Wards Affected:
All Wards

ITEM **13**

CABINET

2 JANUARY 2018

FORECAST OF GENERAL FUND REVENUE, HOUSING REVENUE ACCOUNT, DEDICATED SCHOOLS GRANT AND CAPITAL PROGRAMME OUTTURN FOR THE PERIOD AS AT 31 DECEMBER 2017

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

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

- General Fund Revenue Account (GFRA) – a forecast overspend of £2.643m. This includes £8.153m reported overspend within the service areas and an underspend of £5.500m in debt financing (which is due to savings on debt financing following a change to the Council's MRP policy). This is an increase in the directorate reported positon of £1.231m since P6 and an improvement within debt financing of £5.500m, as at 30 September 2017).
- The forecast overspend of £2.643m has been reduced by the use of £2.432m from reserves. This net transfer consists of £3.710m from demand led reserves to fund unbudgeted pressures, plus £4.222m from other earmarked reserves, less a £5.500m contribution to the general fund working balance. This has reduced the overall projected deficit to **£0.211m**. This net projected overspend will be funded from the General Fund Working Balance. Details of this are set out in Table 1.0 in the report, together with specific actions taken by management to mitigate the future impact of the projected overspend.
- Dedicated Schools Grant (DSG) - the budget was set with an estimated deficit carry forward into 2018/19 of £0.264m, the forecast position as at 31 December is a surplus carry forward of £0.240m. Details of this are set out in paragraph 4.1.
- The Housing Revenue Account (HRA) forecast is a surplus of £1.023m, details of this and management actions being taken are set out at paragraph 5.2.
- Capital Programme – total forecast expenditure is £231.810m, which will result in an underspend of £9.114m against the approved plan of £240.924m (£10.551m of expenditure planned in 2017/18 has been re-phased into later years.) Details are set out at paragraph 7.1.

1. Recommendations

1.1 That the General Fund Revenue Account forecast of outturn of £0.211m overspend, after the use of £3.710m of demand led reserves and £4.222m of unplanned other reserves less the contribution to general fund working balance of £5.500m, and the mitigating management actions to minimise the overspend 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 forecast outturn surplus on the Housing Revenue Account of £1.023m be noted.

1.4 That the Dedicated Schools Grant estimated budget deficit carry forward into 2018/19 of £0.264m and the forecast surplus carry forward of £0.240m be noted.

1.5 That the forecast outturn spend on the Capital Programme of £231.810m and re-phasing of £10.551m into 2018/19 be noted.

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 forecast outturn is an overspend of **£0.211m** after the use of **£7.932m** from earmarked reserves and a contribution to the GF working balance of £5.500m (details of the Councils Reserves are set out at Annex A.) Whilst the forecast out-turn at Period 9 is an improvement of £1.127m from Period 6, the Council's underlying financial position is unsustainable over the medium term. Cabinet should note the following significant ongoing risks and mitigating actions:

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.

Whilst, the number of LAC coming into the service has reduced to 2011 levels, the current number of LAC at November 2017 is 382, a reduction from the position at the beginning of the financial year of 403. This includes six very high cost cases, ranging from £0.025m to £0.050m per child. The £0.909m forecast overspend (after using £1.246m of one off resources) is due to 230 in-house fostering placements compared to the budgeted 200 and 147 actual special guardianship orders compared to the budget of 105. These are a lower cost alternative to external foster placements or residential placements. However, this exceeds the levels that had been budgeted for.

Action: To manage these issues a comprehensive management plan is in place which is seeking to reduce ongoing 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

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 to date is reflected in:

- A reduction in use of bed and breakfast (B&B) hotel accommodation from 68 units at 1 April 2017 to 3 units at 31 December 2017.
- A reduction in forecast overspend on TA from £1.360m as at 30 September 2017 to £0.568m as at 31 December 2017**.**

Action: Cabinet have recently approved the management recovery plan and associated investment in the service to strengthen the preventative work, and improve stock management and the quality and speed of decision making. This plan is expected to continue to deliver financial benefits containing the overspend to £0.568m in year. The draft budget has been set to ensure the current levels of demand can be funded.

Responsible Officer: Michael Kelleher **Target Date:** 31st March 2018

Residual Waste Treatment Facility (RWTF) – the latest position on the opening of the plant is based on it being fully commissioned in January 2018, rather than August 2016 as originally expected. This will mean that £3.4m of the £4.2m reserve set aside for a delayed opening will be spent. This takes the total cost of delay in 2017/18 to £5.486m, the balance having been met through the use of a specific reserve (£2.100m of this was planned).

Action: Dialogue with the operating contractor is on a daily basis regarding the handover date.

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

Car Parking Income - net parking income is forecast to be £0.900m below budget, after the planned use of £0.300m from the car parking reserve and £0.100m of an underspent expenditure budget.

Action: 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 July 2018

Table 1 - GF Income & Expenditure Forecast Summary at 31 December 2017.

	Impact before use of Reserves				Impact after application of Reserves					
	Current Budget	Forecast Outturn	Projected Variation	Movement since P6	Use of Demand Reserves	Use of Unplanned use of reserves	Cont to reserves	Outturn after use of reserves	Projected Variation net of use of reserves	Movement since P6
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	57.777	57.962	0.185	(0.298)	(0.686)	(0.361)	0.000	56.915	(0.862)	(0.418)
Children Services	46.286	48.529	2.243	0.422	(1.312)	(0.068)	0.000	47.149	0.863	0.395
Public Health	11.733	11.733	0.000	0.000	0.000	0.000	0.000	11.733	0.000	0.000
Total People	**115.796**	**118.224**	**2.428**	**0.124**	**(1.998)**	**(0.429)**	**0.000**	**115.797**	**0.001**	**(0.023)**
Housing and Regeneration	3.369	5.406	2.037	(0.823)	(1.500)	(0.200)	0.000	3.706	0.337	(1.023)
Growth, Economy and Culture	6.567	6.601	0.034	(0.007)	0.000	(0.207)	0.000	6.394	(0.173)	(0.137)
Public Realm	37.478	41.780	4.302	2.372	(0.212)	(3.386)	0.000	38.182	0.704	0.491
Total Place	**47.414**	**53.787**	**6.373**	**1.542**	**(1.712)**	**(3.793)**	**0.000**	**48.282**	**0.868**	**(0.669)**
Resources - Retained MKC	5.557	5.416	(0.141)	0.082	0.000	0.000	0.000	5.416	(0.141)	0.082
Resources - LGSS	5.908	5.908	0.000	0.000	0.000	0.000	0.000	5.908	0.000	0.000
Total Resources	**11.465**	**11.324**	**(0.141)**	**0.082**	**0.000**	**0.000**	**0.000**	**11.324**	**(0.141)**	**0.082**
Corporate Core	**0.606**	**0.606**	**0.000**	0.000	**0.000**	**0.000**	**0.000**	**0.606**	**0.000**	**0.000**
Debt financing	15.708	10.208	(5.500)	(5.500)	0.000	0.000	5.500	15.708	0.000	0.000
Corporate & Sustainability items	6.330	5.813	(0.517)	(0.517)	0.000	0.000	0.000	5.813	(0.517)	(0.517)
Assets rentals	(17.242)	(17.242)	0.000	0.000	0.000	0.000	0.000	(17.242)	0.000	0.000
Net Operating Expenditure	**180.077**	**182.720**	**2.643**	**(4.269)**	**(3.710)**	**(4.222)**	**5.500**	**180.288**	**0.211**	**(1.127)**

3. General Fund Significant Variations and Movement in Period

3.1 Adult Social Care – underspend £0.862m after using £1.047m of unplanned one off resources. This is an improvement of the overall position of £0.418m since September 2017. This is largely attributable to early delivery of savings in light of the ongoing Learning Disability Service transformation, release of the deferred payment budget and other Commissioning efficiencies (as reported in the MTFP).

3.2 Children and Families – overspend £0.863m after use of £1.312m of demand led reserve and £0.068m from other reserves. This is due to higher numbers of LAC, than budgeted for, with 230 in-house fostering placements compared to the budgeted 200 and 147 actual special guardianship orders compared to the budget of 105.

The increase in Children and Families forecast of £0.355m since the 30 September 2017 position, is due to an increase of ten new external placements some of which are for children with very complex needs, who require more expensive specialised support.

3.3 Housing and Regeneration – overspend of £0.337m after using £1.500m of the homelessness demand led reserve and £0.200m from the Value for Money reserve (a decrease of £1.023m since 30 September 2017). The decrease in projected overspend relates to:

- Temporary Accommodation – reduction of £0.792m since 30 September 2017. Of this, £0.216m is from reduced demand, £0.159m due to the effect of prevention, £0.147m increased supply of permanent accommodation, and £0.270m relates to a reduction in average nightly costs.

- Regeneration – £0.242m increased income based on gross gambling revenue from Aspers casino.

3.4 Growth, Economy and Culture - underspend of £0.173m after the use £0.207m of other earmarked reserves (further increase in underspend of £0.137m since 30 September 2017). This is mainly due to an increase in the Planning income forecast of £0.152m, including Land Charges fee increases of 20% from 1 August, Planning Performance Agreement fees, and Pre Planning Advice fees.

3.5 Public Realm – overspend £0.704m after the use of £3.598m from reserves (an increase of £0.491m since the September 2017 position). The increase is due to a reduction in car parking income of £0.500m and taxi licensing income of £0.100m as a result of further analysis of the year to date income trends. Also a back dated (one-off) NNDR bill of £0.202m relating to the coach car park at Marlborough Gate. In addition, there has been an under recovery of Proceeds of Crime (POCA) income of £0.176m, due to conviction or Enterprise Act undertakings being made against the defendants that prevent the LA from pursing the cases through POCA. The renewal of the energy contract in October resulted in an unexpected inflationary increase in street lighting costs equating to £0.130m. However, these pressures have been offset in part by an increase in Highways Adoptions income of £0.300m and further salary vacancies of £0.295m.

3.6 Resources MKC – underspend £0.141m. This is an adverse movement of the overall position of £0.082m since September 2017. This is as a result of £0.067m increase in forecast due staff overspends, one-off agency and recruitment costs, unachievable Customer Services saving target of £0.050m and £0.065m in Legal Services due to the use of agency staff (in response a staffing restructure is currently being undertaken to review resources across the team.) These have been offset by an improvement within Democratic Services of £0.098m, largely due to no local elections taking place this year (there is a recurrent base budget for elections).

3.7 Debt Financing - The Council revised its MRP policy in 2014, which released savings in the debt financing budget in the short term. In 2017/18, there is £10.500m headroom in this budget. It was reported to Cabinet on the 5 December as part of the draft budget proposals that £5.500m would be 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 will be 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 will be reflected in the updated budget setting report due to be presented to Cabinet in February 2018.

3.8 Corporate – a £0.517m underspend is forecast from the Corporate contingency & sustainability items, due to the increase in the employer pension contribution rate being less than anticipated..

3.9 The forecast outturn is £2.643m above budget, with £7.932m being used from earmarked reserves less a £5.500m contribution to General Fund balances. The projected overspend of £0.211m, will be met from risk and demand-led reserves (approved as part of 2017/18 budget setting process). CLT will continue to work with their teams, to take appropriate mitigating actions to minimise the forecast overspend, so as to reduce the call on reserves.

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. At period 9, £19.404m is forecast to be delivered by 31 March 2018. This leaves a projected shortfall of £3.111m, of which £1.760m has been mitigated by alternative budget actions and £1.652m through the use of reserves in year.

4.2 A total of £1.224m will not be delivered at all and has been included within the 2018/19 budget as additional cost pressures. The Corporate Leadership Team are reviewing 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 to Period 9

	Total budgeted £m	Delayed as part of Budget process	Revised total budget	Projected delivery full year 2017/18 £m	Delayed until 2018/19 £'m	Undeliver-able £m
TOTAL	22.915	0.400	22.515	19.404	1.887	1.224

4.3 Details around the deliverability of the savings can be found in Annex C.

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

5.1 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.

5.2 There is a forecast surplus carry forward into 2018/19 of £0.240m against a budgeted deficit carry forward of £0.264m, a positive movement of £0.504m. This is due to the carry forward deficit from 2016/17 being much lower than anticipated. The overall DSG income budget is £230.598m. The main variances include:

- A provision of £0.438m has been made in the school budget share forecast. It has been identified that there is a possible error in the Education Funding Authority's (EFA) calculation of the 2016/17 academy recoupment costs, and as such, the 2016/17 DSG allocation may have been overstated. This is being investigated further.
- The final Early Years Block of funding has been confirmed and there will be a reduction in funding of £0.219m due to a decline in take up at the January 2017 census.
- There is a forecast underspend of £0.200m in the Independent Special Schools and Colleges budgets based on the current number of placements and known new placements starting in September 2017.
- There is a forecast underspend of £0.281m on the Early Years block which is related to the release of contingencies in growth and the 3 and 4 year olds funding. There is some uncertainty in the Early Years forecast position due to the volatility of take up in the sector, introduction of the 30 hour offer from September 2017 and there will be funding adjustments made in January following census information.

- Other variations against the budget are an improved carry forward position of £0.461m from 2016/17 and the application of business rates transitional rate relief of £0.276m.

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

6.2 The HRA has a forecast underspend of £0.571m before applying £0.452m from earmarked reserves, to result in a net surplus of £1.023m. Within the forecast there is £0.697m overspend reported by YourMK on Repairs & Maintenance, mitigated by the use of reserves. Due to the restructuring of various reserves into the Regeneration Reserve and HRA working balance, Capital transfers and contributions to reserves reduce by £1.024m.

6.3 The outturn HRA balance at December 2017 is £7.259m, which is in line with the 2018/19 risk reserve calculation.

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

Description	**Budget £m**	**Forecast Outturn £m**	**Variation £m**
Dwelling Rents	(52.956)	(52.956)	0.000
Non Dwelling Rents	(0.332)	(0.332)	0.000
Other Charges for Services and Facilities	(2.561)	(2.555)	0.006
Total Income	**(55.849)**	**(55.843)**	**0.006**
Repairs and Maintenance	9.340	9.340	0.000
General Management	5.939	5.978	0.039
Special Services	3.027	2.981	(0.046)
Rent, Rates, Taxes and other Charges	0.176	0.176	0.000
Provisions	0.614	0.616	0.002
Interest and Repayment of Capital Debt	8.744	8.744	0.000
Depreciation and Impairment	12.978	12.978	0.000
Contributions to Reserves	0.000	0.000	0.000
Capital Transfers & Contributions	15.031	14.007	(1.024)
Total Expenditure	**55.849**	**54.820**	**(1.029)**
Net Surplus for the year	**0.000**	**(1.023)**	**(1.023)**

Table 4 - HRA Forecasted Working Balance at 31 March 2018

Description	**2017/18 £m**
Opening balance	(6.236)
Forecast surplus in year	(1.023)
Projected closing balance	**(7.259)**

Action: The level of expenditure on responsive repairs and voids remains a concern, and mitigation and controls are being considered jointly by Mears, YourMK, and the Council through the YourMK Operational Board.

Responsible Officer: Michael Kelleher **Target Date:** 31 March 2018

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, of 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 we built in £0.830m savings which is the Councils share of the savings from the outline business case. Actual savings are projected to be significantly lower than planned as a result of delays with the implementation of ERP gold and its consequential impact on restructuring. The current forecast shows £0.435m will be delivered (MKC share) with the balance being delivered late. The financial impact of this is expected to be mitigated by the use of LGSS reserves.

8. Capital Programme Delivery – Key Messages and Action

8.1 As shown below in Table 5, the Council has an approved Capital Programme in 2017/18 of £240.924m. The forecast expenditure is £231.810 m, which would result in a net underspend of £9.114m. Re-phasing of £10.551m, which has been included within the January Revisions to the Capital Programme report, on this agenda, results in a residual net overspend of £1.437m.

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

Directorate	**Spend Approval £m**	**Forecast spend as at 31 December £m**	**Over / (under) spend approval £m**	**Re-phasing £m**
People	23.630	22.361	(1.269)	1.233
Place	197.417	189.471	(7.946)	8.456
Resources	17.772	17.873	0.101	0.862
Corporate Core	2.105	2.105	0.000	0.000
Total Programme	**240.924**	**231.810**	**(9.114)**	**10.551**

8.2 Amendments to resource allocation previously agreed for 2017/18 totalling £48.991m have been requested in the Revisions to the Capital Programme report. £29.909m has been rephased into later years, and £19.082m has been temporarily removed from the programme pending a planned programme of works being submitted.

A detailed report on the capital programme schemes is shown in Annex D.

8.3 **Re-phased Projects**

There are 44 capital projects totalling £10.551m, 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.

People

- Education – Priory Rise, **£0.130m underspend** will be re-phased to 2018/19, enhanced perimeter security fencing to be completed when new Tattenhoe Pavilion delivered, enabling agreement with both parties.

- Education – Orchard Academy, **£0.221m underspend** will be re-phased to 2018/19 in line with the project profile, contractor on site since June 2017, the forecast reflects updated programme of work, completion date of June 2018 not affected.

- Education – Haversham Village, **£0.256m underspend** will be re-phased to 2018/19 in line with the project profile, the forecast reflects updated programme of work, completion date of June 2018 not affected.

- Education – Kents Hill Planning requirements, **£0.201m underspend** will be re-phased to 2018/19, work on footpaths and lighting due to be completed with road improvements to be undertaken in the Spring when road temperatures are more conducive.

- Adult Social Care – Day Services Enhancements, **£0.306m underspend** will be re-phased to 2018/19, re-development of Hamner Rd Simpson property has been delayed by drainage issues, revised programme now agreed and planned to start on site end of March 2018.

Place

- Community – Westcroft Meeting Place**, £0.833m underspend** will be re-phased to 2018/19, project delayed due to land easement agreement required for utility work before programme can be agreed.

- Culture – MKMuseum, **£0.250m underspend** will be re-phased to 2018/19, building has been handed over with final work to be completed by March 2018, any remaining funding will be devolved to MKMuseum as a contribution to the building fit out.

- Culture- MK Gallery Expansion, **£0.353m underspend** will be re-phased to 2018/19, contractors on site and forecast reflects contributions planned to be made as agreed milestones achieved.

- Public Realm – Low Emission Bus Scheme, **£1.800m underspend** will be re-phased to 2018/19 as operator and partners have yet to agree an approach to implement the project as required by the Department for Transport .

- Public Realm – Passenger Transport, **£0.184m underspend** will be re-phased to 2018/19, this is to complete bus stop improvements in CMK.

- Public Realm – Redway Super Routes 2 projects, **£0.579m underspend** will be re-phased to 2018/19, design has been completed and work has started however not all will be completed by March 2018 as resource concentrating on Redway Super Route project that is funded by National Productivity Investment Fund Grant as at March 2018 time condition on funding .

- Housing – Temporary Accommodation, **£0.720m underspend** will be re-phased to 2018/19, accommodation being identified.

- Housing – Envelope Improvements – Harrier Court, **£0.408m underspend** will be re-phased to 2018/19, feasibility completed and options being considered before a programme of work can be agreed.

- Housing – Fire Safety Works – Mellish Court, **£0.560m underspend** will be re-phased to 2018/19, building feasibility pending which will determine future work programme.

- Housing – New Build, **£1.292m underspend** will be re-phased to 2018/19, 5 sites across MK have been delayed due to consultation with the local communities and procurement delays at St Georges Road.

- Housing – Structural roofing, £0.908m will be re-phased to 2018/19, delays in party wall programme and reduced demand for ad hoc re-roofs.

<u>Resources</u>

- Resources – Council Chamber Equipment, **£0.100m underspend** will be re-phased to 2018/19, initial round of procurement unsuccessful but planning to complete in June 2018.

- Resources – Data Hosting, **£0.327m underspend** will be re-phased to 2018/19, to complete decommissioning of server room and additional shared infrastructure including design and implantation of a shared firewall.

- Resources – Revenues and Benefits System – **£0.103m underspend** will be re-phased to 2018/19, the scheduling is currently being reviewed.

- Resources – Whitehouse Health Facility, **£0.169m underspend** will be re-phased to 2018/19, building proposal to planning in February 2018, to start on site June 2018 and complete June 2019, completion date not affected.

8.4 **Projects with Projected or Actual Variations to Spend Approvals**

There are 34 capital schemes where projects are forecast to exceed spend approval by a total of £3.197m, this is in part offset by 25 schemes where it is forecast there will be an underspend of £1.760m against spend approval.

<u>Place</u>

- Housing – Structural roofing, **£0.268m underspend** will be re-phased to 2018/19, delay in agreeing work on party wall elements of project.

- Housing – Heating projects, **£0.763m overspend**, historic work by Weldon's being reviewed by external surveyors to estimate any previous years overpayment and internal legal to advice on final offer position, funding required to be identified from 2018/19 programme.

- Housing – Decent Homes Programme, **£0.610m underspend,** funding will be used to offset overspends elsewhere in the 2017/18 Housing Programme.

- Housing – Voids, **£0.603m overspend**, this is to high numbers of void properties and finding properties in a poor condition, funding required to be identified from 2018/19 programme.

<u>Resources</u>

- Resources – ERP System, **£1.088m overspend** in year (£1.118m in total) due to delay to implementation date and specialised resources required; funding proposed in the draft budget report; go-live date now 2 April 2018.

8.5 The revised capital programme resource allocation will be £231.012m, and spend approval of £230.374m. A total of £51m has been spent to date and we are currently projecting based on information provided by Project Managers a total forecast spend of £231.810m by 31 March.

Directorate	Resource Allocation £m	Spend Approval £m
Capital programme at 1 April 2017	127.004	41.615
Slippage	177.133	154.027
Changes to existing projects	9.932	61.626
Re-phasing to later Years	(33.736)	(16.122)
Revised Spend Approval	**208.313**	**241.146**
Changes to existing projects (included in table 5 above) being reported in the revisions to the capital programme and Spend Approval Report also going to 2 January 2018 Cabinet	(0.310)	(0.222)
Revised Spend Approval	**280.003**	**240.924**
Changes to existing projects being reported in the revisions to the capital programme and Spend Approval Report also going to 2 January 2018 Cabinet	(19.082)	0.000
Re-phasing to later Years being reported in the revisions to the capital programme and Spend Approval Report also going to 2 January 2018 Cabinet	(29.909)	(10.550)
Revised Spend Approval	**231.012**	**230.374**

9. MK Tariff & Section 106 Contributions

9.1 The Tariff investment programme for 2017/18 has a spend approval of £17.649m versus a forecast outturn of £17.414m; an underspend of £0.235m. The Tariff schemes are largely contributions to wider schemes which are delivered by MKC and/or external partners. The forecast underspend is mainly on temporary meeting places £0.190m which will now be provided through primary schools in the western expansion area.

9.2 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.

9.3 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.

9.4 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.

9.5 £6.8m is currently allocated within the Capital Programme for 2017/18, and a further £3.74m is currently allocated within the Capital Programme for 2018/19, onwards. £2.4m of this allocated programme funding has not yet been received; £1.0m of this is due by 31 March 2018.

9.6 In addition to capital allocations there is approximately £5.42m of S106 allocated to revenue costs of providing infrastructure, this includes the following:

- £2.14m for Public Transport (bus services)
- £0.027m for Play Areas
- £2.34m for Open Space and Play Area Maintenance
- £0.554m for Public Art
- £0.140m for Playing Fields Maintenance
- £0.220m for other miscellaneous projects

9.7 A further £3.37m 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.

9.8 The remaining balance of £16.87m is broken down into approximately 320 individual projects.

9.9 The total s106 resource currently stands at £33.8m of which £16.93m 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.

Council Tax

10.2 The latest forecast shows a projected surplus of £4.247m (£1.319m carried forward from previous year), of which £3.619m is MKC's share. The actual surplus will be distributed in 2018/19 and reported as part of the Final Budget to Cabinet in February.

Table 6 Council Tax Income

	Budget £m	Forecast £m	Movement £m
Council Tax Collection Fund Surplus	4.337	4.247	0.090
MKC Share	3.693	3.619	0.074

Business Rates

10.3 The Council's baseline for business rates income is £43.4m. When the budget was set £3.7m growth was included. The latest forecast shows that the overall growth has increased by £5.0m. This final position will be reflected in the 2017/18 accounts.

Table 7 Business Rates Income

MKC Share	Budget £m	Forecast £m	Movement £m
Business Rates	47.1	48.4	1.3

10.4 The above forecast takes into account the Levy payment on growth and impact of s31 grants for reliefs funded by Central Government. Any surplus on business rates income will be credited to the business rates equalisation fund and this has therefore not been included within the GF Revenue Forecast Outturn.

11. Treasury Management Performance

11.1 The key Treasury Management headlines are:

- Investment income returns were 0.68% for the quarter, which out-performed the benchmark 3 month LIBID (a measure of inter-bank lending rates) by 52 basis points;
- No new borrowing or debt rescheduling exercises were undertaken in the third quarter of the year;
- The Prudential Indicators have been met.
- The Council ere applying £5.000m additional MRP in 2017/18 to reduce the Council's CFR and level of internal borrowing more quickly, this will enable future revenue savings on the debt financing budget of circa £0.200m per annum.

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

12.3 **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.

12.4 **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.

12.5 **Other implications**

All implications are outlined within the report.

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

13. List of Annexes:

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

ANNEX F Treasury Management Performance

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