Wards Affected:
All Wards

ITEM 16

CABINET

11 OCTOBER 2016

REVENUE AND CAPITAL BUDGET MONITORING REPORT - TO END OF SEPTEMBER 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 £1.929m, after the use of £3.116m of one-off resources (a reduction in the overspend of £0.246m since P5). However, there is a significant additional risk from the delay to the Residual Waste Treatment Facility of up to £0.862m (after the use of £2.300m of one-off reserves).

The Dedicated Schools Grant is reporting a forecast overspend of £1.092m against budget (an increase in overspend of £0.044m since P5). The Housing Revenue Account is reporting a (£0.957m) surplus.

The Capital Programme has spend approval of £270.559m. The outturn is £261.670m, an overall variation of (£8.889m)

This report contains additional information on workforce, treasury management activity, LGSS, write offs and debt, S106 and the Tariff programme.

The Milton Keynes Development Partnership is forecasting a revenue outturn overspend of £0.150m.

1 Recommendation(s)

1. That the current forecast outturn of £1.971m, after the use of (£3.116m) of one-off resources and the mitigating management actions which are currently underway be noted.
2. That the current risk due to the delay in the Residual Waste Treatment Facility of up to £0.864m (after the use of £2.300m of the Waste Risk Reserve) be noted
3. That the forecast outturn for the DSG; HRA, 2016/17 Capital Programme, Tariff programme and S106 position be noted.
4. That the treasury activity the movement in establishment; the amounts written off during the year and the current debt position of the Council at 30 August 2016 be noted.

5. That the forecast outturn for the Milton Keynes Development Partnership be noted.

2. CLT View

2.1 The forecast outturn position shows an overall overspend for the Council for 2016/17 of £1.929m. The main areas of concern are:

- The additional demand for temporary accommodation, which is impacting on a number of services across the Council;
- The need to address the Public Health contracts following reductions in Government funding;
- 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.
- The merging delay to the Residual Waste Treatment Facility, which has increased the costs of waste disposal compared to the budgeted position which reflected the plant operating from 1 September.

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 causes 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:

- The Housing Service are developing a number of alternative housing solutions, in addition to the measures already underway, but the impact of these additional property solutions is unlikely to offset the overspend in the current year. However, it will help to minimise the impact on the 2017/18 Budget.
- 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.
- Public Health colleagues are working with contractors to review the costs of service delivery and bring expenditure into line with budget. The costs for this year are being met from the ring-fenced Public Health Reserve.
- Discussions are currently underway 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.

2.4 In light of the forecast overspend, all services are being asked for options to reduce this overspend, this includes considering if future years budget options can be implemented more quickly.

3. General Fund Revenue Outturn

Table 1 below shows a £1.929m forecast outturn overspend as at the end of September 2016.

Table 1: Forecast Outturn as at September 2016

	Budget £m	Estimated Outturn £m	Projected Variation £m	Movement since P5 £m
Adult Social Care & Health	60.446	60.275	(0.171)	(0.013)
Children and Families	46.342	46.934	0.592	0.019
Public Health	12.029	12.029	0.000	0.000
Total People	***118.817***	**119.238**	**0.421**	**0.006**
Corporate Director of Place	0.030	0.030	0.000	0.000
Housing & Community	1.521	2.706	1.185	0.022
Planning & Community Facilities	7.095	7.095	0.000	0.000
Public Realm	32.640	32.640	0.000	0.000
Total Place	***41.286***	**42.471**	**1.185**	**0.022**
Resources Retained by MKC	7.599	8.090	0.491	0.117
Resources Managed by LGSS*	2.315	2.315	0.000	0.000
Total Resources	***9.914***	**10.405**	**0.491**	**0.117**
Total Corporate Core	***0.703***	**0.856**	**0.153**	**0.000**
Net Operating Expenditure	**170.720**	**172.970**	**2.250**	**0.145**
Debt Financing, Sustainability items, levies and asset rentals	15.331	14.931	(0.400)	(0.400)
Less Resources available	**(186.051)**	**(186.051)**	**0.000**	**0.000**
Net (under)/overspend	**0.000**	**1.850**	**1.850**	**(0.255)**
LGSS (MKC Share)			0.079	**0.009**
Overall Position including LGSS			**1.929**	**(0.246)**

*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 (which was based on period 4 report to the LGSS Management Board) showed a forecast overspend of £0.636m. This would result in a cost to Milton Keynes of £0.077m. The MKC partnership share is reflected in the overall forecast outturn position above. The LGSS Management Board are identifying management actions to offset this overspend.

Significant movements and issues from last period

Residual Waste Treatment Facility

3.1 The most significant risk for the Council is the forecast delay in the delivery by an external contractor of the Residual Waste Treatment Facility. 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. Information from the contractor indicates the facility will be delayed by up to 8 months. This delay has the following financial impact in 2016/17 for the Council:

Additional Project Costs	**£m**
Additional costs of landfill, as lower contract rates are not available	0.979
Lost income from selling spare capacity and Government incentives	0.461
Costs from financing the project	2.842
Total Estimated Costs	**4.282**

3.2 While the majority of the costs associated with this project were eliminated earlier in the project, costs of disposing of Milton Keynes Waste until the facility was opened remained a risk for the Council. In order to mitigate against the remaining risks in the project, a risk reserve has been held of £2.3m, which can be released to offset some of this cost.

3.3 In addition, 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.

3.4 The Council is also in discussions with the contractor to determine if there are any other measures which can mitigate the financial impact for the Council. The table below shows the overall financial impact, which will be reflected once contractor discussions have been confirmed in the next few weeks.

Mitigation	**£m**
Investment interest	(0.455)
Cost reduction from delaying additional borrowing	(0.663)
Risk reserve	(2.300)
Total Mitigations	**(3.418)**
Current additional risk, after mitigations	***0.864***

3.5 The position will be monitored closely and updates will be provided to Councillors as appropriate. Once there is greater clarity of any proposals from to mitigate the impact of delay, the additional costs and mitigations in respect of both 2016/17 and 2017/18 will be reassessed and the resulting impact for the Council will be determined.

Other Movements in Period

3.6 There has been a delay to the delivery of Customer Services savings. This was due to a historic savings target, which pre-dated the revised programme. Savings are being delivered from the work to change Adult Social Care customer services and from resource reductions in the Customer Service centre, which will partially offset the requirements. In addition benefits are still being quantified from the Adult Social Care website and self-service systems, along with benefits from introducing online payments. However, while work is progressing well it is likely savings in these areas will only be partially realised in 2016/17. This is reflected as a potential under delivery of £0.117m against the residual savings requirements.

3.7 In Resources managed by LGSS, a (£0.100m) underspend is forecast in Procurement due to the Head of Service leaving earlier than expected and other vacant post being held while the service is being restructured. The service is resourcing some additional interim capacity to support the delivery of key programmes.

Significant Overall Revenue Variances

3.8 Adult Social Care & Health is reporting a forecast underspend of (£0.171m) compared to budget. The key variations include:

- The Integrated Community Equipment Service is forecast to overspend by £0.170m. This continues to reflect increased activity on hospital admission avoidance and increased number of same day deliveries which supports the hospital discharge process.
- Older People's Community Support Services is forecast overall to be overspent by £0.213m. The main variations within this position include Internal Homecare is forecast to be £0.225m overspent; predominantly due to an unachievable client contribution income budget £0.118m and a forecast overspend in staffing of £0.124m reflecting the need to cover shifts during staff absences. Staffing costs cannot be reduced further without impacting on front line service delivery and reducing capacity for care.
- An estimated underspend of (£0.283m) for Manor House based on current care needs.
- Intermediate Care Services underspend of (£0.100m) due to delays in recruiting to posts.
- Learning Disability Services underspend due to part- year staffing vacancies (£0.184m)

3.9 Children & Families are forecasting an overspend of £0.592m, (£1.436m before the use of one-off reserves). The key variations include £0.762m forecast overspend on Home to School Travel £0.284m reflects the ongoing costs of additional children accepted for travel late in 2016/17, after the Budget had been set and an increase of 95 pupils being transported since March 2016 creating a further pressure of £0.475m. Included within this budget are 152 pupils (July 2016) in temporary accommodation being transported, many from out of borough, at a forecast cost of £0.300m pa (an overspend of £0.184m against budget). Expenditure on these contracts has significantly increased since

September 2015 when 19 pupils were being supported at a cost of £0.070m pa. The overspend will be offset in part by a drawdown of (£0.300m) from the demand led reserve. Work continues to review scheduling; consider alternative transport solutions; manage eligibility and reduce costs for temporary accommodation.

3.10 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.

3.11 Housing & Community - The Temporary Accommodation budget is expected to overspend by £1.185m after use of reserves of (£1.533m) (no change from period 5). This is due to:

- Higher numbers in B&B hotel accommodation at the start of the year (156) than budgeted for (63).
- A further increase in numbers in B&B hotel accommodation at the end of August to 175.
- An increase in homeless families in non-B&B accommodation from 148 in April to 220 in August.
- 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. Total number of general needs properties becoming empty this year is projected to be 210 compared to 315 for 2015/16 and 535 for 2014/15.

3.12 Savings expected from temporary accommodation properties to be provided by 3 Conditions Housing Association are not now expected to be achieved, but the position is being closely monitored.

3.13 Public realm is reporting balanced forecast against budget. There are a number of variations within the service:

- Additional costs of £0.566m 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.
- There is an in year reduction in the expected NNDR costs at the waste plant of (£0.150m) due to its opening later in the year.
- Proposals to generate (£0.100m) of income by providing traffic management plans through Ringway to events, will not be achieved. Further investigation of the saving has found it to require major marketing and resource investment, which would be unlikely to generate a profit.
- Use of the residual Bus Service Operator Grant (£0.359m) will offsetting the additional costs in Concessionary Fares of £0.112m due to increased reimbursement rates from bus operators, and under achievement of Community Transport £0.105m savings targets.
- Savings of (£0.236m) are forecast from vacant posts across the service.

3.14 The overall forecast investment return is (£0.400m) 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. This is separate to the items highlighted above to offset the delay to the Residual Waste Treatment Facility.

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 95% (£23.043m) are forecast to be delivered. 3% (£0.657m) of the remaining savings will be delayed until 2017/18; (£0.520m) was agreed in the 2016/17 Budget. £0.554m is undeliverable and 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)**	**(20.117)**	**(2.926)**	**(0.520)**	**(0.137)**	**(0.554)**

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:

- £0.100m for the rationalisation of Play Areas across Milton Keynes in line with the Play Area strategy 2013/2023.
- £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.

3.17 In addition there is one proposal which is taking longer to deliver than anticipated:

- £0.117m 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.

3.18 The following savings are undeliverable:

- £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. Dialogue has recommenced with bidders to explore options to reduce future costs.

- 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.

- £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.

- £0.250m 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. It was also anticipated that savings would be identified from historical eligibility checking, which again, upon thorough investigation, the cases were found to be eligible and no savings identified. Take up of mileage payments and personal budgets have also been lower than anticipated so only minimal savings have been achieved against these strands. While the original plan has not delivered the savings anticipated, alternative ways of delivering savings in this area are currently being developed.

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	1.929
Drawdown from Risk Reserves (approved as part of 2016/17 budget setting process)	(1.929)
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.

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 forecast deficit on the DSG is £1.092m (an overspend of £0.993m compared to Budget and a movement of £0.044m since P5). This deficit will be carried forward into 2017/18 and be a first call on the 2017/18 DSG, subject to Schools Forum approval, unless other savings can be found from other DSG budgets during the year.

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

- Central Spend High Needs - Independent Special School placements are currently forecast to overspend by £0.802m due to the increase in cost of joint social care and education placements. The 22 most expensive placements are forecast to cost £3.526m for the year (there are 54 active placements in total as at July 2016).

- £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).

- 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.

- There is a forecast overspend of £0.186m 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.

6. Housing Revenue Account (HRA)

6.1 The HRA is reporting a (£0.957m) surplus. This is made up (£0.910m) as the closing balance from 2015/16 was a higher surplus than expected and (£0.047m) net underspends identified this year. The forecast surplus has increased by (£0.016m) since the period 5 report.

6.2 Breakdown of main in-year variations:

- Dwelling Rents - £0.024m net reduction in rent income due to decommissioning of Orchard house sheltered scheme (to be completed middle of this year) and higher initial level of empty void properties at start of year due to transition to new contractors, offset by additional income of (£0.065m) due to anticipated rent from new acquisitions, an improvement in re-let turnaround, and a fall in Voids turnover.

- 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.

- Total debt is increasing faster than it did last year (by 6% compared to 3.5%) though from a lower base (£2.8m compared to £3.1m) mainly due to a lower proportion (52.5% compared to 53.5%) being paid through Housing Benefit. Universal Credit, however, is being rolled out more slowly than anticipated and will therefore have less of an impact on arrears. Contributions to the provision for bad debts are therefore expected to be lower than budgeted by (£0.180m) this year. The service will continue to actively pursue collection of both current and former tenant arrears.

6.3 The HRA balance at September 2016 is £5.526m. This continues to exceed the Prudent Minimum HRA level of £4.500m.

Table 4: HRA Outturn Summary

	2016/17 Budget £m	Period 6 £m	Variance £m
Net (surplus)/deficit in year	0.000	(0.047)	(0.047)
Uncommitted Reserve b/f	(4.569)	(5.479)	(0.910)
Uncommitted reserve c/f	**(4.569)**	**(5.526)**	**(0.957)**

7. Capital

7.1 The Capital Programme forecast outturn is £261.670m compared to a Spend Approval of £270.559m, a variation of (£8.889m). This variation includes a reported overspend of £0.243m for the completion of the A421 Pinch Point Scheme, offset by an underspend on Oakgrove Primary School (£0.429m).

7.2 A total of (£10.434m) will be rephased into 2017/18 due to delays starting the schemes. There are four projects that are currently forecasting overspends totalling £1.900m, this is purely a timing issue, Resource Allocation has been approved in the Capital Programme and Spend Approval is being requested.

Table 5: Summary of capital expenditure forecasts as at 30th September 2016

Directorate	Latest Spend Approval	Forecast Spend as at 30/09/16	Variation Over /(under) Spend Approval		
			Total	Forecast Re-phasing	Over/(under)spends
	£m	£m	£m	£m	£m
People	58.094	56.878	(1.216)	1.741	0.525
Place	192.930	187.377	(5.553)	5.814	0.261
Resources	15.479	15.660	0.181	0.579	0.760
Corporate Core	4.056	1.755	(2.301)	2.300	(0.001)
Total	**270.559**	**261.670**	**(8.889)**	**10.434**	**1.545**

7.3 **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.

7.4 **Major Underspends are:**

Oakgrove Primary School, (£0.429m), school build to complete in August and draft final account forecasts an underspend, funding will be used for other education schemes.

7.5 **Additional Resources Required:**

There are no projects identified as requiring any additional funding outside of that allocated in the Capital Programme.

7.6 **Major Re-phasing:**

- **Kents Hill Secondary and Special School**, (£0.600m), the enabling contract has been signed and work started on site in July, this is a two month delay to the original programme due to planning conditions regarding safer walking routes for pupils. The school opening has been delayed from September to October 2017 and once the provider has been confirmed options around transitional accommodation will be agreed.
- **Oxley Park Primary at Shenley Wood**, (£1.084m), work started on site in August, start on site impacted by agreeing main contract but agreed programme will not affect the completion date of August 2017.
- **MK Broadband,** (£0.889m), phase one of the project has been completed and BT have confirmed each individual partners contributions are lower than originally forecast. BT has proposed a “Soft landing” approach which will allow these surplus funds to be retained by the partner organisations and invested in broadband future procurements. The MKC position has yet to be formalised.
- **Four Garages at Bletchley**, (£1.500m), project still at planning stage but expected to be on site in November, due to the nature of the sites, developing proposals has proved lengthy and challenging within funding available, as such only 3 out of the 4 sites can be developed.
- **MK Museum**, (£2.032m), following re-alignment of funding, the project has been re-designed and a new contractor appointed, delivery timescales are to be finalised by the end of September.
- **Go Ultra Low – Infrastructure**, (£1.482m) this project will now be delivered over a five year period by our Highways contractor, delivery will start November 2016.
- **Go Ultra Low – Vehicles**, (£0.818m) the contract is planned to be awarded in November and first vehicles delivered by the end of the calendar year, with further vehicles being delivered over future years.

7.7 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	35
Green/ Amber	One of the key criteria cannot be delivered within tolerance; project risks are being managed.	20
Red/ Amber	Two or three of the key criteria cannot be delivered within tolerance. Risks need to be escalated	1
Red	All four key criteria cannot be delivered without further significant. Risks need to be escalated.	1

8. MK Tariff

Resource Allocation – 2016/17

8.1 The Tariff investment programme for 2016/17 has spend approval of £21.069m with a outturn of £21.361m. The schemes in this programme are largely contributions to wider schemes which are delivered by MKC and/or External partners. A number of schemes within the programme have requested further spend approval, which will be reported to Cabinet in October 2016. These adjustments will bring the programme back within budget.

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.

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.

9.2 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.

9.3 £8.060m is currently allocated within the Capital Programme for 2016/17, with a further £7m allocated in future years to 2019/20. Approximately £5m of this is yet to be received.

9.4 In addition to capital allocations there is approximately £3.650m of S106 allocated to revenue, this includes the following:

- £1.290m for Public Transport (bus services)
- £0.028m for Play Areas

- £0.034m for Waste Receptacles projects
- £2.070m for Open Space and Play Area Maintenance
- £0.089m for Public Art
- £0.140m for Playing Fields Maintenance

9.5 A further £2.52m 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.

9.6 The remaining balance of £11.779 is broken down into approximately 220 individual S106 contributions, covering more than 360 individual projects.

9.7 **Table 4: Summary of the S106 Resources**

Service / Works	**Amount**	**Notes**
Carbon Offsetting	£0.126m	For carbon offsetting measures borough wide.
Education	£1.16m	For specific education projects, some which have been identified but not yet programmed.
Environmental Services	£1.56m	Majority for Open Spaces. Some for Play areas and specific maintenance projects.
Highways	£1.74m	Includes £0.310m for highway works at the Stadium and £0.664m for CMK and £0.392m for Oakgrove
Leisure	£2.13m	Includes £0.911m for 13 different community halls, contributions to playing fields, libraries, sports halls and swimming pools
Miscellaneous	£0.325m	Includes £0.251m for Bletchley which needs DCC approval.
Public Art	£1.19m	Covers 19 Public Art projects across MK
Public Transport	£0.328m	Funding for bus infrastructure – projects to be identified.
Social Infrastructure	£3.22m	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.

9.8 The total s106 resource currently stands at £33.01m of which 64.3% is currently allocated or earmarked to projects.

10. Establishment Reporting

The total establishment at the end of August is 2.617 FTE, an increase of 9.71 FTE since the 31st May 2016, but a decrease of 78FTE since 31st March 2016. This is largely due to the transfer of Building Services staff to YourMK Regen partnership and Mears (45.23 FTE), and 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 30th September 2016 are as follows:

- Investment income returns were 0.76%, which outperformed the benchmark 3 month LIBID (a measure of inter-bank lending rates) by 38 basis points;
- No new borrowing, repayments upon loan maturity or debt rescheduling exercises were undertaken during the quarter. One existing Lender Option Borrower Option (LOBO) loan has been converted into a fixed-term, fixed rate loan by the provider;
- The Prudential Indicators remain on track.

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

12. LGSS

12.1 On the 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 & 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	4.46	1.191	1.331	1.938

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 31st August 2016.

	Net collectible debit (In year) £m	Amount collected £m	Collection rate %	Collection target %
Council Tax Liability	124.201	60.932	49.06%	48.50%
NDR Liability	167.835	79.395	47.31%	48.50%
Total	**292.036**	**140.327**		

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 above.

13.5

	Total Debt Outstanding £m	0-90 days overdue £m	91-180 days overdue £m	181+ days overdue £m
HRA Housing Debt	3.568	1.095	1.038	1.471

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	0.879	4.885

14. Debt Write offs

14.1 The total amount of debt written off to 31st August 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	22.849	0.124
0.003	GF/MKC Debts	1.980	0.022
0.152	Housing Benefits	37.974	0.003
0.134	Council Tax	124.201	0.071
1.069	Non Domestic Rates	167.835	0.246
0.756	General Debtors	35.739	0.073
2.518	**Total**	**390.578**	**0.539**

14.2 The write offs above have already been actioned in line with the Financial Scheme of Delegation. However, there are a further two write offs over £0.020m, which are being reported to Cabinet for information. Both of these are care costs for clients who have since passed away so there is no option but to write off the debt, in accordance with approved Financial Regulations. The debts are as follows:

- Customer A £0.031m – Care costs from June 2013 - September 2014. We have been unable to contact the son in South Africa to assess if there is money from the estate to pay for these care costs.
- Customer B £0.023m – Care costs from August 2012 – December 2016. The client had no known property assets and the son has stopped making payments. The Council is seeking to recover the money through the courts but as the son is on limited income, there is little prospect of recovering this debt.

15. Milton Keynes Development Partnership (MKDP)

15.1 The table below shows the Milton Keynes Development Partnership financial position as at the end of June 2016.

	Budget £'m	Forecast Outturn £'m	Projected Variation £'m
Management Overheads	0.801	0.985	0.184
Asset Management Costs	(0.839)	(0.814)	0.025
Car parking	(0.508)	(0.568)	(0.059)
Contributions to MKC	0.207	0.207	0.000
Net position for MKDP	**(0.339)**	**(0.189)**	**0.150**

15.2 The variance is due to additional staff costs agreed by the Board £0.184m offset by an underspend of site development costs in 2015/16 and an adjustment in contractor costs (£0.050m).

16. Annexes to this report

Annex	Treasury Management report at Period 6

17. Implications

17.1 Policy

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

17.2 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

17.3 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.

17.4 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.

17.5 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

Council Meeting 17 February 2016