Wards Affected:

All Wards

ITEM **15**

CABINET

5 JUNE 2018

GENERAL FUND REVENUE, HOUSING REVENUE ACCOUNT, DEDICATED SCHOOLS GRANT AND CAPITAL PROGRAMME OUT-TURN REPORT FOR 2017/18

Responsible Cabinet Member: Councillor Middleton - Cabinet Member for Resources and Innovation

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Executive Summary:

This report sets out the 2017/18 out-turn for the General Fund; Dedicated Schools Grant (DSG); Housing Revenue Account (HRA) and Capital Programme; based upon income and expenditure as at 31 March 2018.

- General Fund Revenue Account (GFRA) – an **underspend of £0.140m** after the net use of £3.001m from reserves. This is an improvement in the reported positon of £0.351m since P9. The final out-turn includes a reported overspend within the service areas of £8.832m, offset by an underspend of £5.971m in corporate debt financing, mainly attributable to the agreed change to the Council's MRP policy. The balance has largely been addressed by the use of £3.096m of demand led reserves, and a net contribution to reserves of £0.095m.
- The **£0.140m** net underspend will be transferred to the General Fund Working Balance. Details of this are set out in Table 1.0 in the report.
- Dedicated Schools Grant (DSG) - the budget was set with an estimated deficit carry forward into 2018/19 of £0.264m. The final out-turn position is a surplus carry forward of £1.007m, an improvement of £1.271m. Details are set out in paragraph 5.
- The Housing Revenue Account (HRA) out-turn is a surplus of £1.023m, details of which are set out at paragraph 6.
- Capital Programme – out-turn expenditure is £220.344m, an underspend of £10.188m against spend approval of £230.532m. In closing the accounts overspends and increased spend due to additional funds being received in year totalling £6.274m had to be financed, resulting in an total underspend of £16.463m against the revised spend approval, of which £13.208m of expenditure previously planned in 2017/18 has been re-phased into later years. Details are set out at paragraph 8.1.

1. Recommendations

1.1 That the GFRA out-turn of £0.140m underspend, after the use of £3.096m of demand led reserves and £5.405m of unplanned other reserves less the contribution to general fund working balance of £5.500m, be noted.

1.2 That the use of one-off resources to offset risks and higher than expected levels of demand, be noted.

1.3 That the out-turn surplus on the HRA of £1.023m be noted.

1.4 That the DSG surplus carry forward of £1.007m be noted.

1.5 That the out-turn spend on the Capital Programme of £220.344m be noted and additional funding in 2017/18 of £6.274m and re-phasing of £13.208m into 2018/19 be approved.

2. General Fund Revenue – Key Messages and Actions

2.1 The Council continues to work within a very challenging financial environment, having made budget reductions of £130m between 2011/12 and 2017/18. The Council's Medium Term Financial Plan is currently forecasting a requirement for £23m of further savings to be delivered in the period to 2021/22. Meanwhile, MK continues to grow and there are increasing demands on Council services.

2.2 The 2017/18 GFRA out-turn is an underspend of **£0.140m** after the net use of reserves. Details of the Councils Reserves are set out at Annex A, together with a summary of virements actioned since Period 9 in Annex B. Whilst the out-turn is an improvement of £0.351m from Period 9, the Council's underlying financial position is unsustainable over the medium term. Cabinet should note the following significant on-going risks and mitigating actions:

2.3 **Adult Social Care** – there are growing pressures in Older People Services, in particular external homecare which was £2.171m overspent due to:

- An increase in demand for external homecare;
- Existing care packages increasing due to rising complexity of needs;
- There is insufficient capacity in the care home market which has resulted in some complex cases being supported though homecare packages, at a higher cost.

Action: The focus going forward into 2018/19 is placing emphasis on preventative functions which directly impact on those at risk of seeing their needs escalate into formal social care and health service. This includes:

- Increasing the Fall Prevention service;
- Introducing a one year pilot community prevention scheme;
- Investing in additional therapy staff to primarily reduce and prevent dependence on long term care;
- Exploring schemes to improve the flow of service users through the social and health system.

The above initiatives are being introduced over the next three years and will be funded from an investment package totalling £1.823m (new Adult Social Care grant of £0.567m and earmarked reserves of £1.256m). This investment will be targeted at preventative measures, to enable people to remain independent, and will include initiatives such as where community equipment and aids for daily living, alongside professional advice, can be utilised to meet need.

A transitional service for domiciliary support is also being introduced, which will be used while long term support needs are appropriately assessed. This should lead to a reduction in delayed hospital discharges, improving the flow and capacity within the re-ablement team and provide appropriate levels of care to service users. This scheme will further reduce the risk of financial penalties being applied to the LA for delayed hospital discharges

Responsible Officer: Victoria Collins/Mick Hancock **Target Date:** On-Going

2.4 **Children's Social Care** – there are growing cost pressures, which include:

- The number of Looked After Children (LAC) placements, and the associated direct costs of care and in-direct costs such as legal fees;
- Increasingly complex needs of children with disabilities and medical conditions;
- Access to affordable and quality care provision back down.

The overspend against the LAC placements budget was £1.359m (offset by the use of the demand led reserve) and the legal budget was also overspent by £0.362m. The 2017/18 placement budget was set before the late increase in LAC numbers from the previous financial year, and as a result the budget did not reflect the LAC cohort. Whilst the number of LAC coming into the service has now reduced to 2011 levels (the current number of LAC at March 2018 is 388, a reduction from the position at the beginning of the financial year of 403), there has been an increase in the complexity of need of these young people resulting in increased costs (including in legal fees).

The overspend occurred in the fostering and special guardianship budgets, which are lower cost alternatives to external fostering or residential placements and links to the Council initiative to increase the number of in-house foster carers. The number of Special Guardianship Orders has also increased (165 at March 2018) – this is in part the impact of the reduction in LAC as children cease to be LAC once this order is granted (i.e. placed with family and friends).

Action: To manage these issues a comprehensive management plan is in place which is seeking to reduce on-going costs through:

- Increasing the availability of accommodation;
- Sourcing lower cost placements;
- Stepping down children from high cost residential placements into fostering placements or, where appropriate, home to parents;
- Recruiting more in-house foster carers and reviewing the components of the foster carer fees.

Additional funding of £1.500m has been included in the budget for 2018/19, to reflect the increasing costs of the service, which together with the actions being taken, is expected to address the current overspend.

Responsible Officer: Mac Heath **Target Date:** On-Going

2.5 **Homelessness - Temporary Accommodation (TA)** – The Housing and Regeneration service is focused on delivering a Homelessness Recovery Plan involving:

- Reducing numbers entering TA, by preventing homelessness and reducing the amount of TA provided under para 188 of Part VII of the Homelessness Act 1996 to families awaiting a decision on whether the council owes the full duty under para 193.

- Increasing numbers leaving TA and reducing the length of time households stay in TA through improved and speedier decision-making and maximising opportunities to discharge the homelessness duty.

- Reducing the average cost of TA per night, by sourcing new low-cost supplies of TA and making the most effective use of different types of TA.

- The success of delivery of the plan is reflected in a reduction in forecast overspend on TA from £1.360m as at 30 September 2017 to an out-turn actual at 31 March 2018 of £0.809m.

Action: To deliver the Cabinet-approved management action plan and associated investment in the service to strengthen the preventative work, improve stock management and both the quality and speed of decision making.

Responsible Officer: Michael Kelleher **Target Date:** On-Going

2.6 **Residual Waste Treatment Facility (RWTF)** – the plant moved to service commencement in March 2018, rather than August 2016 as originally expected. This meant that all of the £4.220m reserve set aside for a delayed opening was spent, taking the total cost of delay in 2017/18 to £6.320m, with the balance having been met through the planned use of a £2.100m specific reserve. Whilst the plant is now in service commencement and the council is receiving the benefit of a zero gate fee, the plant still has a final test to pass within 24 months. In the unlikely event that this is not achieved the council has various rights under the agreement including access to a retention bond (up to £10.524m) which could fund any costs that might arise.

Action: The plant is now in service commencement and energy being exported to the grid. Income expectations for MKC's share of additional income over that built into the base case, of £1.3m have been included in the 2018/19 budget, this will require detailed monitoring.

Responsible Officer: Tom Blackburne-Maze **Target Date:** On-going

2.7 **Car Parking Income** - Parking income was £1.184m below budget, after the planned use of £0.300m from the car parking reserve.

Action: The budget for 2018/19 has been reduced, however the continued reduction in income during the latter part of 2017/18 needs to be monitored. A management action plan is in place for the medium term which includes the re-procurement of both the current parking systems and enforcement services. A key benefit will be improved management data and reporting on customer usage and from this, proposals will be developed to help manage both parking operations, tariffs and optimise land use.

Responsible Officer: Tom Blackburne-Maze **Target Date:** 1st Sept 2018

Table 1 - GF Income & Expenditure Forecast Summary at 31 March 2018.

	Impact before use of Reserves				Impact after application of Reserves					
	Current Budget	Out-turn	Variation	Movement since P9	Use of Demand Reserves	Use of other reserves	Cont to reserves	Out-turn after use of reserves	Variation net of use of reserves	Movement since P9
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	58.315	59.055	0.740	0.555	(0.259)	(0.740)	0.000	58.056	(0.259)	0.603
Children Services	47.101	49.555	2.454	0.211	(1.337)	(0.068)	0.000	48.150	1.049	0.186
Public Health	11.735	11.735	0.000	0.000	0.000	0.000	0.000	11.735	0.000	0.000
Total People	**117.151**	**120.345**	**3.194**	**0.766**	**(1.596)**	**(0.808)**	**0.000**	**117.941**	**0.790**	**0.789**
Housing and Regeneration	3.509	5.720	2.211	0.174	(1.500)	(0.200)	0.000	4.020	0.511	0.174
Growth, Economy and Culture	7.043	6.416	(0.627)	(0.661)	0.000	(0.177)	0.000	6.239	(0.804)	(0.631)
Public Realm	37.801	42.254	4.453	0.151	0.000	(4.220)	0.000	38.034	0.233	(0.471)
Total Place	**48.353**	**54.390**	**6.037**	**(0.336)**	**(1.500)**	**(4.597)**	**0.000**	**48.293**	(0.060)	**(0.928)**
Resources - Retained MKC	8.517	8.425	(0.092)	0.049	0.000	0.000	0.000	8.425	(0.092)	0.049
Resources - LGSS	6.649	6.649	0.000	0.000	0.000	0.000	0.000	6.649	0.000	0.000
Total Resources	**15.166**	**15.074**	**(0.092)**	**0.049**	**0.000**	**0.000**	**0.000**	**15.074**	**(0.092)**	**0.049**
Corporate Core	**0.681**	**0.471**	**(0.210)**	(0.210)	**0.000**	**0.000**	**0.000**	**0.471**	**(0.210)**	**(0.210)**
Debt financing	16.238	10.267	(5.971)	(0.471)	0.000	0.000	5.500	15.767	(0.471)	(0.471)
Corporate & Sustainability items	3.668	3.571	(0.097)	0.420	0.000	0.000	0.000	3.571	(0.097)	0.420
Assets rentals	(21.243)	(21.243)	0.000	0.000	0.000	0.000	0.000	(21.243)	0.000	0.000
Net Operating Expenditure	**180.014**	**182.875**	**2.861**	**0.218**	**(3.096)**	**(5.405)**	**5.500**	**179.874**	**(0.140)**	**(0.351)**

3. General Fund Significant Variations and Movement in Period

3.1 Adult Social Care – underspend £0.259m after using £0.999m of unplanned one off resources. This is an adverse movement of £0.603m in the overall position since December 2017. The movement is largely attributable to the previously forecast use of the demand led reserve (£0.700m). This was not required due to the improvement in the Council's corporate out-turn.

Other movements include additional underspends in the Learning Disability service of £0.465m. In addition to staffing savings (in light of the on-going Learning Disability Service transformation), part of the additional underspend reflects that there were no new residential placements agreed in the last quarter of the year. This underspend was offset by an additional overspend in the Older People & Physical Disability Integrated Services, including external homecare due to continued rise in demand and increasing complexity of needs of existing packages.

3.2 Children and Families – overspend £1.049m after using £1.337m of the demand led reserve and £0.068m from other reserves. This is an adverse movement of £0.210m in the overall position since December 2017. The increase in overspend relates to:

- The purchase of two IT modules costing £0.050m which were made earlier as the system improvements are expected to see benefits in the service from data collection / information;
- External Placements increase of £0.104m due to new placements, changes to existing placements as a result of step downs, end of placements and reviews of current placements.;
- Agency staff had an increase in spend of £0.116m relating to the additional cost of agency staff covering vacant posts and maternity leave. There has been successful recruitment to vacancies and appointments are awaiting clearances.

3.3 Public Health – as a ring-fenced account, the overall variance to the budget is nil, however £0.127m of the public health reserve was used in 2017/18.

On-going reductions in the Public Health Grant (£0.300m in 2017/18) resulted in the budget being set with a predicted call on reserves. This approach was aimed at maintaining existing services, whilst the review of contracts and a staff restructuring took place, in order to deliver financial sustainability in the longer term. The net budgeted use of reserves at the start of the year was £0.183m; the final use of reserves was £0.127m. The reason for the £0.056m difference was due to additional costs of the Public Health restructure (£0.023m) offset by small underspends due to reduced demand for services.

3.4 Housing and Regeneration – overspend of £0.511m after using £1.500m of the homelessness demand led reserve and £0.200m from the Value for Money reserve (an increase of £0.174m since P9). The increase in overspend relates to:

- Temporary Accommodation – increase of £0.242m since 31 December 2017. Of this, £0.373m is from increased demand (including the effects of SWEP resulting from abnormally inclement weather in March, and additional winter night provision), £0.088m historic B&B costs as a result of reconciliation of invoices and payments, and £0.113m one-off void costs during transition to new TA which will be significantly cheaper in the long term; offset by savings of £0.031m due to the effect of prevention work, £0.148m increased nominations to RSLs, and £0.163m reduction in average nightly

- Staffing – there was a reduction on salary costs across the service of £0.113m since P9, largely due to vacant posts within the new staffing structure.

3.5 Growth, Economy and Culture – underspend of £0.804m after the use £0.177m of demand led reserves, an increase in surplus of £0.631m since the 31 December 2017 position due to:

- Development management improvement of £0.382m mainly due to increased Planning income. A lot of the initiatives have been developed in-house and therefore untested in terms of their value, so forecasting was a challenge.

- Development Plans increased underspend of £0.196m because some consultancy support for the preparation of Plan:MK, which had been tendered for earlier in the year, proved unnecessary.

3.6 Public Realm – overspend £0.223m after the use of £4.220m from reserves, an improvement of £0.471m since December 2017 due to:

- Further reduction in parking income of £0.283m.

- Landscape contract additional costs of £0.175m

- Additional street lighting energy costs £0.246m due to higher than expected inflation costs and reprioritisation of capital works, offset by additional highways fee income for recharges to the capital programme £0.340m

- Additional highways adoptions income £0.277m due to development in the Western Expansion area

- Regulatory Services £0.359m, mainly due lower than planned expenditure in bereavement services, and additional licensing, trading standards and building control income.

3.7 Resources MKC – underspend £0.092m. This is an adverse movement of £0.049m since December 2017, mainly due to:

- Higher Insurance Premiums £0.197m, together with reduced subsidies within Revenues & Benefits £0.066m and increased Finance costs towards ERP Training.
- Offset by £0.055m from IT due to the reduction in print units and copiers, £0.097m from Property as remedial costs lower than forecast, underspends in HR relating to Trade Union and Occupation Health, and Legal due to lower agency staff costs.

3.8 Corporate Core - underspend £0.210m. This is an improvement from that previously reported due to salary underspends £0.088m, higher than forecast street naming income £0.43m and delays to cloud migration £0.079m.

3.9 Debt Financing - underspend £0.471m due to management of cash balances in year from phasing of the capital programme and delayed service commencement on the Residual Waste Plant.

The Council revised its MRP policy in 2014, which released savings in the debt financing budget in the short term. In 2017/18, there was £10.500m headroom in this budget. As reported in the 2017/18 budget £5.500m was transferred into the General Fund Working Balance, to meet the recommended minimum balance for 2018/19 and £3.000m is a permanent budget adjustment which contributed to the overall savings figure of £13.660m from 2018/19. The remaining balance in 2017/18 of £5.000m was applied against the Council's Capital Financing Requirement which will reduce the level of future MRP needed in the revenue budget. This will deliver a future revenue benefit of circa £0.200m per annum, which was reflected in the updated budget setting report presented to Cabinet in February 2018.

3.10 Corporate – a £0.097m underspend from the Corporate contingency & sustainability items, a reduction of £0.420m from Period 9 due to the need to make provision for insurance claims (self- insurance).

4. Delivery of our Budget Reductions and Income Proposals

4.1 As part of the 2017/18 budget, the Council approved total budget reductions and new income proposals worth £22.915m, £0.400m of which was agreed to be delayed as part of the budget resolution. The out-turn position shows £17.614m was delivered by 31 March 2018, leaving a shortfall of £5.301m, of which £1.378m was mitigated by alternative budget actions and £3.124m through the use of reserves in year (this includes £2.020m resulting from the delayed service commencement of the Residual Waste Plant previously shown not shown as undelivered as one-off funding had been set aside as part of the budget process). The remaining £0.799m was offset through additional savings on other services.

4.2 £3.934m of savings planned for 2017/18 have been delayed until 2018/19 and a total of £0.967m will not be delivered at all and therefore have been included within the 2018/19 budget as additional cost pressures. The Corporate Leadership Team has reviewed the reasons why these savings have not been delivered, and the learning from this review will be incorporated into the budget planning process for future years.

Table 2 – Budget Reductions and Income Tracker Summary

	Total budgeted £m	Delayed as part of Budget process £m	Revised total budget £m	Delivery full year 2017/18 £m	Delayed until 2018/19 £m	Undeliverable £m
TOTAL	22.915	0.400	22.515	17.614	3.934	0.967

4.3 Further details on the 2017/18 savings can be found in Annex C.

5. Dedicated Schools Grant (DSG) – Key Messages and Action

The DSG is a ring-fenced grant paid to councils and largely delegated to schools through their individual school budgets. School governing bodies are responsible for their income and expenditure, and therefore DSG is not available to support MKC's General Fund.

The final out-turn position was a surplus carry forward in 2018/19 of £1.007m against a budgeted deficit carry forward of £0.264m. This is a positive movement of £0.767m from the position at December 2017. The overall DSG income budget is £236.040m. The main changes from the December 2017 position include:

- A provision of £0.438m was made in the school budget share forecast as it has been identified that there is a possible error in the Education and Skills Funding Agency's (ESFA) calculation of the 2016/17 academy recoupment costs and that therefore, the 2016/17 DSG allocation may have been overstated. This has now been investigated and the ESFA have confirmed that this will not be clawed back.

- In the Early Years block there was a positive movement of £0.593m due to the initial funding of the 30 hour offer being based on an estimate and actual take up during the year has been lower (in line with most local authorities). This underspend will be carried forward to 2018/19.

- Although High Needs had an under spend in year of £0.143m, since the December 2017 forecast, the underspend has reduced by £0.253m. This is as a result of additional top up funding being required due to a mixture of new starters, banding changes and amendments to the additional hours being paid.

6. Housing Revenue Account (HRA) – Key Messages and Actions

The HRA is reporting a £1.023m surplus in year after applying reserves, in line with the previously forecast out-turn.

Table 3 – HRA Forecast Income & Expenditure Account to 31 March 2018

Description	Budget £m	Out-turn £m	Variation £m	P9 Forecast Variance £m	Change in Variance
Dwelling Rents	(52.956)	(52.966)	(0.010)	0.000	(0.010)
Non Dwelling Rents	(0.332)	(0.319)	0.013	0.000	0.013
Other Charges for Services and Facilities	(2.561)	(2.666)	(0.105)	0.006	(0.111)
Total Income	**(55.849)**	**(55.951)**	**(0.102)**	**0.006**	**(0.108)**
Repairs and Maintenance	9.340	10.083	0.743	0.000	0.743
General Management	5.939	6.839	0.919	0.039	0.880
Special Services	3.027	2.694	(0.352)	(0.046)	(0.306)
Rent, Rates, Taxes and other Charges	0.176	0.180	0.004	0.000	0.004
Provisions	0.614	0.456	(0.158)	0.002	(0.160)
Interest and Repayment of Capital Debt	8.744	8.572	(0.172)	0.000	(0.172)
Depreciation and Impairment	12.978	13.301	0.323	0.000	0.323
Contributions to Reserves	0.000	-	-	0.000	0.000
Capital Transfers & Contributions	15.031	12.803	(2.228)	(1.024)	(1.204)
Total Expenditure	**55.849**	**54.928**	**(0.921)**	**(1.029)**	**0.108**
Net Surplus for the year	**0.000**	**(1.023)**	**(1.023)**	**(1.023)**	**0.000**

6.2 Overspends in Repairs & Maintenance £0.743m (largely due to the reclassification of costs from capital to revenue) and General Management £ 0.919m (largely due to overhead recharge budget shortfall £0.334m and salaries £0.520m excess agency staffing costs and budget shortfalls resolved in the 2018/19 budget) have, together with the rationalisation of revenue reserves, resulted in reduced requirement for contributions to capital reserves. The net HRA position is in line with the previously forecast out-turn

6.3 The out-turn HRA balance at March 2018 is £7.259m, which is in line with the 2018/19 budget and Medium Term Financial Plan forecast.

Table 4 - HRA Working Balance at 31 March 2018

	2017/18 Budget £m	Out-turn £m	Variance £m
Uncommitted Reserve b/f	(4.569)	(6.236)	(1.667)
Net (surplus)/deficit in year	-	(1.023)	(1.023)
Uncommitted reserve c/f	**(4.569)**	**(7.259)**	**(2.690)**

7. LGSS

7.1 On 1 April 2016, MKC joined the LGSS shared service partnership with Northamptonshire and Cambridgeshire County Councils. The primary objectives of the partnership are to provide greater resilience and the reduction in cost, on a range of “back-office” services, which include Audit, Risk and Fraud, Insurance, Procurement, Democratic Services, Finance, Human Resources (HR) and Information and Communication Technology (ICT). The budgets for these services are now delegated to LGSS, which makes decisions on the running of the Partnership on behalf of the Council. A Joint Committee of Councillors from the constituent local authorities is responsible for ensuring the Partnership continues to meet the needs of the member organisations.

7.2 Within the overall budget £0.830m savings were built in, which is the Councils share of the savings from the outline business case. Actual savings are significantly lower than planned as a result of delays with the implementation of ERP gold and its consequential impact on restructuring. The out-turn shows £0.398m delivered (MKC share) with the balance being delivered late. The financial impact of this is to be mitigated by the use of LGSS reserves, which is subject to the agreement of the LGSS Joint Committee.

8. Capital Programme Delivery – Key Messages and Action

The Council had an approved Capital Programme in 2017/18 of £230.949m and spend approval of £230.532m. The out-turn expenditure was £220.343m, a net underspend against spend approval of £10.188m.

As part of the closure of accounts financing adjustments for overspends and additional funding received in year, totalling £6.275m were required to cover new schemes and timing of specific project expenditure, following these adjustments rephasing of £13.208m spend approval is requested into 2018/19.

Table 5 - Capital Programme Summary of Approvals, Forecast Spend and Re-phasing

Directorate	Current Spend Approval	Out-turn	Variance	Movt from P9	Additional Funding	Over/ (under) spend approval	Re-phasing 18/19	Funding not required
	£m	£m	£m	£m	£m	£m	£m	£m
People	22.400	20.163	(2.237)	(2.198)	0.350	(2.587)	2.490	0.097
Place	189.231	181.300	(7.932)	(8.171)	3.854	(11.786)	8.661	3.125
Resources	16.796	17.107	0.311	(0.766)	2.037	(1.726)	1.693	0.033
Corporate Core	2.105	1.774	(0.331)	(0.331)	0.033	(0.364)	0.364	0.000
Total Programme	**230.532**	**220.344**	**(10.188)**	**(11.466)**	**6.275**	**(16.463)**	**13.208**	**3.255**

A detailed report on the capital programme schemes, amendments to the programme and total re-phasing in year is shown in Annex D of the June report to Cabinet on the ‘Revisions to the Capital Programme’.

8.1 Re-phased Projects

There are 161 capital projects totalling £13.208m, for which the approved 2017/18 budget will not be spent as planned, and as such the projects will be re-phased into future years. The main reasons for the slippage on these schemes include utilities issues, delayed procurement and third party delays.

The significant variations are:

People

- Education – **Kents Hill Campus Primary and Secondary Schools, £1.066m underspend** will be re-phased to 2018/19, the furniture and equipment grant could not be made until a signed agreement was in place for the management of the school. An agreement is now in place and it is anticipated the grant being made in early May.
- Education – Whitehouse Secondary, £0.236m underspend will be re-phased to 2018/19 due to slippage in the project programme.
- Education – Orchard Academy Expansion, £0.233m underspend will be re-phased to 2018/19, the project is nearing completion and still plans to complete June 2018.

Place

- Culture - MK Gallery Expansion, £0.453m underspend will be re-phased to 2018/19, contractors on site however March grant contribution not made as agreed milestones not achieved due to bad weather, now anticipated May 2018.

- Public Realm – **Monkston and Brinklow V11 Improvements, £0.582m** will be re-phased to 2018/19**.** The project is on hold and has been assessed by the Prioritisation Matrix. A report is being presented to the Transportation Infrastructure Board for a decision on whether the project should proceed.

- Public Realm – **Bridges, £0.319m underspend** will be re-phased to 2018/19, various schemes have been delayed due to design work and option appraisals work, delivery to progress during the drier months with improved access.

- Public Realm – **Redway Super Routes 2 projects**, **£0.291m underspend** will be re-phased to 2018/19, design has been completed and work has started however not all completed in 2018 as resource concentrating on Redway Super Route project which was funded by the National Productivity Investment Fund Grant and had a March 2018 time condition on funding.

- Public Ream – **LED Lighting in estates, £0.374m underspend** will be re-phased to 2018/19, there was a manufacturers delay in supplying the LED lanterns which has delayed the work on estates in Bletchley and Olney.

- Public Realm – **Solar Photovoltaic at Residual Waste Treatment Facility (RWTP) , £0.220m underspend** will be re-phased to 2018/19, this project was always planned to be undertaken after the purchase of treatment plant, due to the delay in RWTP this project can now only be progressed.

- Housing – **Decent Homes Programme - Electrics**, **£0.400m underspend** will be re-phased to 2018/19, this is a rolling programme and the majority of work undertaken in 2017/18 has been of more minor revenue issues, however work on domestic properties and communal areas has been identified and will be undertaken in Q1 and Q2 2018/19 respectively.

- Housing – **Structural – roofing – £0.815m underspend** will be re-phased to 2018/19, work delayed due to design work on Stantonbury and party wall delays on Greenleys. Greenleys to complete Q1 and Stantonbury pilot in Q2 2018/19 respectively.

- Housing – **Purchasing Properties - £0.854m underspend** will be re-phased to 2018/19, the purchase of 4 properties are in the pipeline and plan to complete end of June to mid July.

Resources

- Resources – Future Working Programme – **Air Cooling System, £0.316m underspend** will be re-phased to 2018/19, the split between building work and Cooling system has been revised and, funding will be used to complete the overall project early in 2018/19.

- Resources – **Whitehouse Health Facility, £0.949m underspend**, will be re-phased to 2018/19, collaboration agreement still to be signed to allow purchase of land, this is not expected until summer 2018.

Corporate Core

- Strategy – **Go Ultra Low - Infrastructure, £0.314m** underspend will be re-phased to 2018/19 in line with the revised project profile, infrastructure work has started on the recharging hub at the Coachway site and will complete in 2018/19.

8.2 Projects with Projected or Actual Variations to Spend Approvals

There are 130 capital schemes where projects are forecast to exceed spend approval by a total of £7.403m, this is in part offset by 32 schemes where it is forecast there will be an underspend of £1.128m against spend approval where funding has been moved within the programme.

Place

- Housing – **Structural roofing**, **£1.000m underspend** as funding has been duplicated in the HRA programme, the funding can be returned to the Housing Capital Programme for future allocation. This is an increase in underspend of £0.732m compared to the December report.

- Housing – **Decent Homes Programme - Electrics**, **£0.725m underspend,** the works undertaken in 2017/18 were predominately of a minor revenue nature, and the budget had assumed a more extensive level of works. The funding can be returned to the Housing Capital Programme for future allocation. This is an increase in underspend of £0.074m compared to the December report.

- Housing – **Decent Homes Programme – Boilers, £0.767m underspend**, proportion of boilers did not require replacement when surveyed and high levels of no access with regards to asbestos tests, the funding can be returned to the Housing Capital Programme for future allocation. This is an increase in underspend of £0.680m compared to the December report.

- Housing – **Heating projects**, historic work by Weldon's is being reviewed by external surveyors to estimate any previous years over/(under)payment, this expenditure has been charged to revenue as a prudent approach while we await the outcome of the review. This is a reduction in forecast expenditure of £0.763m compared to the December report.

- Public Realm **– Carriageway Re-surfacing Programme - £1.153m overspend,** this is before year end funding adjustments, which predominately relates to 2017/18 incentive funding and pothole action grant which was not granted to MKC until late in the financial year. There was no overspend forecast on the December report.

Resources

- Resources – ERP System, **£0.962m overspend** due to delay to implementation date and specialised resources required; funding has been allocated to the project as a year end financing adjustment now costs had been allocated, there will be further costs in 2018/19 for go-live implementation in April 2018.This is a reduction in in year overspend of £0.126m compared to the December report.

8.3 Summary of Amendments to the 2017/18 Capital Programme

Table 6 shows a summary of total amendments to the capital programme required as a result of the final capital out-turn.

	Resource Allocation	**Spend Approval**
	£m	**£m**
Approved Programme	**230.949**	**230.532**
Additional Funding	6.043	6.275
Revised Programme	**236.992**	**236.807**
Actual Expenditure	220.344	220.344
Underspend in year	**16.648**	**16.463**
Breakdown of Underspend		
Re-phasing to later years	*13.523*	*13.208*
Programme Underspend (funding no longer required)	*3.125*	*3.255*

8.4 The year- end re-phasing of £13.523m adds to re-phasing already completed in year, bringing the total amount to £94.19m as detailed in Annex D Table 2.

9 MK Tariff & Section 106 Contributions

9.2 The Tariff investment programme for 2017/18 has a spend approval of £17.880m versus an out-turn of £11.737m; an underspend of £6.143m. The Tariff schemes are largely contributions to wider schemes which are delivered by MKC and/or external partners. The underspend is mainly due to delays in the delivery of Whitehouse Health Facility £0.949m, delays in the signing of the agreement for the Cancer Centre £2.000m, and delayed works in kind being delivered by developers of £2.641m

9.3 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.

9.4 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.

9.5 For year ending 2017/18, £3.94m of S106 funding was transferred for financing of the Capital Programme. £3.42m is currently allocated within the Capital Programme for 2018/19, and a further £3.21m is currently allocated within the Capital Programme for 2018/19, onwards.

9.6 £2.4m of this allocated programme funding has not yet been received. In addition to capital allocations, there is approximately £5.6m of S106 allocated to Revenue. A further £3.16m 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.

9.7 The remaining balance of £16.71m is yet to be committed; however all of the funding is notionally ring-fenced to approximately 320 individual S106 contributions, covering almost 400 individual projects.

9.8 The total s106 resource currently stands at £29.7m of which £12.99m is currently allocated or earmarked to projects.

10 Collection Fund Monitoring

10.1 The Collection Fund includes all income generated from council tax and business rates that is due in the year from council taxpayers and ratepayers.

<u>Council Tax</u>

10.2 The out-turn position is a surplus of £5.165m (£1.319m carried from previous year), of which £4.409m is MKC's share. The declared surplus of £3.414m (MKC share) will be distributed in 2018/19 and transferred to the Business Rates Equalisation Reserve in line with the 2018/19 Cabinet Budget report. (Not included in Annex breakdown of reserves as it is an useable reserve). The remaining £0.995m surplus will be available in 2019/20.

Table 6 Council Tax Income

	Period 9 £m	Out-turn £m	Movement £m
Council Tax Collection Fund Surplus	4.247	5.165	(0.918)
MKC Share	3.619	4.409	(0.790)

10.3 The main reason for the improved position from Period 9 is that the impact of Local Council Tax Reduction (LTCR) was lower than anticipated. Costs of the LCTR fell steadily throughout the year in line with previous years due to the buoyant local economy.

Business Rates

10.4 The Council's baseline for business rates income is £43.4m. When the budget was set £3.7m growth was included. The out-turn position shows that the overall growth has increased by £4.8m.

Table 7 Business Rates Income

MKC Share	**Budget** **£m**	**Out-turn** **£m**	**Movement** **£m**
Business Rates	47.1	48.4	1.1

10.5 This takes into account the Levy payment on growth and impact of s31 grants for reliefs funded by Central Government. The surplus on business rates income will be credited to the business rates equalisation fund and is therefore not been included within the GF Revenue Out-turn.

11 Debt Collection and Performance

11.1 Annex E details the rates and percentages achieved in 2017/18 for debt collection.

12 Implications

12.1 Policy

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

12.2 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

13.3 **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.

12.3 **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.

12.4 **Other implications**

All implications are outlined within the report.

ANNEX A Forecasted Reserves Position

ANNEX B Summary of Budget Virements

ANNEX C Tracker of Budget Reductions and Income Proposals

ANNEX D Capital Programme

ANNEX E Debt Collection Performance

Background Papers: 2017/18 Revenue Budget and Capital Programme as approved by Council in February 2017.

Revisions to the Capital Programme, Cabinet June 2018