated approach to the need for regeneration of the stock and estates, together with a financial annex showing the 30-year forecast for the HRA.

20.11 The HRA Business Plan includes an expanded Planned Maintenance Programme, totalling £165m over the five years commencing April 2019.

Debt Financing

20.12 Cabinet considered, at its September meeting, a recommendation that HRA debt should be treated as separate from General Fund debt, in a "Two Pool" approach. This is set out in more detail in the HRA Business Plan report and annexes, and in the Treasury Management Strategy.

21 Balances and Reserves for the HRA

21.1 As part of the HRA budget setting processes, the risks in the HRA are reassessed to determine a prudent minimum level. This level has been assessed at £6.179m for 2021/22 and the medium-term, although this will need to be revisited once specific regeneration proposals and associated risks become clearer.

22 Summary Financial Sustainability Plan for the HRA

22.1 The forecast income and expenditure for the HRA, taking the income and expenditure assumptions into consideration is summarised in the following table.

Table 16: Summary Housing Revenue Account Position

HRA Budgets	Approved 2020/21 Budget £m	Proposed 2021/22 Budget £m	Proposed 2022/23 Budget £m	Proposed 2023/24 Budget £m	Proposed 2024/25 Budget £m
Dwelling Rents	(53.033)	(53.925)	(55.933)	(57.579)	(59.156)
Non-Dwelling Rents	(0.319)	(0.319)	(0.319)	(0.319)	(0.319)
Leaseholders' Service Charges	(0.800)	(0.800)	(0.800)	(0.800)	(0.800)
Fees & Charges	(1.406)	(1.406)	(1.406)	(1.406)	(1.406)
Interest Receivable	(0.625)	(0.069)	(0.053)	(0.038)	(0.053)
Total Income	**(56.183)**	**(56.519)**	**(58.511)**	**(60.142)**	**(61.735)**
Repairs & Maintenance	10.834	11.029	11.330	11.642	12.005
General Management	9.543	12.893	10.419	10.529	10.643
Special Services	3.225	3.474	3.475	3.553	3.575
Rents, Rates, Taxes & Other Charges	0.043	0.043	0.043	0.043	0.043
Depreciation and Impairment	13.800	13.800	13.800	13.800	13.800
Bad Debts Provision	0.614	0.614	0.614	0.614	0.614
Capital Transfers	9.853	3.917	8.053	9.596	11.184
Interest and Repayment of Capital Debt	8.272	10.749	10.778	10.365	9.871
Total Expenditure	**56.183**	**56.519**	**58.511**	**60.142**	**61.735**
Total Housing Revenue Account	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**	**(0.000)**

22.2 The revenue contributions to fund new capital works, improvements, and new builds (including depreciation charges which finance the Major Repairs Reserve) are reflected in the proposed Capital Programme. As detailed in the Capital Programme annex to the Budget report, the HRA capital programme includes provision for:

Table 17: Summary Housing Capital Programme

Capital Schemes	2021/22 Programme	2022/23 Programme	2023/24 Programme
New Build	£3.115m	-	-
Regeneration	£2.505m	£1.850m	-
Aids & Adaptations	£1.176m	£1.211m	£1.247m
Planned Maintenance	£37.106m	£33.397m	£33.202m
Voids	£2.776m	£2.922m	£2.999m
Total	**£46.678m**	**£39.380m**	**£37.448m**

22.3 The MTFP has been designed to project a sustainable position for the Housing Revenue Account, given that the minimum level of prudent HRA reserve has been assessed at £6.2m. However, the medium term projections for the HRA will need to be reassessed in light of emerging regeneration proposals There is provision in the baseline business plan for areas of spend on planned maintenance, aids and adaptations etc. in 2024/25 and 2025/26, however the split across priority areas is not yet agreed. Capital budgets will be approved for other schemes (such as regeneration and new build) as schemes are prioritised, individually assessed for VFM and their impact on the overall HRA Business Plan, and when approved will be added into the capital programme.

CAPITAL

23 Approach to Capital

23.1 From 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 O**.

23.2 We see our capital spending and assets to be an essential part of addressing the medium term financial challenge. This is for three main reasons:

- Funding Source - The assets we hold need to be used as effectively as possible to release funding or generate income in the future. For example, we have an agreement with a major developer to facilitate the sale and development of over 2,500 properties in our Western Expansion Area and we are identifying opportunities to build houses on smaller parcels of land. We are also releasing properties and sites we no longer need to save money in maintenance and running costs while also generating capital receipts.

- Transformation – We are identifying schemes which can transform services to support the financial position over the medium term. For example, moving to LED lighting in street lamps to reduce running costs and replacing bollards with more flexible versions and without lighting and investment in technology. These schemes are essential to our long term financial sustainability.

24 Capital Principles

24.1 There are a number of principles which we apply to capital, which have been previously endorsed by the Cabinet. These are:

- Emerging pressures are managed within existing cash limits - new capital schemes are not added in year, unless there is an explicit decision to re-prioritise the Capital Programme removing schemes if necessary. All schemes in the Capital Programme must be fully funded.

- Spending is aligned to Key Priorities - capital schemes will be prioritised based on information arising from Council Plan priorities, infrastructure to support the delivery of growth and asset management plans.

- Income is only included in the budget when supported by robust proposals and is therefore deliverable - capital schemes relying on funding from external parties will only be given spend approval when funding is confirmed. Expenditure against capital receipts will normally only be agreed once received.

- Future liabilities are anticipated - the need to maintain the Council's assets is recognised and given priority within the Capital Programme. The Council is developing a pipeline programme to outline future potential investment requirements. This will provide context when prioritising projects for inclusion within the capital programme. In addition, before committing to a scheme the revenue implications are considered and the asset/ investment are designed to be financially sustainable.

- Budgets are sustainable - Council budgets recognise that sales of assets alone are not a sustainable method of funding the capital programme over the medium-term. The Council needs to anticipate finding shortfalls in the Capital Programme and build into its revenue budget the capacity to borrow or make revenue contributions to capital in order to ensure essential infrastructure is provided.

- Base Budget / One-off expenditure/ Capital expenditure are distinguished.

- Capital schemes: Allocation of resources is separate from expenditure approval to spend.

- Capital and revenue planning needs to be integrated to ensure implications are fully anticipated.

- The use of specific grant funding does not lead to budget pressures - where grant funding is made available to schemes there needs to be an explicit assessment of risk. With complex schemes where grant funding is fixed, the Council needs to recognise it would have to wholly fund any overspend.

25 Allocating Capital Resources

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

- Current indications are that a further 6000 school places will be required by 2026. This is likely to require a further 5 new primary schools and 1 secondary schools, together with a significant number of expansions to existing schools.
- The Council Plan seeks to deliver more affordable housing, council housing and accessible properties, with commitments to build 500 more new Council homes by 2022, investigating establishing a disruptive

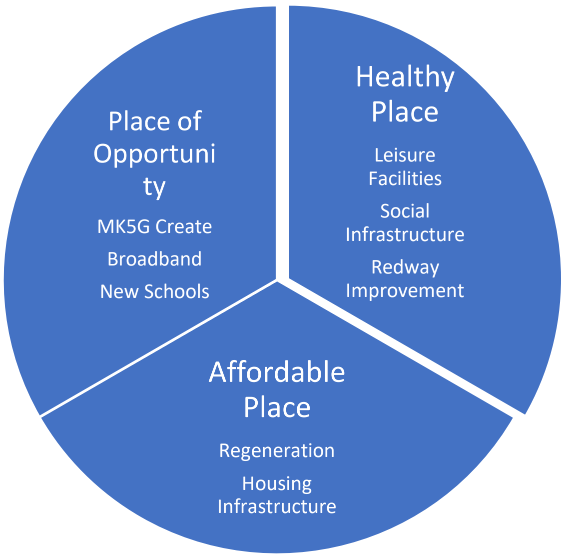
council-owned housing company to deliver 2000 new truly affordable homes by 2023.

- 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.

25.2 The Council Plan supports the aspiration that MK should grow to a population of 410,000 and beyond by 2050, supporting the growth of housing within the Borough securing the future of Milton Keynes by delivering Plan:MK, with a vision to be the greenest and most sustainable city in the world. The Council Plan prioritises new infrastructure to support growth including investment in the development of a new university, growth in school places, development of plans for a mass transport system in Milton Keynes and commitment to continue to develop the Strategy for 2050.

25.3 The diagram below shows some of the major schemes and how they contribute to the Council Plan.

<u>Diagram 2: The MK Council Plan and Major Supporting Schemes</u>



25.4 To ensure that capital assets continue to be of long-term use, the Council has developed a Corporate Property Strategy (CPS). There are three key outputs from the CPS:

- An Asset Management Plan which sets out the rationale for retaining, developing, or disposing of assets based on strategic and service delivery need identified in conjunction with the service areas.

- A Building Maintenance Plan which sets out the backlog maintenance and investment required to ensure that the Council is providing the good condition assets in the right location to meet service delivery needs.
- A suite of policy documents setting out how the Council will manage property assets.

25.5 While some funding allocations have Government guidelines for spending, we will use the resources we have available to meet our local priorities in the most effective manner across service areas. Ring-fenced funding is always spent in accordance with requirements.

25.6 In light of the revenue funding position of the Council, we will only use prudential borrowing on schemes which generate an income stream, to avoid adding further pressures to the revenue budget.

26 Estimating Capital Resources

26.1 There are a number of different funding sources for the capital programme, the main funding sources and the key assumptions are explained in the Capital Strategy in section 11 and summarised in table below.

Table 18: Forecast Capital Resources

	2021/22 £m	2022/23 £m	2023/24 £m	2024/24 £m	2025/26 Onward £m
Capital Receipts	1.235	0.470	0.220	0.000	0.000
Developer Contributions	11.678	3.089	3.250	1.000	0.000
New Homes Bonus	1.055	1.408	0.000	0.000	4.442
Parking Reserve	0.000	0.000	0.000	0.000	0.000
Prudential Borrowing	7.033	0.880	0.694	3.560	3.930
Single Capital Pot	51.584	6.655	6.201	6.273	6.086
Grants	9.376	60.230	29.555	1.117	1.117
GF Revenue	0.000	0.000	0.000	0.000	0.000
HRA Revenue	16.806	13.800	16.243	0.000	0.000
Third Party Contributions	26.247	25.360	20.985	0.000	0.000
Major Repairs Reserve	0.542	0.000	0.000	0.000	0.000
Total	**125.556**	**111.892**	**77.148**	**11.950**	**15.575**

26.2 Both in total and at the individual resource level these are at best prudent estimates of future resources, but may be subject to change. The medium term position will continue to be updated on a regular basis.

27 Forecast Capital Expenditure

27.1 In order to assess our capital expenditure needs we have to consider a number of different issues (as set out in section 24.1). The forecast expenditure position is as follows:

Table 19: Forecast Milton Keynes Council Capital Expenditure

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 Onwards £m
Education – Continuing Schemes	32.285	4.065	0.002	0.000	0.000
Education – New Starts	3.123	6.000	3.200	0.000	0.000
Transport – Continuing Schemes	5.196	2.667	3.560	1.900	5.890
Transport – New Starts	11.944	58.984	25.632	8.831	8.901
Social Care & Housing GF – Continuing Schemes	0.000	0.000	0.000	0.000	0.000
Social Care & Housing GF – New Schemes	1.117	1.117	1.117	1.117	1.117
Housing HRA – Continuing Schemes	3.386	0.000	0.000	0.000	0.000
Housing HRA – New Starts	43.292	39.380	37.448	0.000	0.000
EPCS – Continuing schemes	3.100	1.061	0.621	0.000	0.000
Strategic Pot– New Starts	4.422	6.976	8.250	0.000	0.000
TOTAL Expenditure	**107.865**	**120.250**	**79.830**	**11.848**	**15.908**

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

- In response to increased development and the corresponding growing population, the demand for new school places is constantly managed. Current indications are that a further 6000 school places will be required largely within the new development areas by 2026. This is likely to require a further 5 new primary schools and 1 secondary school (being delivered as an all through school), There may also be a requirement for additional expansion projects to be delivered to mitigate any area specific shortfalls that might be experienced over the coming years. However, no expansion projects have been identified as being required at this moment in time.

- The Council Plan seeks to deliver more affordable housing, council housing and accessible properties, with commitments to build 500 more new Council homes by 2023.

- 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.

- ICT investment in systems replacement and infrastructure to reduce the costs of support and maintenance and to enable workforce efficiencies through better use of technology.

28 Summary Capital Programme

28.1 The table below shows a summary of the capital position over the MTFP period and the resources allocated in the Capital Programme.

Table 20: Forecast Summary of Capital Resources and Expenditure

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

28.2 Whilst Table 21 shows an excess of resources over planned expenditure, £6.420m of this funding is Education specific as outlined in paragraph 27.2 above. 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 Corporate Property Strategy has been approved. Included within the strategy, an asset management plan set out the rationale for retaining, developing and disposing of assets, and the building maintenance plan identified a backlog of maintenance and investment requirements in council operational property assets. Further work is required to determine the level of investment required in non- operational buildings and until

defined, funding has not yet been set aside within the programme to finance this programme of work.

- A Transport Infrastructure Delivery Plan has been approved. This builds on the adopted 2018 Mobility Strategy and the Infrastructure Delivery Plan for Plan MK and its evidence base to clarify the transport infrastructure requirements in the next 10-15 years. Whilst specific schemes have not yet been developed, a high level cost assumption of £2m pa has been included within the pipeline programme.
- 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.

29 Risks

29.1 A critical element of the MTFP is to ensure that the financial consequences of risk are adequately reflected in the Council's finances. All of the main risks that face the Council are considered in order to assess the likelihood of the risk happening and the potential financial implications. The main risks for the 2021/22 Budget fall into three main categories:

- Income and funding risks.
- Demands for service delivery.
- Delivery of savings.

29.2 These are summarised in **Annex V** (General Fund) and **Annex N** (Housing Revenue Account) of the budget report.