

Wards Affected:

All Wards

ITEM 16**CABINET****3 JANUARY 2017****REVENUE AND CAPITAL BUDGET MONITORING REPORT - TO END OF DECEMBER 2016**

Responsible Cabinet Member: Councillor Middleton – Cabinet member for Resources and Innovation

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Executive Summary:

This report advises Cabinet of the forecast outturn position for the General Fund; Housing Revenue Account (HRA) and Dedicated Schools Grant.

The General Fund revenue forecast outturn is an overspend of £3.154m, after the use of £7.248m of one-off resources (a decrease in the forecast overspend of (£0.031m) since P8). The main reason for the overspend is the delay to the Residual Waste Treatment Facility highlighted below.

The Dedicated Schools Grant is reporting a forecast overspend of £1.027m against budget (an improvement in period of (£0.024m) since P8). The Housing Revenue Account is reporting a (£1.340m) surplus.

The Capital Programme has spend approval of £263.810m. The forecast outturn is projected to be £124.018m, an overall variation of £139.792m. The main element of this variation is re-phasing of the Residual Waste Treatment Facility (£129m).

1. Recommendation(s)

1.1 That the current forecast outturn of £3.154m, after the use of (£7.248m) of one-off resources and the mitigating management actions which are currently underway to minimise the overspend be noted.

1.2 That the one-off resources held in the council reserves have largely been used to offset emerging risks and higher levels of demand in a number of service areas. Any further deterioration in the financial position may impact on the one-off resources available to the 2017/18 budget be noted.

2. CLT View

2.1 The forecast outturn position shows an overall overspend for the Council for 2016/17 of £3.154m. The main areas of concern are:

- (a) the delay to the residual Waste Treatment Facility, caused by the bankruptcy of a subcontractor, which has a significant financial impact;

- (b) the additional demand for temporary accommodation, which is impacting on a number of services across the Council;
 - (c) the need to address the Public Health contracts following reductions in Government funding; and
 - (d) liability for the deficit remaining when Stantonbury Campus converted to an academy on 1 September, even though the Council have worked to support the school for a number of years to address issues. This is forecast to cost the Council £0.610m.
- 2.2 While CLT are taking this forecast overspend position very seriously and are considering ways it can be mitigated, it is noted that the overspend is caused by a small number of issues, which are largely beyond the Council's control.
- 2.3 There are a range of management actions both in these specific areas and across the Council to mitigate this overspend:
- (a) Discussions are continuing with the contractor for the Residual Waste Treatment Facility to determine if there are possible ways to reduce the financial impact for the Council, however, any measures will require further decisions and must be proportionate in terms of risk and reward.
 - (b) The Housing Service are developing a number of alternative housing solutions, in addition to the measures already underway. This includes a recent agreement to access a further 110 rooms in Luton, which will partially offset the overspend in the current year. Other additional property solutions are still in development, but will offset pressures in the 2017/18 Budget.
 - (c) Government policy means the Council is required to meet the cost of the deficit at Stantonbury Campus at the point of conversion to an academy. The issue and the potential impact on the Council have been raised with the Department for Education, but there is no movement in the national position. Expenditure not clearly relating to the operation of the school or in preparation for the academy is being challenged.
 - (d) Public Health colleagues are working with contractors to review the costs of service delivery and bring expenditure into line with budget. The additional costs for this year are being met from the ring-fenced Public Health Reserve.
- 2.4 CLT also notes the significant use of one-off resources from the risk/demand led reserves to mitigate the impact of the current forecast overspend and maintain the level of General Fund balance at the minimum level (£7m) approved by Council.
- 2.5 In the light of the financial position, CLT are requiring services to reduce spending wherever possible; implementing 2017/18 savings during 2016/17,

if feasible; and to remind budget managers to reflect both under and overspends in the forecast outturn position.

3. General Fund Revenue Outturn

3.1 Table 1, below, shows a £3.154m forecast outturn overspend, as at the end of December 2016.

Table 1: Forecast Outturn as at December 2016

	Budget £m	Estimated Outturn £m	Projected Variation £m	Movement since P8 £m
Adult Social Care & Health	61.010	60.532	(0.478)	(0.301)
Children and Families	47.340	48.143	0.803	(0.063)
Public Health	12.056	12.056	0.000	0.000
Total People	120.406	120.731	0.325	(0.364)
Corporate Director of Place	0.030	0.030	0.000	0.000
Housing & Community	1.564	2.876	1.312	0.357
Planning & Community Facilities	7.294	7.495	0.201	0.016
Public Realm	38.329	40.608	2.279	0.151
Total Place	47.217	51.009	3.792	0.524
Resources Retained by MKC	8.474	8.888	0.414	(0.114)
Resources Managed by LGSS*	2.800	2.800	0.000	0.000
Total Resources	11.274	11.688	0.414	(0.114)
Total Corporate Core	0.671	0.824	0.153	0.000
Net Operating Expenditure	179.568	184.252	4.684	0.046
Debt Financing, Sustainability items, levies and asset rentals	6.511	5.011	(1.500)	0.000
Less Resources available	(186.079)	(186.079)	0.000	0.000
Net (under)/overspend	0.000	3.184	3.184	0.046
LGSS (MKC Share)			(0.030)	(0.078)
Overall Position including LGSS			3.154	(0.032)

*On 1 April Milton Keynes Council joined LGSS as a partner. LGSS is a shared service with Northamptonshire and Cambridgeshire County Councils. The budgets delegated to LGSS are managed by the Joint Committee. The overall financial position for LGSS is shared across the three partners on a proportionate basis, as agreed as part of the Partnership Agreement. The latest forecast outturn, shows an underspend to Milton Keynes of (£0.078m).

Significant Movements and Issues from Last Period

- 3.2 Public Realm is reporting a change in forecast of £0.151m since Period 8. There are increased costs in Environment and waste of £0.229m due to a continuation in the increasing costs of recycling waste due increased tonnages, alongside a reduction in the income from bulky waste collection. This is offset to a degree by vacant salary posts.
- 3.3 Adult Social Care is reporting a movement of (£0.301m) since period 8. This is largely due to a significant movement in Mental Health services (£0.423m) representing the full benefits of the co-located service and continued review of care packages. Elderly Mental Health spot residential and nursing placements have partially offset the reduction.
- 3.4 Housing and Community is reporting a movement of £0.357 since the last period. Of this, £0.136m relates to staff time allocation being corrected to reflect the split of their actual work between HRA and GF, and £0.2m to Temporary Accommodation costs, notably an increase of 64 families in the last two months and increased costs of larger properties for larger families than had been forecast.

Significant Overall Revenue Variances

- 3.5 Adult Social Care and Health is reporting a forecast underspend of (£0.478m) compared to budget. There are other key variations in addition to the amount reported in paragraph in 3.2 above, which include:
- (a) Older People and Physical Disability Integrated services is expected to be overspent by £0.553m. This mainly relates to the under achievement of external homecare savings this year as a review of care packages has so far not identified the level of savings expected. Further focussed reviews of Older People care packages are taking place between November and March which might improve this forecast position.
 - (b) Integrated Community Equipment Service is forecast to overspend by £0.133m. This continues to reflect increased activity on hospital admission avoidance and increased number of same day deliveries which supports the hospital discharge process.
 - (c) Older People Community Support Services is forecast to be overspent by £0.133m. This is largely attributed to unachievable client income across a number of areas including Internal Homecare, Laundry, Flowers House and Kilkenny as budgets no longer reflect the current cohort of clients who make fluctuating contributions.
 - (d) An estimated underspend of (£0.283m) for Manor House based on current care needs.
 - (e) Intermediate Care Services underspend of (£0.105m) due to delays in recruiting to posts.

- 3.6 Children and Families are forecasting an overspend of £0.803m, (£1.965m before the use of one-off reserves).
- (a) £0.284m reflects the ongoing costs of additional children (mainly in special schools) accepted for travel late in 2016/17 after the budget had been set together with an increase of 95 pupils being transported in the Summer term resulting in a further pressure of £0.550m coupled with the anticipated contract savings not being achieved. Included within the overall forecast are the costs of transporting children in temporary accommodation. There are currently 110 pupils being transported at a cost of £0.300m, (an overspend of £0.184m against the budget), offset in part by a drawdown of (£0.300m) from the demand led reserve.
 - (b) A number of management actions have been reported previously including alternative transport solutions, reassessment and regular reviews of eligibility criteria and actively promoting alternative transport solutions such as mileage payments, personal budgets and travel training. These actions remain in place, however an officer task group has been established to consider what further options and actions could be considered and implemented to reduce costs. The task group would be in place for three months and will implement the changes as part of its work.
 - (c) There is also an overspend of £0.610m, arising from the deficit at Stantonbury Campus when it converted to an academy. Government policy means the authority is liable for this deficit at the point of conversion.
- 3.7 Public Health - There are no significant variations currently expected against the Public Health budget. However, the government funding reductions for Public Health of £0.675m in 2015/16 and a further £0.264m in 2016/17 may require a significant contribution from Public Health reserves of (£1.016m) to continue existing services whilst contract negotiations take place to reduce costs.
- 3.8 Housing and Community - The Temporary Accommodation budget is expected to overspend by £1.112m after use of reserves, a movement of £0.2m since P8. This is due to:
- (a) Higher numbers in B&B hotel accommodation at the start of the year (156) than budgeted for (63).
 - (b) A decrease in numbers in B&B hotel accommodation at the end of November to 66. This is down from 174 at the end of August, due to families being placed in lower cost schemes.
 - (c) An increase in homeless families in non-B&B accommodation from 148 in April to 414 in November.
 - (d) Voids in HRA stock continue to be at historically low levels and so reduce the rate at which homeless families can be offered permanent

housing. This year there is projected to be 210 compared to 315 for 2015/16 and 535 for 2014/15.

- (e) Housing benefit income reduction of £0.045m anticipated from adjusting charges to reduce benefit subsidy losses.
- (f) A doubling of the proportion of larger (3/4/5-bed) accommodation since the beginning of the financial year
- (g) An unanticipated surge in Temporary Accommodation numbers in the last two months (64 additional families)

Savings expected from temporary accommodation properties to be provided by 3 Conditions Housing Association will not now be achieved, but alternative schemes are being evaluated and brought into use (Unity House – Luton will have 110 properties in use by the end of the financial year).

There are a few further potential mitigations around Temporary Accommodation not built into the above forecast, pending further certainty:

- (a) use of new suppliers (County Private Client, Omega, Hire Homes) which will further reduce B&B usage but not commensurately reduce Temporary Accommodation costs;
- (b) increased prevention work (to reduce applications, and/or acceptances, and/or TA provided awaiting decision).

3.9 Planning and Community Facilities is reporting a forecast overspend of £0.201m. This is partly due to the unexpected ceasing of OneMK which has resulted in the cost of Planning's statutory advertising rising from £400 to £1,200 per week, and partly to one-off costs in excess of funding available from reserves.

3.10 Public Realm is reporting a forecast of £2.279m overspend against budget. There are a number of variations within the service:

Residual Waste Treatment Facility

3.11 The forecast delay in the delivery by an external contractor of the Residual Waste Treatment Facility, creates a £2.1m overspend in Public Realm. This is due to the bankruptcy of a sub-contractor. This is a complex project with elements that use innovative technology, which makes the alternative provision of services more difficult. Current estimates are for the opening of the facility is the end of July 2017, eleven months later than originally planned. This delay has the following financial impact for the Council in 2016/17:

Additional Project Costs	Period 9 £m
Additional costs of landfill, as lower contract rates are not available	0.799
Lost income from selling spare capacity and Government incentives	0.817
Costs from financing the project	2.842
Total Estimated Costs	4.458
Project Mitigations	
Investment interest	(0.455)
Cost reduction from delaying additional borrowing	(0.663)
Risk reserve	(2.300)
Total Mitigations	(3.418)
<i>Current additional risk, after mitigations</i>	<i>1.040</i>

3.12 While the majority of the costs associated with this project were eliminated, at earlier stages, the costs of disposing of Milton Keynes Waste until the facility open remains a risk for the Council.

- However, to offset these additional costs the Council is able to invest the cash which would have been paid over at the point of completion, to gain some interest. This will generate (£0.455m) of additional income. There is also a cost reduction in year from not borrowing the residual amounts associated with the new facility, which will save (£0.663m) in interest costs in 2016/17. The additional cost of £2.1m is shown in the forecast in Public Realm whilst the increased investment opportunity of £1.1m is reflected in the Debt Financing forecast.

Other Public Realm Issues

- Additional costs of £0.804m are being reported in Waste Disposal relating to higher market costs for the disposal of materials, particularly wood, and an increase in the volume of waste taken to the Household Waste Sites. In addition, the impact of the weather this summer has increased the volume of food and garden waste, resulting in a forecast £0.233m over the budget. However, changes to street cleansing routes are expected to result in a saving of (£0.171m).
- Within Highways, the net costs of Coring are forecast to be £0.174m above budget. In addition to this, proposals to generate (£0.100m) of income by providing traffic management through Ringway to events, will not be without major marketing and resource investment, which is unlikely to generate a profit.

- There are, however, areas where income is forecast to be greater than budget: Registration is expected to be over by (£0.117m) and highways adoptions income (£0.454m) in excess of the budget. The costs directly relating to the Bus Services Operating Grant are forecast to be (£0.332m) less than the grant which allows the Council to utilise this balance to offset other eligible transport costs in 2016/17.

3.13 Resources is reporting a forecast overspend of £0.414m against budget. The key variations include:

- (a) Benefit subsidy overspend of £0.250m due to projected caseload and recovery projections from DWP, this is largely as a result of the increasing number of people in temporary accommodation where subsidy can only be recovered for part of the amount of benefits paid. This is offset by £0.040m recovery of overpayments. £0.110m reduction in new burdens funding following DCLG changes to funding for council tax reduction admin scheme. Forecast reflects adjustment of transfer of Homelessness to Housing.
- (b) Insurance overspend of £0.158m due to new insurance arrangements with schools means the amount reimbursed to the Council is less than was being previously recovered from the schools. For general insurance, the claims budget was reduced based on expectations that claims and premiums would reduce, the latest information shows the number of new claims are reducing, but the unresolved claims have not fallen significantly compared to 2015, although the value of MKC's liability from 2016 claims is currently only £0.072m. In year there is an overspend of £0.450m which is being offset by the use of (£0.400m) reserves.
- (c) Community Language Service income is not increasing as anticipated in the Budget, leading to a shortfall in income of £0.183m.

3.14 Debt Financing is reporting an underspend as the overall forecast investment return is (£0.400m) is greater than the budget plan due to the change in investment strategy, diversifying funds and using money market funds. These changes all still follow Treasury Management Policy.

Budget Savings

3.15 The 2016/17 Council budget included (£21.570m) of savings and (£2.684m) savings brought forward from 2015/16, which were also to be delivered. Currently 81% (£19.615m) are forecast to be delivered. 14% (£3.476m) of the remaining savings will be delayed until 2017/18; (£0.520m) was agreed in the 2016/17 Budget. 3% (£0.754m) of the budgeted savings are undeliverable and this is reflected in the forecast outturn position.

Table 2: Budget Saving 2016/17

	Budgeted Savings in 2016/17 and residual 2015/16	Savings delivered		Deferred as part of Budget	Forecast to be delivered in 2017/18	Undeliverable Savings
		Green	Amber	Green	Red	Red
	£m	£m	£m	£m	£m	£m
Total	(24.254)	(17.624)	(1.991)	(0.520)	(3.476)	(0.754)

3.16 The following significant savings will be delayed as agreed in the 2016/17 Budget process, and are mitigated by one-off funding. These are expected to be delivered in 2017/18:

- (a) £0.100m for the rationalisation of Play Areas across Milton Keynes in line with the Play Area strategy 2013/2023.
- (b) £0.400m to introduce reusable recycling receptacles in place of the current use of 11.7m pink plastic bags per year. A trial has been completed with mixed results and next steps for the full implementation are currently being reviewed, alongside the development of the Waste Strategy. The draft budget proposals, provided further one-off funding in 2017/18 to allow for implementation of the waste strategy.

3.17 In addition there are savings proposals which are taking longer to deliver than anticipated and likely to be delivered in 2017/18:

- (a) £1.3m delay in the delivery by an external contractor of the Residual Waste Treatment Facility (as noted in paragraph 3.1 above).
- (b) £0.300m for the reviews of Older People homecare packages to achieve savings of (£0.443m) commenced early June. The process so far has yielded little net savings. The one-off funding will continue to be used to focus reviews on high and low end packages, but there may be a delay in achieving the savings target for 2016/17.
- (c) £0.269m to allow time for re-tendering the external Homecare contract to achieve savings of £0.400m. There will be a delay in achieving savings in 2016/17 as new contract is now expected to be in place by April 2017.
- (d) £0.402m to allow for the Living Independently Review to be undertaken during 2016/17. Opportunities for the Laundry Service and Sheltered Housing service are being considered as part of this review.
- (e) £0.200m for the modernisation of Older People Day Services to move to two sites from three.

- (f) £0.160m for the saving from the Customer Service project. The full effect of the staff restructure will not be delivered until 2017/18 due to delays in job evaluations and recruitment. Savings from End to End reviews are still being identified in service areas; this is taking longer than initially anticipated.
- (g) £0.400m for the retender of contract and rebalancing of external and internal self-insurance arrangements. The Insurance budget was reduced based on an expectation that claims and premiums would reduce. Whilst premiums have reduced and the number of claims received are reducing, unresolved claims have not fallen significantly to achieve the saving in year. An actuarial review is due which will review the fund and data cleansing is being undertaken of the unresolved claims.

3.18 The following savings are undeliverable:

- (a) £0.100m saving expected from Community Recycling Centres contract re-let have not been realised. The recent tender has shown an increase in costs due to prices in the recycling market. Whilst management actions can be put in place to mitigate the position, the market price increases are outside of the control of the Local Authority. Dialogue has recommenced with bidders to explore options to reduce future costs in the future.
- (b) Proposals to generate £0.100m of income by providing traffic management through Ringway to events will not be possible without major marketing and resource investment, which is unlikely to generate a profit.
- (c) Increased cost of concessionary fares fixed pot, due to reduction in patronage of the junior concession scheme has resulted in a £0.065m shortfall in the saving planned from reducing the concession to 'half fare'. Reducing numbers of customers means that the fares generated do not offset the cost of the concession scheme.
- (d) Savings of £0.400m were proposed in previous years from Community Transport. Whilst the majority of the target has been achieved, following a review of the costs of delivering the current service, a total of £0.090m has now been assessed as unachievable in the medium term.
- (e) £0.089m of the £0.249m saving target for increasing existing sales across the Resources service areas are unlikely to be achieved this year. Work is continuing to maximise growth but the increase is unlikely to be achievable and will be addressed as part of the 2017/18 Budget process.
- (f) £0.320m of the £0.500m saving target for home to school transport will not be achieved. Saving anticipated from rerouting and retendering of the special school contracts has taken place but did not deliver the savings initially estimated. However, the work outlined

in paragraph 3.5 will seek to take forward those actions which have the best chance of delivering future savings.

4. **Impact on General Fund Balance**

4.1 The General Fund balance based on the Forecast Outturn will be:

Table 3: General Fund Balance 2016/17

	Forecast Outturn £m
General Fund balance at 1st April 2016	(7.000)
Forecast overspend in 2016/17	3.154
Drawdown from Risk Reserves and Demand Led Reserves (approved as part of 2016/17 budget setting process)	(3.154)
General Fund Balance at 31st March 2017	(7.000)

£7m was the minimum level of General Fund Balance approved as part of the 2016/17 Budget. The drawdown needed from the Risk Reserve has reduced by £0.032m from Period 8.

5. **Dedicated Schools Grant (DSG)**

5.1 The Dedicated Schools Grant is a ring-fenced grant paid to local authorities and largely delegated to schools through their individual school budgets. The governing bodies of schools are responsible for their income and expenditure and Dedicated Schools Grant is therefore not available to support the Council's General Fund.

5.2 The 2016/17 budget was set with an estimated deficit balance of £0.099m by 31 March 2017. However, it is now forecast that the deficit at the end of the year will be £1.027m, £0.928m greater than originally budgeted. This deficit will be carried forward and be a first call on the 2017/18 DSG, unless other savings can be found from DSG budgets during the year.

5.3 The deficit is due to a number of reasons, the most significant of which are as follows:

- (a) Central Spend High Needs - Independent Special School placements are currently forecast to overspend by £1.000m due to the increase in cost of joint social care and education placements. There are currently 65 active placements in total (as at October 2016) an increase of 7 from September 2016. The overspend is partially offset by an underspend of (£0.407m) in the Independent Specialist Colleges as all placements have now come to an end. There are overspends anticipated in the mainstream school top up budgets with £0.194m in relation to children with EHC (Education, Health and Care) plans and £0.158m for children without.

- (b) £0.301m relates to a worse than forecast 2015/16 year end position. This was predominantly due to an increase in top ups by £0.426m and early years by £0.213m. This was offset by an underspend in growth (£0.128m) due to delays in the opening of new schools and a reduction in the Individual Schools Budget requirements (£0.240m).
- (c) Central Spend LA – Admissions and Appeals - There is a forecast overspend of £0.187m due to an increase in the number of admissions and appeals applications but the regulations do not allow this budget to be increased. This is in line with the amount of overspend last financial year. The Department for Education have now confirmed that the 2015/16 underspend of (£0.097m) on the Early Years Pupil Premium can be released into overall balances rather than being returned, even though this was a ring-fenced grant
- (d) Central Spend Schools - There is a forecast underspend of (£0.411m). Growth funding allocated to the two Kents Hill schemes (£0.158m) will now not be paid until 2017/18. There has been a release of contingency budget of (£0.150m) held for rates revaluations and forecast underspend of (£0.150m) on Non SEN Independent school fees.

6. **Housing Revenue Account (HRA)**

- 6.1 The HRA is reporting a (£1.340m) surplus. This is made up as (£0.910m) favourable closing release balances from last year and (£0.430m) net underspends identified this year.
- 6.2 Breakdown of main in-year variations:
 - (a) (£0.235m) increase on Other Charges for Services mainly due to (£0.274m) increased income from rechargeable leaseholders major works.
 - (b) General Management salary savings of (£0.168m) due to vacant posts and re-allocation of costs to the Housing General Fund plus (£0.041m) additional administration income from increase RTB sales and (£0.026m) capitalised salaries.
 - (c) Sheltered Accommodation - £0.150m overspend to reflect the one year increase in charge from Adult Social Care ahead of the Living Independently Review. This was not built into the original budget as the HRA budget had already been set before the decision was made on the General Fund budget.
 - (d) Overall the position in bad debts is on an adverse trend compared to last year, however only part of the Welfare Reform bad debts budget is expected to be called on this year due to steadier phased moves to Universal Credit than original plans and continued focused work by the service to improve income collection. This is offset by an increase of £0.082m on Leaseholders Major Works. The contribution to the

provision for bad debts is therefore expected to be lower than budgeted by (£0.148m) this year.

- (e) £0.265m in interest charges due to the impact of the slippage of the Waste Plant on the Consolidated Financing Requirement (CFR), the percentage split between General Fund and HRA, internal borrowing and apportionment of debt charges.
- (f) There is a reduced contribution to the Regeneration Reserve of (£0.265m) which offsets the overspend on interest charges above.

6.3 The HRA balance at November 2016 is £5.909m. This continues to exceed the Prudent Minimum HRA level of £4.500m.

Table 4: HRA Outturn Summary

	2016/17 Budget £m	Period 9 £m	Variance £m
Net (surplus)/deficit in year	0.000	(0.430)	(0.430)
Uncommitted Reserve b/f	(4.569)	(5.480)	(0.910)
Uncommitted reserve c/f	(4.569)	(5.910)	(1.340)

7. Capital

7.1 The Capital Programme forecast outturn is £124.018m compared to a Spend Approval of £263.810m, a variation of (£139.792m). The reasons for the variation are set out below.

Table 5: Summary of capital expenditure forecasts as at 31 December 2016

Directorate	Latest Spend Approval	Forecast Spend as at 31/12/16	Variation Over /(under) Spend Approval		
			Total	Forecast Re-phasing	Over/(under) spends
	£m	£m	£m	£m	£m
People	57.551	56.947	(0.604)	0.732	0.128
Place	188.871	55.209	(133.662)	134.306	0.644
Resources	15.633	10.107	(5.526)	5.482	(0.044)
Corporate Core	1.755	1.755	0.000	0.000	0.000
Total	263.810	124.018	(139.792)	140.520	0.728

7.2 Major Overspends against Spend Approval

Within Place the A421 Pinch Point project is forecasting an overspend of £0.243m, this is the only Project classed as red within the RAG rating below.

A provision has been set aside to cover the forecast overspend, however so that the true overspend is visible, the funding will not be allocated to the project until the final costs are known. The main contract has been completed and the overspend relates to final accounts to be agreed for utilities and landscaping.

7.3 Major Underspends are:

Planned Heating, (£0.163m) favourable procurement has resulted in a forecast underspend, funding will be used for other HRA schemes

7.4 Additional Resources Required:

Additional Resource of £0.468m will be requested for Council Houses Heating upgrades, funding is available but currently not in the Capital Programme.

7.5 Major Re-phasing:

- (a) **Residual Waste Treatment Plant**, (£129.162m), the payment for the building of the Residual Waste Treatment facility has been delayed to July 2017 in line with the revised service commencement date.
- (b) **Future Working Programme**, (£3.714m), work has started on the Civic building, the project is planned to complete Summer 2017.
- (c) **Cool Air System - Civic**, (£1.536m), this project is being delivered in conjunction with the above project and planned to complete Summer 2017.
- (d) **Communal Improvements**, (£0.578m), the scope of the project has been reduced, with funding being reallocated to other HRA schemes
- (e) **New Build Council Houses** (£1.119m), planning applications delayed due to extended pre planning application consultation, original winter 2017/18 possession of properties timeline still achievable.
- (f) **Shenley Leisure Centre - Sports Hall** (£0.558m), plans to be received from leisure centre operator before final agreement of project.

7.6 All schemes have been assessed by Project Managers with regard to their RAG Status in relation to the following key criteria, Time, Cost, Scope and Benefits:

RAG rating	Definition	No of Projects in Category
Green	All key criteria will be achieved. Risks are being actively managed	28
Green/ Amber	One of the key criteria cannot be delivered within tolerance; project risks are being managed.	27
Red/ Amber	Two or three of the key criteria cannot be delivered within tolerance. Risks need to be escalated	2
Red	All four key criteria cannot be delivered without further significant. Risks need to be escalated.	1

8. **MK Tariff**

- 8.1 The Tariff investment programme for 2016/17 has spend approval of £23.402m with an outturn of £22.934m, an underspend of (£0.468m). The schemes in this programme are largely contributions to wider schemes which are delivered by MKC and/or External partners. The majority of the underspend in year is due to development now anticipated to come forward in 2017/18 rather than in 2016/17.

9. **Section 106 (S106) Funding**

- 9.1 S106 funding is a key resource in supporting the Council to mitigate the impact of growth. The reductions in government funding mean the use of S106 funding must be managed carefully to address both local and strategic needs. Developer Contributions (S106) are included in the Capital Programme or to fund projects which meet the specification outlined in the S106 agreement.
- 9.2 The S106 funding received from Developers is often a contribution toward total project costs. As appropriate schemes are developed through the Capital Programme processes, these resources are used towards the delivery of the full project.
- 9.3 The development of the capital programme has incorporated consideration of S106 funding, so resources are used in the most effective manner to address necessary schemes. This process has also included reviewing unidentified funding to ensure that this is allocated to future projects. In some areas work is still ongoing to identify the individual scheme and future allocations will be updated as individual schemes are developed.
- 9.4 £9.66m is currently allocated within the Capital Programme for 2016/17, and a further £5.42m is allocated in 2022/23. £1.4m of this future years programme funding has not yet been received.
- 9.5 In addition to capital allocations there is approximately £5.45m of S106 allocated to revenue, this includes the following:
- (a) £2.21m for Public Transport (bus services).

- (b) £34k for Waste Receptacles projects
- (c) £2.45m for Open Space and Play Area Maintenance.
- (d) £436k for Public Art.
- (e) £140k for Playing Fields Maintenance.
- (f) £180k for Social Infrastructure.

9.6 A further £3.02m has been earmarked to projects. These include projects that are being initiated but do not yet have capital approval, parish and town council projects and other revenue projects awaiting approval.

- (a) £1.375m for Education projects
- (b) £85k for Highways.
- (c) £925k for Various/miscellaneous projects.
- (d) £166k for Health projects.
- (e) £467k for Parish & Town Council projects

9.7 The remaining balance of £12.89m is broken down into approximately 3250 individual S106 contributions, covering more than 325 individual projects.

9.8 Table 6: Summary of the S106 Resources yet to be allocated to projects

Service / Works	Amount	Notes
Carbon Offsetting	£0.507m	For carbon offsetting measures borough wide.
Education	£1.31m	For specific education projects, some which have been identified but not yet programmed.
Environmental Services	£2.2m	Majority for Open Spaces. Some for Play areas and specific maintenance projects.
Highways	£1.80m	Includes £0.310m for highway works at the Stadium and £0.664m for CMK and £0.392m for Oakgrove
Leisure	£2.14m	Includes £0.911m for 13 different community halls, contributions to playing fields, libraries, sports halls and swimming pools
Miscellaneous	£0.304m	Includes £0.251m for Bletchley which needs DCC approval.
Public Art	£1.10m	Covers 19 Public Art projects across MK

Service / Works	Amount	Notes
Public Transport	£0.330m	Funding for bus infrastructure – projects to be identified.
Social Infrastructure	£3.17m	Over 200 individual contributions making up this fund. A large proportion of this funding will go externally to services such as the NHS, College and University, Voluntary Sectors and Emergency Services.
Total	£12.89m	

9.9 The total s106 resource currently stands at £35.04m of which 63.2% is currently allocated or earmarked to projects.

10. **Establishment Reporting**

10.1 The total establishment at the end of November is 2540.80 FTE, a decrease of 76.20 FTE since 31 August 2016, and a decrease of 211.91FTE since 31 March 2016. This is largely due to removing duplicate posts as well as the transfer of Building Services staff to YourMK Regen partnership and Mears (45.23 FTE). There was also a reduction in Adult Social Care of 27.23 FTE, mainly due to Learning Disability services where posts have been reduced as part of a restructure and delivery of savings.

11. **Treasury Management**

11.1 The key Treasury Management headlines reported at 31 December 2016 are as follows:

- (a) investment income returns were 0.73%, which outperformed the benchmark 3 month LIBID (a measure of inter-bank lending rates) by 37 basis points;
- (b) no new borrowing, repayments upon loan maturity or debt rescheduling exercises were undertaken during the quarter; and
- (c) the Prudential Indicators remain on track.

11.2 Further information on the Treasury Management outturn is attached at the **Annex**.

12. **LGSS**

12.1 On 1 April MKC joined the LGSS shared service. As a result a number of budgets are delegated to the Joint Committee. The Joint Committee will make decisions on the running of the Partnership on behalf of the Council. The LGSS partnership includes the following MKC services: Audit, Risk and Fraud, Insurance, Procurement, Democratic Services, Finance, HR and ICT.

12.2 The financial impact of LGSS on the Council is based on the overall performance of the shared service. This overall performance is currently being collated for the Joint Committee. Any forecast impact will be reported for information, after the Joint Committee has considered the position.

13. Debt Position

13.1 The tables below provide details of the aged debt analysis for the Council. This is managed through a number of debt streams; General Debtors (including Social Care debt and Property); Housing Debts; Council Tax; Non Domestic Rates and Housing benefits. The current position for each debt stream is outlined below. These debts are managed using different systems, which causes differences in the presentation of outstanding debts.

13.2 The figures below include all overdue debts, even if the invoice is not in active recovery, for example the invoice is in dispute or the debt is secured by a charge on a property have been included in the total debt figure (total income billed in 2015/16 was £14.207m).

	Total Debt £m	0-90 days overdue £m	91-365 days overdue £m	365+ days overdue £m
General Debtors	4.658	1.292	1.383	1.983

13.3 Both Council Tax and NDR collection rates are closely monitored by service managers and performance against target is communicated to staff daily. The service has achieved collection rates above the collection target at the end of 2015/16. The table below provides details on the Council Tax and Non Domestic Rates debt for 2016/17 at 30 November 2016.

	Net collectible debit (In year) £m	Amount collected £m	Collection rate %	Collection target %
Council Tax Liability	124.298	96.067	77.29%	76.6%
NDR Liability	167.442	124.542	74.38%	74.25%
Total	291.740	220.609		

13.4 The Housing debt figures in the table below show the total debt outstanding rather than the total debt relating to the current year, unlike Council Tax and NDR in table below.

13.5

	Total Debt Outstanding £m	0-90 days overdue £m	91-180 days overdue £m	181+ days overdue £m
HRA Housing Debt	3.712	1.288	0.829	1.595

13.6 Housing debt levels overall continue to fall and have been driven by the restructured Housing teams and debt management processes. However, the rolling out of Universal Credit in Milton Keynes creates a significant risk to collection rates and it will be a challenge to maintain performance levels at current levels.

13.7 Housing Benefit overpayments collection is intrinsically linked to DWP guidelines and their recovery rates are set. Revenues & Benefits staff are working to minimise overpayments. The total Housing Benefits paid out in 2015/16 was £97.153m. The table below provides details on the Housing Benefits Overpayments for the prior and current year.

	Current year Debt £m	Total Debt £m
Housing Benefits	1.364	5.002

14. Debt Write Offs

14.1 The total amount of debt written off to 30 November 2016:

Total debt written off 2015/16	Debt type	Debt Raised	Total debt written off 2016/17
£'m		£'m	£'m
0.404	HRA Housing Debt	38.327	0.138
0.003	GF/MKC Debts	3.175	0.023
0.152	Housing Benefits	63.641	0.161
0.134	Council Tax	124.298	0.234
1.069	Non Domestic Rates	167.442	0.325
0.756	General Debtors	54.529	0.209
2.518	Total	451.452	1.090

14.2 The write offs above have already been actioned in line with the Financial Scheme of Delegation.

15. Milton Keynes Development Partnership (MKDP)

15.1 The table over the page shows the Milton Keynes Development Partnership financial position as at the end of October 2016.

	Budget	Forecast	Projected
	£'m	Outturn	Variation
		£'m	£'m
Management Overheads	0.801	0.874	0.073
Asset Management Costs	(0.839)	(0.865)	0.026
Car parking	(0.508)	(0.637)	(0.129)
Contributions to MKC	0.207	0.207	0.000
Net position for MKDP	(0.339)	(0.421)	(0.082)

15.2 The variance is due to additional staff costs agreed by the Board £0.073m offset by additional Pay and Display income an underspend in contractor costs and an NDR accrual release.

16. Implications

16.1 Policy

The recommendations of this report are consistent with the Council's Medium Term Financial Plan.

16.2 Resources and Risk

Where significant risks are known they are highlighted in this report.

Capital implications are fully considered throughout the report. Revenue implications as a result of capital schemes are built into the Council's debt financing and other revenue budgets as appropriate through the Medium Term Planning process.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

~~Carbon and Energy Management~~

All capital schemes consider Carbon and Energy Management implications at the capital appraisal stage before they are added to the capital programme. There are no further implications as a result of this report.

16.3 Legal

Legal implications may arise in relation to specific capital schemes or revenue projects. In particular a capital scheme or revenue project may be needed to meet a specific legal requirement. These implications are addressed in the individual project appraisals. There are no significant legal implications arising as a result of this report.

16.4 Other implications

All implications are outlined within the report.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

Background Papers: 2016/17 Revenue Budget and Capital Programme as approved by Council in February 2016

Annex: Treasury Management Update Quarter 3 (October-December), 2016-17