Democratic Services

Cabinet

Monday, 12 October 2015

18:30

Council Chamber

Councillors MARLAND, O'NEILL, BETTELEY, CLIFTON, GIFFORD, LEGG, LONG, MIDDLETON, and MILES

If you have any enquires about this agenda please contact:
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CABINET PORTFOLIOS 2014/15

	Portfolio
Councillor Peter Marland (Leader)	
Councillor Hannah O'Neill (Deputy Leader)	**Housing and Regeneration**
Councillor Robert Middleton	**Resources and Commercialism**
Councillor Matt Clifton	**Economic Growth and Inward Investment**
Councillor Mick Legg	**Public Realm**
Councillor Sarah Betteley	**Community Safety and Public Access**
Councillor Liz Gifford	**Community Services**
Councillor Nigel Long	**Health and Wellbeing**
Councillor Norman Miles	**Children and School Improvement**

A G E N D A

1. **Apologies**
To be advised

2. **Cabinet Announcements**
To receive any announcements from the Leader and members of the Cabinet.

3. **Minutes**
To approve, and the Chair to sign as a correct record, the Minutes of the meeting of the Cabinet held on 14 September 2015, (**to follow**).

4. **Disclosures of Interest**
Councillors to declare any disclosable pecuniary interests, or personal interests (including other pecuniary interests) they may have in the business to be transacted, and officers to declare any interests they may have in any contract to be considered.

5. **Deputations and Petitions**
No requests have been received for the Cabinet to receive a deputation at this meeting.

Any further petitions received will be reported at the meeting.

6. **Questions from Members of the Public**
To receive questions from residents and electors of the Borough.

7. **Councillors' Items**
Councillor Webb has submitted the following item for consideration by the Cabinet:

“Premier Academy

There are currently traffic issues at the Premier Academy, Saffron Street Bletchley which residents feel are out of control and will only be exacerbated if the school intake numbers increase. Please could the Cabinet member for Children and School Improvement, together with the Cabinet member for Public Realm and Planning please look again at the impact of the school size against pupil intake and reassure residents with regard to the growing impact of more traffic and parking on local residents”.

8. **Councillors' Questions (15 Minutes)**
Councillors to ask questions of the Leader of the Council or a Cabinet Member on issues within their Portfolio.

Councillor P Williams has submitted the following question and has requested a written response from the Cabinet member for Public Realm:

"Development Control Committee 3 September 2015 -

I have had concerns raised to me following the Development Control Committee of 3rd September 2015 in relation to application 15/01074/OUT.

Concerns include:

(a) An assertion made in Committee that a development eastwards (over classic CMK infrastructure) would not be possible owing to Policy G1, despite the closure of streets being justified in certain circumstances under policy G8.

(b) An interpretation of Policy G3 which favours the developers, while ignoring the stated aims of the authors of the Neighbourhood Plan.

(c) Concerns that this decision sets a precedent for future development in Central Milton Keynes (CMK)

(d) Concerns that the decision may deter other Parishes from taking part in the Neighbourhood Planning process.

Councillor P Williams has asked that these concerns be raised with the Director for Planning, with responses to each of these concerns."

9.	**References from Other Bodies** None.	
10.	**Lakes Estate Neighbourhood Plan 2015-16** To consider Item 10	**9 - 16**
11.	**Domiciliary Care Services Home Care Provision – Options for the Future** To consider Item 11	**17 - 24**
12.	**Milton Keynes Development Partnership Quarterly Update** To consider Item 12	**25 - 48**
13.	**Universal Credit - Delivery Partnership Agreement** To consider Item 13	**49 - 96**
14.	**A Commercial Proposal for the Council - Shared Services -** To consider Item 14	**97 - 102**

To receive the Minutes of the meeting(s) of Procurement and Commissioning held on 18 August 2015:

Copies of the Minutes are available at the following links:

Procurement & Commissioning Minutes 18 August 2015

Notice of Intention to Hold the Meeting in Private

The public and press may be excluded from the remainder of the meeting by virtue of Paragraph 3 (Information Relating to the Financial or Business Affairs of the Authority) of Part 1 of Schedule 12A of the Local Government Act 1972, in order that the meeting may consider the following:

Investment in Property Fund for Temporary Accommodation

The Proper Officer of the Council has determined that the Annex A to Item 21 should be considered in the absence of the public and press as disclosure would not be in the public interest.

No representations have been received about why those matters referred to above should be considered with the public and press present.

20. **Exclusion of Public and Press**

To consider excluding the public and press from the meeting by virtue of Paragraph 3 (Information Relating to the Financial or Business Affairs of the Authority) of Part 1 of Schedule 12A of the Local Government Act 1972, in order that the meeting may consider the following:

Annex A to Investment in Property Fund for Temporary Accommodation

21. **Investment In Property Fund for Temporary Accommodation** **147 - 158**

To consider Item 21

Health and Safety

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c) **Guidance from the Department for Communities and local government can be viewed at the following link:**

d) **https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343182/140812_Openness_Guide.pdf**

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Wards Affected:

Bletchley East Ward

ITEM **10**

CABINET

12 OCTOBER 2015

LAKES ESTATE NEIGHBOURHOOD PLAN 2015-2026

Responsible Cabinet Member:	Councillor Legg, Cabinet Member for Public Realm
Report Sponsor:	Anna Rose, Service Director: Planning & Transport
Author and contact:	Michael Moore, Senior Planning Officer, Tel: 01908-252352

Executive Summary:

This report seeks Cabinet's agreement to recommend to Council that it 'makes' the Lakes Estate Neighbourhood Plan 2015-2026 following the referendum held on 17 September 2015. The referendum returned a majority 'Yes' to the question asked – "Do you want Milton Keynes Council to use the Neighbourhood Plan for the Lakes Estate Area to help it decide planning applications in the neighbourhood area?" Given the 'Yes' vote, the Council are now obliged to 'make' the Plan.

1. **Recommendation(s)**

1.1 That the Cabinet recommends that the Council 'makes' the Lakes Estate Neighbourhood Plan 2015-2026 pursuant to the provisions of Section 38(A)(4) of the Planning and Compulsory Purchase Act 2004.

1.2 That, subject to the Council's agreement to the making of the Neighbourhood Plan:

(a) the decision document (at Annex A to the report) and the Lakes Estate Neighbourhood Plan (at Annex B) be published on the Council's website and in other manners, to bring them to the attention of people who live, work or carry out business in the neighbourhood area; and

(b) that the decision document and details on how to view the plan be sent to the qualifying body (Bletchley and Fenny Stratford Town Council) and any person who asks to be notified of the decision.

1.3 That Bletchley and Fenny Stratford Town Council and the Lakes Regeneration Steering Group are congratulated on the successful outcome of the referendum.

2. **Issues**

2.1 The Lakes Estate Neighbourhood Plan was submitted to Milton Keynes Council (MKC) for examination and subsequently publicised for comments for an eight week period until Tuesday 15 July 2014. All comments received were then submitted to the Examiner, Mr John Slater, who submitted his report to MKC in February 2015.

2.2 On 14 April 2015, the Cabinet Member for Public Realm made the decision to accept the Examiner's report and the modifications to the neighbourhood plan that the examiner had recommended, together with any consequential decisions required as a result of the Examiner's report. It was also agreed that the Plan, as modified, should proceed to a referendum of those residents eligible to vote within the Lakes Estate Neighbourhood Plan Area. As this Neighbourhood Plan is not a Business Neighbourhood Plan, it was not necessary for a business referendum to be held.

2.3 The referendum took place on Thursday 17 September 2015, 472 residents voted Yes (88.4% of those voting) and 62 voted No (11.6 % of those voting), with 1 ballot paper left blank. The turnout for the referendum was 14.93% of the electorate.

2.4 Once a neighbourhood plan has successfully passed all the stages of preparation, including an Examination and Referendum, it is 'made' by the Local Planning Authority (LPA) and forms part of that authority's Development Plan. This means that it will be a material consideration when deciding development proposals within the area covered by the Plan.

2.5 As with any planning decision there is a risk of legal challenge but that risk is being managed and minimised by ensuring that the regulations are followed and that the Council's decision making process is clear and transparent.

3. Options

3.1 Once a neighbourhood plan has been supported by a majority of those voting in a referendum the Council is obliged to proceed to 'make' the Plan under section 38(A)(4) of the Planning and Compulsory Purchase Act, 2004. The Council is not subject to this duty if the making of the plan would breach, or otherwise be incompatible with, any EU obligation or any of the convention Rights. The Neighbourhood Plan does not breach and would not otherwise be incompatible with the conventions or obligations.

3.2 There are, therefore, no other options than to 'make' the Lakes Estate Neighbourhood Plan so that it will form part of the Milton Keynes Development Plan and specifically part of the Development Plan for the Lakes Estate.

4. Implications

4.1 Policy

The National Planning Policy Framework sets out that Neighbourhood Plans must be in general conformity with the strategic policies of the development plan. Neighbourhood Plans should reflect these policies, and neighbourhoods should plan positively to support them. Neighbourhood Plans and Development Orders should not promote less development than is set out in the Local Plan, or undermine its strategic policies. In Milton Keynes, the strategic policies are set out in the adopted Core Strategy and relevant 'saved' policies in the adopted Milton Keynes Local Plan.

Once a Neighbourhood Plan has successfully passed all of the stages of preparation, including an examination and referendum, it is 'made' by the local planning authority and forms part of the authority's Development Plan, meaning it will be a material consideration when considering development proposals. In terms of the planning policy hierarchy, a Neighbourhood Plan, once adopted, carries more weight than a Supplementary Planning Document.

4.2 Resources and Risk

The Localism Act 2011 and the Neighbourhood Planning (General) Regulations 2012 ("the 2012 Regulations") place new duties on local planning authorities in relation to Neighbourhood Planning. These new duties have considerable implications for Council resources. In recognition of the additional burdens that these new duties place on local planning authorities, DCLG has made available grants to local planning authorities up to £30,000 for each neighbourhood plan.

Publicity costs associated with making the Plan will be met within the Development Plans budget and staff resources to implement the Plan will come from the existing staff within the Development Plans and Development Management teams.

A recent internal audit of the Neighbourhood Plans service has shown that that the additional costs incurred delivering the service are only just covered by the extra burdens funding.

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

4.3 Carbon and Energy Management

The proposal does not impact on carbon and energy management.

4.4 Legal

Neighbourhood planning is part of the Government's initiative to empower local communities to take forward planning proposals at a local level, as outlined in Section 116 of the Localism Act, 2011. The Act and the subsequent 2012 Regulations confer specific functions on local planning authorities in relation to neighbourhood planning and lays down the steps that must be followed in relation to Neighbourhood Planning.

The Lakes Estate Neighbourhood Plan has been consulted on and subjected to a referendum in accordance with the 2012 Regulations.

As with any planning decision, there is a risk of legal challenge to the plan and/or judicial review of the Council's decision to proceed to make the Lakes Estate Neighbourhood Plan.

Risk is being managed by ensuring that the 2012 Regulations are followed and that the Council's decision making process is clear and transparent. Once a Neighbourhood Plan is made it carries real weight and the LPA is obliged to consider proposals for development against the policies in the Plan.

In accordance with Section 61E(4) of the Town and Country Planning Act, as modified by the Localism Act 2011, the Council must, as soon as possible after deciding to make the neighbourhood development plan;

a. publish on the website and in such other manner as is likely to bring the Plan to the attention of people who live, work or carry on business in the neighbourhood area:

   i. the decision document,

   ii. details of where and when the decision document may be inspected;

b. send a copy of the decision document to:

    i. the qualifying body and

    ii. any person who asked to be notified of the decision.

In addition, the council will, as soon as possible after deciding to make the neighbourhood development plan;

a. publish on its website and in such other manner as is likely to bring the order to the attention of people who live, work or carry on business in the neighbourhood area:

    i. the Lakes Estate Neighbourhood Plan; and

    ii. details of where and when the plan may be inspected;

b. notify any person who asked to be notified of the making of the neighbourhood plan that it has been made and where and when it may be inspected.

4.5 Other Implications

Included in the Basic Conditions that the Lakes Estate Neighbourhood Plan must meet are the requirements for the plan to:

- Contribute to the achievement of sustainable development
- Not breach and otherwise be compatible with EU obligations (including Human Rights, the Strategic Environmental Assessment Directive and the Habitats Directive)

The Examiner's report has confirmed that the Plan meets those Basic Conditions and officers are satisfied that there are no conflicts with these aspects.

N	Equalities/Diversity	Y	Sustainability	Y	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Annex A: Decision document for making the Lakes Estate Neighbourhood Plan.

Annex B: Lakes Estate Neighbourhood Plan online at:-

http://www.milton-keynes.gov.uk/planning-and-building/planning-policy/lakes-estate-neighbourhood-plan

Background Papers:

1. The Localism Act, 2011
2. The Neighbourhood Planning (General) Regulations 2012
3. Lakes Estate Neighbourhood Plan-Modifications Arising from Examiner's report. Milton Keynes Council Delegated Decision report for 14 April 2015.
4. Declaration of Result of Neighbourhood Plan Referendum, Thursday 17 September 2015 available at:-

http://www.milton-keynes.gov.uk/planning-and-building/planning-policy/lakes-estate-neighbourhood-plan

ANNEX A

MILTON KEYNES COUNCIL

LAKES ESTATE NEIGHBOURHOOD DEVELOPMENT PLAN

Decision Statement

1 Summary

1.1 Following a referendum of all residents eligible to vote within the Lakes Estate Neighbourhood Plan Area, Milton Keynes Council now makes the Lakes Estate Neighbourhood Plan 2015-2026, part of the Milton Keynes Council Development Plan.

2 Background

2.1 Bletchley and Fenny Stratford Town Council, as the qualifying body successfully applied for their area to be designated as a Neighbourhood Area, under the Neighbourhood Planning (General) Regulations (2012), which came into force on 6 April 2012.

2.2 Following the submission of a draft of the Lakes Estate Neighbourhood Plan to the Council, the plan was publicised and comments were invited from the public and stakeholders. The consultation period closed on 15 July 2014.

2.3 Milton Keynes Council appointed an independent examiner, Mr John Slater, to review whether the Draft Plan should proceed to referendum. The Examiner’s report concludes that the plan is in general conformity with the adopted Core Strategy and with regard to national policies and guidance, and subject to amendments the plan could proceed to a Neighbourhood Planning referendum.

2.4 A residential Neighbourhood Planning Referendum of the Lakes Estate Neighbourhood Plan Area was held on17 September 2015. The turnout in the referendum was 14.93% and over 88% of the votes cast were in favour.

3 Decision

3.1 The Council makes the Lakes Estate Neighbourhood Plan 2015-2026 part of the Milton Keynes Council Development Plan.

3.2 The Council agrees to the decision notice and the Lakes Estate Neighbourhood Plan being published on our website and in other manners to bring them to the attention of people who live, work or carry out business in the neighbourhood area; and for the decision notice and details on how to view the plan to be sent to the qualifying body and any person who asked to be notified of the decision.

Wards Affected:
All Wards

ITEM 11

CABINET

12 OCTOBER 2015

DOMICILIARY CARE SERVICES HOME CARE PROVISION – OPTIONS FOR THE FUTURE

Responsible Cabinet Member:	Councillor Long (Cabinet Member for Health and Wellbeing)
Report Sponsor:	Suzanne Joyner, Strategic Director, Adult Social Care and Health Partnerships, Tel: 01908 257923
Author and contact:	Mick Hancock, Assistant Director, Joint Commissioning, Tel: 01908 257967

Executive Summary:

Home Care services are delivered to vulnerable people in Milton Keynes either by Milton Keynes Council Home Care Service or by independent sector agencies commissioned by Milton Keynes Council. In 2014/15 provision of these services accounted for approximately £11.37m of Council expenditure.

Quality home care services are essential to an effective health and social care economy, which aims to enable people to be cared for at home and to reduce the reliance on permanent residential or nursing care and hospital care.

This report is seeking approval to:

i. tender for external home care services
ii. explore how the UNISON Ethical Care Charter may be incorporated in to the contract for Home Care services
iii. carry out a feasibility study into the formation of a Local Authority Trading Company

1. Recommendation(s)

1.1 That the commencement of a tender process for the provision of external home care services be approved.

1.2 That the decision in respect of the service model and appropriate procurement strategy for the external home care services, be delegated to either the Cabinet member for Health and Wellbeing or a minimum of three members of Cabinet.

1.3 That internal home care services delivered to specialist housing schemes in the procurement of external home care services be included and that the decision be delegated to either the Cabinet member for Health and Wellbeing or a minimum of three members of the Cabinet.

1.4 That further investigation into the implementation of the UNISON Ethical Care Charter be undertaken and, following financial modelling, the decision to incorporate the Charter into the home care contract be delegated to either the Cabinet member for Health and Wellbeing or a minimum of three members of the Cabinet.

1.5 That the Joint Commissioning Team, be permitted, working with Milton Keynes Council Home Care Service, to commence a feasibility study to investigate the viability of developing a Local Authority Trading Company (LATCO) model, with the opportunity for income generation.

2. Issues

2.1 Home care is a term that is used to describe a range of care and support programmes that aim to help people live in their own homes and maintain their independence.

2.2 Home care currently includes support with domestic tasks, personal care, social activities, rehabilitation and recovery, support for people at the end of their life, and can link in with other services in the community such as supported housing, community health services and voluntary sector services.

2.3 Nationally, there has been a focus on how the local NHS hospitals have been performing, specifically regarding the operation of urgent care services. The NHS is under increasing scrutiny to improve performance and to manage the demand for urgent care. Home care plays a crucial role in the urgent care pathway as a service option to both prevent admission and support safe discharge. There has been increasing demand for home care services in Milton Keynes in recent years with an estimated increase of 41% in activity since 2012.

2.4 In Milton Keynes, the following home care services are provided:

- Reablement at home for people following accident, illness and loss of physical functioning. This service is delivered by Milton Keynes Intermediate Care service. **These services are outside the scope of this paper.**
- Home care services provided by Milton Keynes Council delivered to individuals at home
- Home Care services provided by Milton Keynes Council delivered in specialist housing schemes for people with additional needs including dementia – Flowers House, Courtney's Lodge and Kilkenny House.
- Home care services provided by independent sector providers and commissioned via a formal procurement process and under contract with the Council.

2.5 Milton Keynes Council currently ensures approximately 9300 hours of care per week, and over 14,000 visits are completed to individuals in the community at an approximate cost of £9m per annum. This is a mix of MKC home care services (internal services) and home care commissioned from independent sector providers (external services). In terms of activity in 2014/15, external services deliver 71% of the care hours, and internal services deliver 29% of the care hours.

2.6 In terms of costs, the standard hourly rate for external home care services in 2014-15 is £14.12 per hour. Due to the differential costs of delivering shorter visits, the average hourly rate for 2014-15 is £17.65 per hour.

2.7 Delivery of internal home care services (excluding care delivered in Flowers House, Kilkenny House and Courtney's Lodge) costs approximately £23.83 per hour, not including internal recharges (further financial analysis is currently being undertaken).

Independent Sector Provision

2.8 In 2012, Milton Keynes Council moved to structure and formalise the mixed economy of home care providers from the independent sector. The Council introduced a Preferred Provider List (PPL), which resulted in 15 successful care providers being suitably qualified and experienced to deliver care services to vulnerable adults.

2.9 Over time, the PPL has been rationalised due to mergers, acquisitions and provider withdrawal. As a result of increased demand, MKC has commissioned additional capacity from 4 providers on a spot purchase basis.

2.10 Therefore, there are currently 17 independent care providers, delivering 371,473 hours of care at a cost of £6.6m per annum. The current contract is due to expire on 2nd September 2016.

2.11 Following a review of home care services, the following challenges have been identified in relation to the operation to date of the PPL:

- Increase in demand over the lifetime of the current contract has resulted in shortage of capacity.
- Increased complexity of need – with an increase in care packages requiring 2 carers per visit, and meeting the needs of people with complex co-morbidities.
- Staff recruitment and retention in the context of a buoyant local economy
- Challenges in providing sufficient levels of service in some of the northern more rural areas of Milton Keynes
- Turbulence in the independent sector market – mergers and acquisitions and some providers withdrawing their services.

2.12 In view of the above, changes to existing external home care services are recommended. Therefore, permission is requested from Cabinet to:

- Begin a procurement exercise to commission home care services for a new contract to start on 3rd September 2016, through a formal tender process; a contract term of four years with an option to extend for a further two years is recommended.
- In order to establish the appropriate changes that best overcome the identified challenges whilst providing better services for service users, it is necessary to carry out further evaluation of the best service model and financial modelling. Consideration is being given to the potential of offering external home care services as a series of lots and to introduce payments for shorter visits on a pro-rata basis. Initial modelling has indicated this has the potential to save the Council approximately £400,000 per annum however more detailed work is required. Cabinet is therefore asked to approve that the final service configuration is delegated either to the portfolio holder, or three Cabinet members, based on these evaluations. Benchmarking will be conducted to consider:
  - Services configured by geographical area for the bulk of home care provision. These areas will be determined using data to map both

current and future demand. It is anticipated better value can be achieved through reduced travel times.
    - Specialist home care for people with dementia and complex health and social care needs, including end of life care and commissioned across MK
    - Specialist home care delivered to the residents of MKC extra care housing schemes at Flowers House, Kilkenny House and Courtney's Lodge
    - Continuing Health Care services, commissioned in conjunction with the Clinical Commissioning Group and commissioned across MK with funding arrangements based on analysis of current and anticipated provision
    - Short term Reablement and recuperation for 4 weeks to minimise the need for ongoing home care – commissioned across MK
    - Night Care provision between the hours of 10pm – 7am and commissioned across MK.
    - Provision for children and young people and commissioned across MK.
- Undertake detailed financial modelling to establish a definitive hourly rate for care taking into consideration the issues below:
    - The financial implications for the Council on specifying that external providers need to pay care workers the Living Wage
    - The effect of implementation of the UNISON Ethical Care Charter, which may improve recruitment and retention of staff, improving capacity
    - The implications of the European Court of Justice ruling regarding the inclusion of travel time for workers that have no permanent base.
- Following full evaluation of the cost implications, it is requested that the decision of whether to include the above elements into the contract is delegated to the portfolio holder or three Cabinet members.

Milton Keynes Council Home Care

2.13 Milton Keynes Council has an internal home care service that provides care and support to people in their own homes. In 2014-15, the MKC home care service delivered 107,836 hours of care, at a cost of £2,569,805.

2.14 The Home Care Review identified the opportunity for the Council to generate income through the development of a Local Authority Trading Company. In keeping with the Council commitment to developing a co-operative council, it is recommended that there is involvement of service users in the governance of this LATCO.

2.15 This option can potentially deliver many benefits to the Council and would deliver positive outcomes for service users. There is opportunity for the LATCO to generate income from the self-funder market.

2.16 A strategic objective for MKC is to further develop the personalisation model of care by increasing the number of people who are supported to manage their own care via a direct payment. The LATCO would be able to promote itself to people in receipt of direct payments, also contributing to the generation of income.

2.17 A comprehensive feasibility study would be required to fully understand the potential costs and benefits of this service model. Benchmarking would suggest a two year timescale is required to complete the full process from decision to trading.

2.18 The internal home care service also provides more specialist care to the Council's extra care housing schemes at Flowers House, Kilkenny House and Courtney's Lodge. This cost the Council approximately £2,232,934 in 2014-15. It is proposed that this provision is externalised and included in the formal tender process outlined above in paragraph 2.12 to provide further savings to the Council.

3. Options

(a) Re-tender for the same PPL model currently provided. This is not recommended due to the challenges outlined in paragraph 2.11

(b) Agreement to:

(i) proceed to tender for external home care as discussed above in paragraph 2.12

(ii) explore the options for a Local Authority Trading Company via a full feasibility study

(iii) conduct further financial modelling of the implementation of the UNISON Ethical Care Charter.

It is recommended that option b be approved.

4. Implications

4.1 Policy

The provision of home care will progress the following outcomes and priorities within the Corporate Plan 2012/16:

(c) Outcomes

Everyone in Milton Keynes will:

- Enjoy happy and fulfilled lives within their local communities
- Be safe from harm and neglect
- Stay independent for as long as possible
- Achieve their full potential
- Empower people through choice and control
- Enjoy personal dignity and respect

(d) Priorities:

Develop cost effective models of support and care for vulnerable people that:

- ensure they regain and maintain independence
- Deliver choice and control for individuals requiring support by providing preventative, community based approaches and outcome focused personalised care and support

It will also deliver the notions of Living well and Ageing Well under the Joint Health and Wellbeing Strategy 2015-18.

4.2 Resources and Risk

The costs of the contract for externally provided home care are contained within the revenue budget. Expenditure during 2014-15 was an estimated £6.6m. Expenditure on internal home care delivered to specialist housing schemes in 2014-15 was £2.2m. However, through effective modelling and commissioning it is anticipated greater value, capacity and quality can be achieved resulting in savings in residential and nursing care placements. In addition the introduction of true pro-rata payments for shorter visits may result in savings of approximately £400,000 per annum. This will need to be considered against the introduction of the living wage and the European Court of Justice Ruling regarding payment for travel time. The implications of these will be included in the financial modelling as referred to in the report.

Current demographic data indicates an increase of 38% in the population of over 65'sbetween 2015 and 2021 presenting a future pressure for the sector and the Council. This pressure will need to be considered as part of service mapping and modelling

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

4.3 Carbon and Energy Management

Not Applicable

4.4 Legal

Relevant Law

The Council has statutory social care responsibilities under the Care Act 2014. A procurement exercise for a contract for home care services would enable the Council to comply with these statutory responsibilities.

Under the Public Contracts Regulations 2015, a procurement of the home care services would fall under the Light touch Regime, which provides flexibility in relation to the procurement process that can be followed. It is a requirement to advertise the contract to the European Market through an advert in the Official Journal of European Union or through a prior information notice where the value of the contract is 750,000 euros or £625,050. Based on the value of the current contracts, it is expected that the value of the new procurement will be above the Light touch Regime threshold.

Risks

The development of a procurement strategy including deciding on the appropriate procedure to procure the home care coupled with the proposals to incorporate the Unison Ethical Care Charter, including the living wage provisions all carry financial implications for the services. The Unison Ethical Care Charter living wage provisions would also need to align with the Council's policy on the living wage. The procurement strategy will also determine how the Council meets demands for the services across the borough and thereby whether it complies with its enhanced statutory duties under the Care Act 2014.

The proposal to externalise home care services which currently provide more specialist care to the Council's extra care housing schemes at Flowers House, Kilkenny House and Courtney's Lodge is likely to have TUPE consequences.

Delegation

This report seeks Cabinet approval to commence tender in principle subject to further delegated decisions in relation to the matters stated therein such as the procurement/commissioning strategy and the implementation of the Unison Ethical Care Charter. Under the scheme of delegation, Cabinet has the options to delegate to the Cabinet member as requested **OR** to delegate to a Committee of Cabinet **OR** to reserve any of the matters proposed to be delegated for itself as it deems appropriate under the circumstances.

LATCO – feasibility study

In relation to the proposal to commence a feasibility study for the formation of a Local Authority Trading Company, the general powers of competence under the Section 1 Localism Act 2011 empowers local authorities to be able to do anything that an individual can do, subject to limitations placed by other legislation. Under Localism Act 2011 and under section 95 Local Government Act 2003, local authorities are not able to trade or do things for a commercial purpose save through a company. The feasibility study would help to inform whether it is desirable for the Council to proceed with the formation of a company to enable proposed trading.

4.5 Other Implications

Y	Equalities/Diversity	N	Sustainability	Y	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Background Papers: Milton Keynes Council Home Care Review & Options Appraisal. September 2015

Wards Affected:
ALL WARDS

ITEM 12

CABINET

12 OCTOBER 2015

MILTON KEYNES DEVELOPMENT PARTNERSHIP QUARTERLY UPDATE

Responsible Cabinet Member: Councillor Middleton (Cabinet member for Resources and Commercialism)

Author and contact: Charles Macdonald, Chief Executive, Tel: 01908 253899

Executive Summary:

This paper is the annual review and quarterly update on the activities of Milton Keynes Development Partnership (MKDP).

Cabinet are invited to note progress to date.

The revised Business Plan annexed to this Cabinet paper sets out:

- Progress against the original Business Plan including transactions update
- MKDP's financials

1. **Recommendation(s)**

   (a) That the progress against the Business Plan be noted.

   (b) That the forecast revenue and capital position from 2015/16 to 2019/20 be noted.

   (c) That Milton Keynes Development Partnership's intention to meet its interest and MK tariff risk share reserve requirements to 2018 and beyond be noted.

2. **Options**

   N/A

3. **Implications**

3.1 The next formal update of the MKDP Business Plan is October 2016.

The next quarterly review/update of the Business Plan will be January 2016

3.2 Resources and Risk

MKDP still expects to meet the loan interest costs and the MK Tariff share reserve charges that apply from 2018/19 and beyond

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

3.3 Carbon and Energy Management

N/A

3.4 Legal (Refer to Legal Department)

N/A

3.5 Other Implications

N	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	N	Crime and Disorder

Background Papers:

Annex A MKDP Business Plan

Annex B MKDP work Plan

Annex C Quarterly Update

Executive Summary

This paper is the 2015 annual business plan for Milton Keynes Development Partnership LLP (MKDP). It sets out the purpose, objectives and guidance on the strategy to realise value from the sale and development of its assets.

Appended to this paper is MKDP's September 15 quarterly report confirming that MKDP is making solid progress against the 2014-2015 Business Plan and is building up a strong pipeline of transactions to meet the short and medium term objectives set out in the Plan.

Key points of progress against the 2014-2015 Business Plan include:

- Two land disposals have completed generating capital receipts of over £1.2m The most significant transaction being in the granting of a long leasehold to Honda F1 Power a scheme that will generate c 65 jobs
- Contracts have been exchanged on a further 8 land transactions with solicitors progressing contracts on 10 more which in commercial terms will facilitate over 100,000 sq. ft. of new floorspace, creating upwards of 550 jobs and potentially generating over £6.8 m
- In residential terms site disposals for over 550 units are agreed which will generate a gross receipt of c £15 - 19m* (* Note gross receipt will be subject to abnormal cost deductions.)
- We are actively engaged with MKC to aid the expansion of educational facilities in Milton Keynes with four transactions on c 25 acres creating an additional 4 entry forms at primary level and 5 entry forms at secondary level as well as purpose built Special and Alternate Provision school facilities
- We are exploring options to encourage the development of grade A office development in CMK and seeking to establish a vision for some of the key strategic sites in our portfolio including land around the shopping centre, B4, Station Square and the balance of our land in Campbell Park

Strategic development advice continues to be MKDP continues to be provided to MKC on request with negotiations concluding on key transactions including the Western Expansion Area, the YMCA and the Agora Shopping Centre.

Introduction

MKDP is a Limited Liability Partnership established in 2012 to manage and promote the assets purchased from the Homes and Communities Agency by Milton Keynes Council in January 2013.

MKDP is an independent legal entity wholly owned by the Council. The Board comprises four Elected Members including the Leader of the Council and five Independent Members including an Independent Chair.

MKDP is empowered to take an entrepreneurial approach to deliver long-term economic value and social benefits for all the citizens of Milton Keynes. It is wholly owned by and accountable to MKC.

MKDP's Purpose

MKDP's purpose is to facilitate Milton Keynes' growth and the implementation of the vision for Milton Keynes' future that is set out in the Council's approved Corporate Plan, in its Core Strategy and with other key Council Strategies.

MKDP was set up to manage the c£32m asset portfolio which was acquired by the Council from the Homes & Communities Agency in January 2013. In developing this and previous Business

Plans, a programme has been produced to guide the development of these land assets that will support the Council in the delivery of key strategies.

MKDP will support the Council in its role of planning and leading growth for the borough, and the aspirations for the Milton Keynes area as it continues to grow, with the aim of delivering a further 28,000 new homes and over 40,000 new jobs by 2026, as set out in the Core Strategy.

There are a number of other key strategies that influence and will be supported by this Business Plan, including the Council's Economic Development Strategy and Inward Investment plan.

Key business strategies (How we are to operate)

MKDP will help to facilitate the implementation of MKC's vision for the growth of Milton Keynes by the appropriate development of its land assets, and other land assets belonging to MKC by:

- exploring possible future uses for assets previously owned by the HCA and various assets already owned by MKC.
- engaging with third party developers, investors and advisers to ensure that proposed uses create best value and are commercially viable and deliverable.
- ensuring appropriate consultation and engagement with elected members, parish/town councils, and other stakeholders in the preparation of development briefs for the sites as required under the development brief protocol.
- collaborating with other land interests to maximise the opportunities for beneficial development.
- working collaboratively with public and private sector partners and taking a proactive approach to commercial development.
- encouraging private sector investment in Milton Keynes, whether by way of expansion or inward investment.
- bringing forward residential, commercial and ancillary development in line with the objectives of the Council's Corporate Plan and other key strategies, particularly the Core Strategy and Economic Development Strategy.

Working Arrangements

MKDP will prepare and submit a business plan annually for consideration and approval by Cabinet. The Business Plan will include revenue and capital budgets, human resources requirements and will identify sites considered for disposal, or development in the work plan.

In addition MKDP provide quarterly reports to Cabinet to include: a summary of progress against the Business Plan, transactions update, sites in negotiation, key initiatives and a statement of MKDP's financial position. September's report on the 2014-15 Business Plan is appended to this report.

Unless and until the Board of MKDP decides otherwise, MKC will provide the necessary support services, including Payroll, Business Support, Performance Reporting, Human Resources, ICT, Procurement, Law and Governance, Finance and Accounting. A fee will be payable for these and any other services procured from MKC / MKSP by MKDP.

Staffing support from and their related Service Level Agreements with MKC continue to be reviewed and enhanced in the context of the working arrangements and strategies for the sale and development of its assets as set out in the proposed Work Plan.

MKDP have taken ownership of the bulk of the assets being transferred from the HCA, with the rest transferring to MKC. Subsequently, further assets with development potential (whether previously owned by the HCA or not) may be transferred from MKC to the MKDP and assets may be transferred from MKDP to MKC where appropriate with the agreement of Cabinet.

MKDP will operate in accordance with Local Authority accounting principles as its accounts will be consolidated with those of MKC as the ultimate owner. MKDP has developed its own

Financial Regulations, Procurement Rules and Scheme of Delegation that have been approved by the Board.

MKDP will also provide management accounts on a commercial basis (reconciled with MKC's reporting requirements) with monthly financial reporting to the Finance Sub-Group, quarterly financial reports to Board and quarterly reports to Cabinet to include a statement of MKDP's financial position.

MKDP will operate commercially effective procurement processes aligned with public sector procurement practices.

Financial Arrangements

The tables below summarise the financial out turn position for MKDP for the financial year to 31.3.15 and the 2015/16 Period 5 forecast.

The out turn for the 14/15 Financial Year shows that a surplus of £503k was achieved, which will be held in a revenue reserve for future years.

MKDP have delivered an excellent financial result returning £500,778 above budget for 2014/15. This was achieved through: negotiating enhanced rental income on the CMK Station Car Park lease, completing the CMK Market lease thereby removing the risk reserve, a £100,000 underspend on costs and £76,000 parking income negating the £99,000 business rates which were an unexpected cost at the beginning of the year.

This result highlights MKDP are meeting their objective to deliver an accruing profit reserve to service the interest on the £32m debt to MKC in 2018/19.

Financial Year to 31.3.15	*Budget £000s*	*Actual £000s*	*Variance £000s*
MKDP Management & Development	***712***	***619***	***(93)***
Asset Management	***(674)***	***(970)***	***(296)***
Car Parking	***(243)***	***(355)***	***(111)***
Contributions to MKC	***203***	***203***	***0***
(Profit)/Loss	*(2)*	*(503)*	*(501)*

2015/16 - Period 5 Forecast	***Budget £000s***	***Forecast £000s***	***Variance £000s***
MKDP Management & Development	924	848	(75)
Asset Management	(1074)	(1107)	(33)
Car Parking	(311)	(319)	(8)
Contributions to MKC	205	205	
(Profit)/Loss	**(256)**	**(373)**	**(117)**

Note: Due to MKC accounting conventions figures in () represent surpluses

Financial Projections

MKDP are also forecasting capital receipts of £4.6m in 2015/16 which reflect payments anticipated from land sales. Projected land sales in early years are subject to a significant risk factor and until exchange of contracts all potential receipts have been heavily discounted. The priority is to build up a pipeline of opportunities to reduce the risk in future years.

During 2015/16 MKDP has succeeded in completing its first large sale of land at Winterhill securing a capital receipt of £1.060m. Residential plots at Queensbury Lane, Monkston Park are progressing well and receipts should be secured by the end of 2015/16. B3.2 South is awaiting exchange with planning secured. Site D Wolverton Mill is exchanged awaiting planning. Site A West Ashland is at planning submission stage and no issues are currently anticipated.

It should be noted that the forecast capital receipt for 2015/16 has not been revised following planning issues on the Wyvale site that have delayed the proposed transaction. With significant progress is being made on other transactions it is anticipated that forecasts can still be met. The delay of the Wyvale receipt does however reduce MKDP's ability to accommodate any further transactional delays during the financial year. Delivery of MKDP's forecast capital receipt is in part dependent on the sale of the Kents Hill school site which is understood to be in MKC's capital programme for 15/16 financial year. Completion of all 2015-16 transactions excluding Wyvale has the potential to stimulate receipts exceeding £6.3m

The table below summarises the forecast revenue and capital position for MKDP from 2015/16 to 2019/20.

2014-20 Financial Plan	*2015/16 £000s*	*2016/17 £000s*	*2017/18 £000s*	*2018/19 £000s*	*2019/20 £000s*
P&L					
Expenditure	*2,379*	*2,249*	*2,210*	*2,695*	*2,420*
Income	*(2,751)*	*(2,550)*	*(2,621)*	*(2,621)*	*(2,621)*
Annual (Profit)/Loss	*(373)*	*(301)*	*(411)*	*74*	*(201)*
Cumulative (Profit)/Loss (Sept 2015)	*(896)*	*(1,196)*	*(1,608)*	*(1,534)*	*(1,735)*
Cumulative (Profit)/Loss (June 2015)	*(724)*	*(1,024)*	*(1,436)*	*(1,362)*	*(1,563)*
Capital Expenditure					
Site Preparation	*310*	*176*	*165*	*72*	*388*
Repay Debt	*4,582*	*5,451*	*1,807*	*9,281*	*9,899*
MK Tariff Risk Share Reserve				*580*	*580*
Total Capital Expenditure	*4,892*	*5,627*	*1,972*	*9,933*	*10,867*
Capital Receipts	*(4,686)*	*(5,627)*	*(1,972)*	*(9,933)*	*(12,867)*
Net Capital Position	*206*	*0*	*(0)*	*(0)*	*(2,000)*
Cumulative Capital Position (June 2015)	*206*	*206*	*206*	*206*	*(1,794)*
Business Plan Cumulative Capital (Mar 2015)	*(0)*	*0*	*0*	*0*	*(2,000)*

In summary MKDP still expects to meet the loan interest costs and the MK tariff risk share reserve charges that apply from 2018/19 and beyond.

The improving profit line to 2017/18 is as a result of the site preparation and development brief costs reducing over the period while MKDP is not liable for the debt on its assets. In the initial period of operation development brief costs will need to be higher while investment plans are implemented to enable sites to be progressed. The increase in the expenditure position in 2018/19 is due to the provision for interest referred to above.

MKDP has generated a revenue reserve of £0.523m in the first 2 years of operation to support the cost of debt charges in 2018/19. Annual revenue projections of £1.534m provide sound reassurance that debt and interest charges will continue to be met in future years. The capital receipts created will be available to pay down outstanding debt if required to do so resulting in a Debt liability of at least half the original £32m by the end of 2018/19.

Future Years Strategy

MKDP is aiming to strike a balance between generating capital receipts and regular income from the sale and development of land to be able to repay the £32m of debt and/or service the payment of interest on that debt from a steadily increasing revenue income stream.

It is intended to build the income stream over time by considering options for long-term leasehold or other ongoing arrangements rather than simply asset sales, and may require some re-investment of early profits from the sale of sites. The CMK Station Car Park Lease is one such site generating £0.5m per annum boosting revenue reserves and a strong foundation for future debt interest repayments.

Previous iterations of the plan assumed a relatively small recurring income from the sale of long leasehold interest on appropriate residential commercial development sites. MKDP will continue to explore this initiative however it has become evident from tender returns that the discount applied to long leasehold & ground rent offers is penal. To generate long dated income streams alternate strategies will need to be explored and capital receipts may need to be reinvested into standing investments

In respect of development in Central Milton Keynes the retention of the freehold interest provides potential opportunities for future income generation and control. Where possible MKDP will continue its strategy of long leasehold disposals however exceptions will be made on less strategic sites and/or where such title restrictions frustrate investment and development opportunities.

It is recognised that these financial goals cannot be achieved immediately. The plan provides for MKC to meet the annual costs of debt relating to the sites until 2018/19 to allow the best value options to be considered and delivered.

Financial projections are subject to the risks identified above and include prudent estimates of potential sales and ongoing income generation. Due to the complexity of property transactions the exact timing of the receipts are expected to vary, but the financial analysis demonstrates that MKDP can cover the debt costs and the contributions required by MKC.

Human Resources

MKDP operate with a small and effective team. As a consequence of the growing pipeline of development opportunities additional Human Resources will need to be recruited. During the Plan period MKDP propose to appoint additional direct resources and consultants on task and finish initiatives.

Direct human resources will be funded through annual reserves with consultants appointed on task and finish initiatives capitalised as a cost to the specific scheme

Key Strategies

Housing

MKDP are actively looking to bring forward land for housing development. We have the potential to deliver up to approximately 5000 houses (CMK and out of town) including 1500 units of affordable housing (assuming a minimum 30% delivery of affordable housing on MKDP land).

Within the past 12 months four key residential sites in Campbell Park, Atterbury, Middleton and Monkston have been tendered and preferred developers have been appointed. The schemes have the potential to deliver over 550 units and generate a gross receipt of £15-£19m.

Consultation and pre-marketing preparations continues on sites including: Walton, part Kents Hill, Wylie End Bradville, Lichfield Down Walnut Tree, Highgate Over Walnut Tree. Further sites to be considered within the immediate Business Plan period include: Land adj Marlborough Gate CMK, part Independent School Site Shenley Church End, sites adjacent Westbury Farm Shenley Wood.

We aspire to better conceptual design and architecture, particularly for residential development on our land and we are seeking to promote enhanced sustainability and energy performance requirements where appropriate and viable. This is illustrated in the vision statement included in the Campbell Park H4 and Newlands development brief.

Self Build

In the context of the above MKDP wishes to provide a broad range of housing opportunities, responding to the current local interest in self build plots, and the Governments right to build proposals. The self-build plots designation will also include custom build and other similar schemes.

It is proposed for MKDP residential development sites of 1 ha or more, that there is an aspiration for 10% of the sale units to be developed as self-builds, subject to individual circumstances.

For sites of less than 1 Ha, a percentage approach is unlikely to be a practical way forward for all occasions, and provision will be made on case by case basis.

Self build for affordable units will be considered in particular cases.

Within the past 12 months we have tendered 10 self build plots and a further 15 plots have been reserved for future sale to self-builders within the proposed Atterbury scheme.

Note: Contracts for the sale of self build plots require the purchaser to agree that they will occupy the property as their primary residence for a minimum period of two years

Education

MKDP are actively engaged with MKC Children and Families and aiding the facilitation of new schools in Milton Keynes. To date three Milton Keynes Council schemes are progressing that will create an additional: 4 entry forms at primary level, 5 entry forms at secondary level and special school facilities. In addition MKDP have sold a site to Milton Keynes Education Trust for an Alternate Provision School

Sustainability

MKDP are exploring opportunities to enhance the sustainability and energy performance of developments and have engaged with the National Energy Foundation (NEF), an independent charity at the forefront of improving the use of energy in buildings and recognised as experts in their field.

The intention is to use emerging transactions to assess and enhance performance in an effort to inform / improve the quality of development and help draft a policy framework for future developments in Milton Keynes.

Key Initiatives:

Additional Revenue Enhancement Opportunities – MKDP continue to consider participation in joint ventures, co-investment and equity participation when considered appropriate and deemed to achieve the Partnership's objectives. Initiatives will have to demonstrate the potential for enhanced returns, accelerated delivery or help de-risk the development process to encourage investment and development by third parties.

Previous Business Plans highlighted potential opportunities for Joint Ventures. While not dismissed in entirety legal restrictions, OJEU and the associated time constraints have prevented our pursuing these initiatives with vigour. To achieve desired outcomes MKDP have varied strategies and are pursuing land transactions with overage provisions that replicate many of the advantages associated with more formal Joint Ventures

Method of Sale – In most cases it is intended that sites will be brought to the open market by way of informal tender. Consideration will be given to off market private treaty disposals at best consideration where:

- An investor / owner occupier requires the scheme for their own occupation.
- A developer / third party has a formal binding commitment by an occupier /occupiers to deliver a scheme with a minimum 50% occupation.
- MKDP elect to partner in a scheme by way of joint venture, co investment, equity participation or land transactions with overage provisions.
- Independent franking valuations support best consideration.

Tenure – It remains MKDP's preference to transfer land for development by long leaseholds subject to premium, reviewable annual ground rent, development obligations and where applicable land use restrictions.

MKDP acknowledge that title restrictions (long leaseholds) can frustrate investment and development and consideration will be given to freehold disposals in non-strategic locations outside CMK and within CMK in exceptional cases.

Re-allocation of land uses - MKDP is actively investigating potential land use re-allocations to meet emerging demand, local and national policies, changes in the economy, changes to work practices, enhancement of the local amenity etc. Where considered appropriate MKDP will promote land use changes through the Development Brief process and seek re-allocations where there is evidence to substantiate such change of use.

Sites promoted for alternate uses include:

- Atterbury
- Kents Hill
- Walton
- Shenley Wood

Enhancement of existing portfolio - MKDP continue to explore opportunities to enhance the existing portfolio including the refurbishment and re-use of built assets and stimulate development by infrastructure investment and access improvements. This includes a strategic view of future requirements and collaborative working with other organisations such as MKC, Milton Keynes Parks Trust, SEMLEP and relevant Government Departments.

Development Briefs - MKDP continue to commission Development Briefs and Pre-Apps on sites considered for disposal.

The Development Brief, in effect being a planning brief for each site is recognised as essential to effective stakeholder engagement including, Ward Members, Parish/Town Councils and other stakeholders. We are working with MKC to continually improve this process whilst ensuring the necessary commercial confidence for the promotion and disposal of sites as per the business plan.

MKDP anticipate opportunities to speed up the process of bringing sites to the market and it is proposed that it may be appropriate to treat theses as exceptions to the Business Plan and Development Brief process. Approval of such transactions will be subject to MKDP Board and MKC Cabinet approval.

Marketing

Clear and effective communication of MKDP's objectives, open access to information on sites considered for disposal and site specific marketing is essential. The key goals are:

- **Website / Information Portal** – MKDP have a comprehensive website setting out MKDP's core objectives, methodologies and identifying the assets considered for disposal. The website is to be the primary reference point for information on the MKDP's estate and where appropriate it will be supported by printed marketing collateral for key sites. The information provided on the website includes the annual approved business plan and quarterly reports on progress against that business plan, a list and description of the main sites, and approved development briefs.

- **Direct Marketing** - Direct marketing will be limited and targeted on keys sectors including: developers, key agents, investors, institutions, housing associations etc. MKDP to support a limited number of key multipliers including Invest MK and SEMLEP and may elect to collaborate on marketing initiatives that have a direct benefit to MKDP. By way of example MKDP are partnering with Invest Milton Keynes at MIPIM UK.

- **Public Relations** – Acknowledging the requirement to better communicate our strategies and objectives and to enhance stakeholder engagement additional PR resources have been sourced

MKDP Vision and Ambitions

MKDP has been successful in building a strong pipeline of transactions through the marketing, and sale of sites for development. The growing pipeline provides comfort that the financial obligations on MKDP to meet the interest costs and the MK tariff risk share reserve charges from 2018/19 will be met.

This growing confidence in our ability to deliver our financial obligations provides an opportunity to draw up more visionary and ambitions proposals for a number of key sites including:

- B4.1– B4.4 – MKDP are in active negotiations with HCA to acquire their interest in B4.4 thereby completing the assembly of the entire B4 grid square. Comprehensive master planning for the delivery of a high density mixed use scheme is proposed with the scheme potentially comprising but not exclusively: offices, conference centre, hotel uses, residential (incl PRS) multi storey car parks.

- The Bowl – With Badminton England pulling out and the withdrawal of preferred bidder status from Moirai Capital MKDP are provided an opportunity to reconsider options for the promotion of leisure and sporting facilities and the enhancement of arena facilities at the Bowl. In the short term measures have been put in place to enhance the prospects of attracting major events for example the recent Foo Fighters concerts.

- Campbell Park Northside (Sites F1,G1,H1) – MKDP are actively considering the marketing of development sites to the North of Campbell Park to identify a Strategic

Development Partner to pursue planning and accelerate the development of a comprehensive residential / mixed use.

- Campbell Park Southside (G4) – consideration is being given to the promotion of a Housing Festival Site on the south side of Campbell Park to coincide with MK's 50th anniversary in 2017.

- Midsummer Boulevard East – MKDP are actively engaged with developers and investors in the pursuit of enhanced mixed use schemes that will include retail, leisure, residential and hotel sites

During this Business Plan period MKDP will set out ambitious plans for a number of these key sites in a series preliminary master plans and strategic briefs.

MKDP's Role as Special Advisor to MKC

MKDP continue to provide expert property and property development advice to MKC as required. MKDP are currently advising on the following:

- **Western Expansion Area** – MKDP are representing MKC and are seeking a new collaboration agreement broadly in lines of the unexecuted 2011 agreement that will ensure an equitable distribution of the infrastructure cost burden and land receipts.

- **Agora Shopping Centre, Wolverton** - MKDP are advising on redevelopment options and the sale of Milton Keynes Councils freehold interest.

- **YMCA, CMK** – MKDP have been invited to advise on redevelopment options, assess viability and negotiate disposal / joint venture terms.

- **Tickfordfield Farm** – MKDP have been invited to advise on the promotion and development on behalf of MKC

Work Plan

The attached work plan sets out sites to be brought forward during the business plan period.

The work plan identifies priority sites, proposed uses planning proposals and whether the sites are intended for a Development Brief or Pre-App.

Principal Risks to Business Plan

The management of the business and the execution of the Business Strategy are subject to a number of risks. The key business risks are summarised below:

Issue	Risk	Mitigation
Economic Risk	Economic recovery stalls Interest rate increases	• Prudent estimates of potential sales and income generation.
	Availability of finance for development	• MKDP to consider JV's, co-investment and equity participation to de-risk schemes and reduce financial burden. • MKDP to provide more flexible deal structures including freehold interests and delayed completions.
Organisational Risk	Protracted decision making process. Public Policy restrictions.	• Development Brief protocols streamlined. • Pre-approval of sites considered for

	OJEU obligations	disposal (subject to Development Brief Process) identified in the work plan. • Procurement issues to be addressed and more prudent estimates of project timescales to be introduced.
	Recruitment and Human Resources	• Key personnel recruited with additional requirement to be considered as required.
Resource / Revenue Risk	Uncertainty of income from investment assets including CMK Market and car parking.	• Prudent estimates of rents achievable and net car parking income.
Political Risk	Ongoing Council elections	• Cross party support for MKDP Business Plan.
Planning Risk	Business Plan assumes significant opportunities for land use re-allocations Potential impact of CMK Alliance Plan	• Sites to be promoted through the Development Brief process. • MKDP supporting MKC initiatives to provide an evidence base to emerging Plan MK. • MKDP to consult with CMK Town Council and Planning officers to aid interpretation of policy
Financial Risk	The forecasts assume use allocations will be reviewed and changes of use will be forthcoming	• Prudent assumptions on the timing and allocation of land uses.

Land use proposals

ANNEX **B**

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Central Milton Keynes											
D4.4 (Wyevale) - land at South Tenth Street	1.61	Employment	x						x		
B4.1-3 - land off Avebury Boulevard and Grafton Gate	13.50	Employment				x			x	x	
B3.1S & 3.2S - land off Avebury Boulevard	0.75	Employment	x						x		
B3.3N - land between Lower Third/Lower Fourth Street	1.16	Employment	x						x	x	
Station Square	2.42	TBC					x		x	x	
D3.4 - land to the east of the Point	2.54	Employment/ Leisure/ Retail					x		x		
C4.4 S - land off South Row	0.62	Employment					x			x	
C4.2, C4.3 - land adjacent to South Sixth Street	1.80	TBC					x		x		
D4.1 S - land to the rear of Saxon Court	0.84	TBC					x			x	
The Buzy & Car Parking. Elder Gate	3.05	TBC					x			x	
CBX 3 C3.1/2 - land adjacent to Avebury Boulevard and the HUB	1.11	Employment	x				x			x	
Car Park B1.2N - land off North Row	0.16	TBC					x				

Land use proposals

ANNEX B

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Land adjoining Marlborough Street (MK Gallery)	0.57	Leisure	X				X		X		
Campbell Park											
Campbell Park H3, H4 and Newlands G (sites stradding the Grand Union Canal)	10.45	Residential & Mixed use	X						X		
Campbell Park G4.2 N	3.55	Residential & Mixed use			X				X	X	
Campbell Park Hotel site H1.1, land off Overgate	0.84	Residential & Mixed use			X				X	X	
Campbell Park North F1,G1,H2, land off Blairmont Street/ Skeldon Gate	27.35	Residential & Mixed use			X				X	X	
Campbell Park South, F4, G4, land adjacent to Enterprise Lane, Highbury Lane and Smithson Place	10.95	Residential & Mixed use			X				X	X	
Out of Centre											
Atterbury, land at Oakworth Avenue	11.93	Residential	X						X		
Bletchley PFS Site	0.44	TBC					X				
Bradville, Wylie End	1.29	Residential		X					X		X
Bradwell Common Site 1, Land at Hampstead Gate	1.00	Reserve Site / TBC					X				
Brinklow, PFS Sites	0.56	TBC					X				
Broughton, Milton Road	0.27	Residential					X				

ANNEX B

Land use proposals

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Caldecotte Business Park - Site C, land at Brickhill Street	4.74	Employment			X				X		X
Crownhill, Reserve Site, land at Hendrix Drive	0.75	Reserve Site / TBC					X				
The Bowl	74.15	Leisure	X						X		
Elfield Park	4.80	TBC					X				
Emerson Valley, Reserve Site 2, land at Whitehorse Drive	0.64	Reserve Site / TBC					X				
Fullers Slade, Land off Slade Lane	1.53	TBC / Regen					X				
Grange Farm, Reserve site, land at Dunthorne Way/Coulson Avenue	1.36	Reserve Site / TBC					X				
Great Holm Phase 2, land at Waddesdon Close	0.59	TBC					X				
Greenleys, Reserve site	0.35	Reserve Site / TBC					X				
Kents Hill, land at Timbold Drive	33.26	Employment, Eductional, Residential	X						X	X	
Knowlhill Site P & V, land off Kelvin Drive, land at Timbold Drive	8.99	Employment		X					X		X
Linford Wood Site C, land at Rockingham Drive	3.41	Employment		X							X
Linford Wood Site D, land at Rockingham Drive	3.30	Employment		X							X
Linford Wood Site G, land at Breckland	3.34	Employment		X							X

Land use proposals

ANNEX **B**

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Loughton, Land at Bradwell Road	0.05						X				
Loughton, Little Meadow,	0.50	Residential		X							X
Medbourne Site 4 (Sheltered)	1.40	Residential					X				
Medbourne, Pascal Drive	1.00	TBC				X				X	
Middleton, Land at Griffith Gate	0.32	TBC			X					X	
Middleton, Phoenix Lodgeland off Worrelle Avenue	2.59	Rersidential	X						X	X	
Monkston Park, Ladbrook Grove	1.94	Residential				X			X	X	
Monkston , Lilleshall Ave	1.68	Residential	X						X	X	
Newlands H, land off Brickhill Street	4.23	TBC					X				
Pineham,close to J14 of the M1	26.81	Employment			X				X	X	
Rooksley Site A, land at Deltic Avenue	3.17	Employment		X							X
Shenley Brook End, Youth Club Site, land at Chaffron Way	1.29	Reserve Site / TBC					X				
Shenley Church End - Independent School Site, land at Daubeney Gate	6.40	Part Educational / Part Residential		X		X			X	X	X
Shenley Wood Site A, land at Chalkdell Drive	7.32	Employment		X							X

Land use proposals

ANNEX B

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Shenley Wood Site B, land at Chalkdell Drive	7.38	Employment		X					X		X
Shenley Wood Site D, land at Merlewood Drive	5.70	Residential				X			X	X	
Shenley Wood Site E, land at Merlewood Drive	2.95	Residential				X			X	X	
Shenley Wood, Westbury Farm and Buildings,	2.81	Residential					X		X		
Snelshall East Site A, land at Pendeen Crescent	8.12	Employment		X							X
Snelshall East Site B, land at Pendeen Crescent	6.84	Employment		X							X
Snelshall West Site D, land at Steinbeck Crescent	7.42	Education					X		X	X	
Snelshall West Site E, land at Anderson Gate	2.60	Employment		X							X
Snelshall West Site F, land at Anderson Gate	2.49	Employment		X							X
Tongwell Site B, land at Michagin Drive	1.23	TBC			X						X
Walnut Tree, Library site Blackberry Court	0.12	TBC					X				
Walnut Tree, Open Space adjacent to Highgate Over	0.89	Residential		X			X				
Walnut Tree, Land adjacent to Lichfield Down	0.89	Residential		X			X				
West Ashland Site A, land at Thornbury	5.81	Employment		X					X		X

Land use proposals

ANNEX B

Site	Area Acres	Proposed Land Use	Site to be promoted in accordance with the adopted Development Brief	Site intended to be promoted in accordance with Core Strategy Designation	Site generally intended to be promoted in accordance with Core Strategy designation, with potential alternate uses to be considered on merit.	Site to be considered for potential alternate use. Where deemed viable and supported following consultation and the Development Brief process promoted for alternate use through the site allocations proocess or through Plan MK	Subjet to ongoing investigation		Priority Site for Business Plan Period (2014 - 2020)	Proposed for Development Brief	Propsed for Pre -Application
Walton Manor land at Simpson Road	23.42	Employment / Residential				X			X	X	
Westcroft, Reserve Site 3, land at Cranborne Avenue	1.81	TBC				X			X		
Willen Lake Site A, land at Brickhill Street	2.59	Employment / Residential			X				X	X	
Wolverton Site G, land adjacent to Stratford Road	18.31	Employment			X				X	X	

ANNEX **C**

MKC Cabinet
Quarterly Update Report
As at September 2015

INTRODUCTION

This paper is the September 2015 quarterly update report to MKC Cabinet setting out progress on the MKDP Business Plan - September 2014.

SUMMARY

Solid progress has been achieved compared with the 2014 Business Plan. The main focus remains to create a strong pipeline of opportunities and projects with manageable risks related to both delivery and cash generation.

Strategies continue to be adapted and refined to ensure both investor, developer and occupier needs are addressed and to deliver consistent policy compliant schemes.

The substantial pipeline of transactions being built includes:

- Two land disposals have been completed generating capital receipts of over £1.2m. The most significant transaction is the granting of a long leasehold to Honda F1 Power a scheme that will generate c 65 jobs.
- Contracts have been exchanged on a further 8 land transactions with solicitors progressing contracts on 10 more which in commercial terms will facilitate over 100,000 sq. ft. of new floorspace, creating upwards of 550 jobs and potentially generating over £6.8m.
- In residential terms, over 550 units are agreed which will generate a gross receipt of c£15m - £19m* (*Note: the gross receipt will be subject to abnormal cost deductions).
- Being actively engaged with MKC to aid the expansion of educational facilities in Milton Keynes with four transactions on c25 acres creating an additional 4 entry forms at primary level and 5 entry forms at secondary level as well as purpose built Special and Alternate Provision school facilities.
- Exploring options to encourage the development of grade A office development in CMK and seeking to establish a vision for some of the key strategic sites in the portfolio including land around the shopping centre, B4, Station Square and the balance of our land in Campbell Park.
- Potentially delivering significant housing numbers with excellent progress being made to bring forward the first tranche of residential opportunities at Campbell Park/Newlands, Atterbury, Monkston and the self-build plots at Monkston Park and Shenley Church End.

Strategic property advice continues to be provided to MKC on request with negotiations concluding on key transactions including the Western Expansion Area, the YMCA and the Agora Shopping Centre.

PROGRESS AGAINST BUSINESS PLAN - Transaction updates:

CMK & Campbell Park

- Site B3.2S – Contracts are agreed and exchange imminent for the sale of this site for a part speculative office scheme of 46,000sq. ft offices. Planning consent has been granted and it is anticipated that construction will commence in Q4 2015.

- Canalside, Campbell Park – Crest Nicholson Regeneration has been appointed preferred development partner for this 15 acre site; it is intended to deliver c380 homes of various styles, a local convenience store, restaurant, pub, nursery and a 100 berth marina which is intended to form the start of the proposed Bedford / Milton Keynes canal link.

- MK Gallery – Terms have been agreed for the transfer of land to MKC to facilitate the proposed expansion of the MK:G under a restructured lease.

Commercial – Out of Town

- Winterhill: for Honda F1 R&D Europe – This sale together with a detailed planning consent was completed within 8 months of the first enquiry. This is a testament to the ability to work closely with MKC to deliver schemes. The new Honda Formula 1 R&D facility is due to start on site in October 2015 with completion before the beginning of next year's F1 season ultimately creating 65 jobs for high-skilled and support staff.

- Site E Wolverton – Contracts have been exchanged with Suisse Properties for c30,000 sq ft of offices and warehousing safeguarding c40 jobs in the area.

- West Ashland South - Heads of Terms have been agreed and solicitors are instructed on a long leasehold disposal to a logistics company for a 2 acre parcel of land at West Ashland. A planning pre-app has been submitted to aid the finalisation of their detailed planning application.

Residential – Out of Town

- Atterbury - Following a competitive tendering exercise attracting 8 bids Morris Homes has been appointed preferred developer for a 120 unit residential development to include market and affordable homes plus 15 self build plots. Terms are agreed and solicitors have been instructed with exchange of contracts imminent.

- Worrelle Avenue, Middleton - Following a competitive tendering exercise Morris Homes has been appointed preferred developer for a 27 unit residential development to include market and affordable homes. Heads of Terms are in negotiation.

- Monkston Park Self Build Plots 2,4,6,8,10,12 and 14 - Seven self build plots have been successfully marketed by informal tender in two phases. One sale has completed with the other six plots having exchanged contracts.

- Lilleshall Avenue – Following a competitive tendering exercise Abbey New Homes has been appointed preferred developer for a scheme of 25 new and affordable homes. Heads of terms are agreed and solicitors appointed.

- Little Meadow, Loughton – offers have been received for this small site for two homes and will be reported to MKDP's board in September 2015.

Others

- Independent School Site, Shenley Church End - The sale of part of the site for an Alternate Provision school for junior school aged children has exchanged subject to planning with the planning application submission anticipated for October 2015. The school is promoted by the Education Funding Agency and Milton Keynes Education Trust.

- Kents Hill – MKC Children & Families have completed their investigations into suitable locations for the proposed CMK Secondary School and have confirmed their intention to build an additional educational facility at Kents Hill sites B and E, with a proposed opening date of September 2017. A draft Development Brief has been prepared for all MKDP development sites at Kents Hill including the proposed secondary school site.

MKDP as adviser to MKC

- Western Expansion Area – MKDP are representing MKC and are seeking a new collaboration agreement broadly in lines of the unexecuted 2011 agreement that will ensure an equitable distribution of the infrastructure cost burden and land receipts.

- Agora Shopping Centre, Wolverton – Advice is being provided on redevelopment options and the sale of MKC's freehold interest.

- YMCA, CMK – Advice is being provided to MKC on the redevelopment options assessing viability and negotiating disposal / joint venture terms.

- Tickfordfield Farm – Advice is being provided on the promotion and development of this site on behalf of MKC.

Sites in Active Negotiation include:

- Wyevale Site
- C3.3S (adjacent to CBX3)
- Site G (South) Wolverton
- Ladbroke Grove, Monkston Park
- Westcroft
- Pineham
- West Ashland North

Development Briefs and Pre-Apps:

The tables below identify sites proceeding through the Development Brief and Pre-App process.

DEVELOPMENT BRIEFS	Approved	Awaiting Approval	Pre-consultation	Formal Consultation Stage	Programmed for Start
Atterbury	✓				
Bowl	✓				
Caldecotte A					✓
Campbell Park & Newlands	✓				
Campbell Park G.4					✓
CMK, B3.1 & B3.2s	✓				
CMK, B3.3N	✓				
CMK, B4.1 - 4.3					✓
CMK, D3.4					✓
Kents Hill			✓		
MK Gallery	✓				
Monkston, Ladbroke Grove	✓				
DEVELOPMENT BRIEFS	**Approved**	**Awaiting Approval**	**Pre-consultation**	**Formal Consultation Stage**	**Programmed for Start**
Monkston Park, Lilleshall Ave	✓				
Phoenix Lodge	✓				✓
Pineham					✓
Station Square					✓
Part Independent School Site Shenley					✓
Walton		✓		✓	
Westbury Farm					✓
Westcroft Reserve Site 3	✓				
Wyevale	✓				

PRE - APPS	Complete	In Preparation	Programmed for Start
Site A Caldecotte Lake			✓
Bradville, Wylie End	✓		
Knowlhill V	✓		
Knowlhill P	✓		
Linford Wood C	✓		
Linford Wood D	✓		
Linford Wood G		✓	
Little Meadow	✓		
Queensbury Lane, Monkston Park plots 10 & 12	✓		
Queensbury Lane, Monkston Park plots 14	✓		
Queensbury Lane, Monkston Park plots 2,4, & 6	✓		
Rooksley Site A	✓		
Shenley Church End Independent School Site	✓		
Shenley Church End North of Aldwycks Close	✓		
Shenley Wood, B	✓		
Snellshall A & B	✓		
PRE – APPS	**Complete**	**In Preparation**	**Programmed for Start**
Snellshall E & F	✓		
Tongwell B			
Walnut Tree Land adjacent to Highgate Over	✓		
Walnut Tree Lichfield Down	✓		
West Ashland	✓		
Winterhill A			✓
Wolverton E	✓		
Wolverton G	✓		

Specific Sites Programmed for Marketing:

- Site B3.3N – the site is being actively marketed for an experienced Development Partner. The strategy is to secure a regional/national developer to encourage the delivery of new high quality grade A offices to bolster the supply pipeline and provide opportunities to attract inward investment.

- B4.1–B4.3 – this strategic CMK site is to be soft market tested to identify potentially suitable uses with consideration given to bringing forward a development brief and marketing brief for this site.

- Campbell Park Northside (Sites F1, G1, H1) – this grouping of development sites are to be marketing with the intention that a Strategic Development Partner can be selected. The sites are to be formally marketed in October 2014.

Additional sites considered for promotion

In addition to the sites mentioned above, active consideration is being given to the promotion of three other sites in CMK and Campbell Park:

- Land in the vicinity Station Square – This is a primary gateway into CMK. Consideration will be given to conceptual design and development options with a development brief being commissioned in due course.

- Land Adjacent Marlborough Gate – Exploring potential additional development / integration with John Lewis multi story car park scheme promoted by the centre:mk with residential and hotel opportunities to be explored.

- Campbell Park Southside (G4) – possible development on the southern side of Campbell Park is being considered for a Residential Festival Site.

23/09/2015

Wards Affected:

ITEM **13**

CABINET

12 OCTOBER 2015

UNIVERSAL CREDIT – DELIVERY PARTNERSHIP AGREEMENT

Responsible Cabinet Member:	Councillor Middleton (Cabinet member for Resources and Commercialism
Report Sponsor:	Geoff Snelson – Director of Strategy Tel: 01908 252665
Author and contact:	Kay Pettit - Head of Welfare and R&B Performance Tel: 01908 254841

Executive Summary:

Policy

The Administration's overarching policy objective of delivering a Cooperative Council, and its three touchstone financial principles - smarter, sustainable, different - seek to guide how, as a Council we can re-imagine the delivery of our services against a rapidly deteriorating financial position. The central challenges are in the context of Universal Credit (UC), radical welfare policy change, at a time of Central Government's national austerity programme. Responding to these challenges alone would be an almost impossible task, but by embracing the Cooperative Councils ethos, by working with third sector partners and by collaboratively working to find more productive methods to provide advice and support, the Council and its residents will be better positioned to chart a course through such a rapidly changing landscape.

UC headline information

UC is the new Department for Work and Pensions (DWP) benefit for those of working age which replaces six existing benefits.

The DWP have been piloting the rollout of UC, in the form of Pathfinders and Early Adopters, and in November 2014 they announced that a further phased national UC roll out over a year, would begin from February 2015. Milton Keynes is in the third tranche, with a 'Go Live' date of 16 November 2015.

Milton Keynes Council has been asked to sign a Delivery Partnership Agreement (DPA) with the DWP. Specifically, the DPA outlines the main requirements that the Council is expected to deliver, namely:

- Supporting on-line access
- Personal Budgeting Support
- Support for the UC Service Centre for queries on rent / housing costs.

Funding of £33,798 will be provided by the DWP (covering the period 16 November 2015 to 31 March 2016) to cover the resources required to provide the support outlined in the DPA.
There is no statutory requirement for Milton Keynes Council to help support the

delivery of UC but it is in its residents, and its own interests, to do so.

Challenges in delivering UC in our communities

1. How to manage likely decreased Housing Revenue Account (HRA) rental income arising from the roll out of UC
2. How to support our residents with financial literacy advice services at a time of decreasing budgets
3. How to support our residents with computer literacy services at a time of decreasing budgets
4. How to support our private rented sector at a time of decreasing budgets
5. How to effectively report back evidence of UC deployment within MK to the Minister for Welfare Reform , Lord Freud.
6. How to effectively support our voluntary and third sector partners in responding to UC deployment

1. Recommendation(s)

1.1 That the timescales for Universal Credit and the requirements of the Delivery Partnership Agreement be noted.

1.2 That it be agreed that the Council signs up to the terms of the Delivery Partnership Agreement as described in Section 5.1 (a) and Annex A and the authority to sign the Delivery Partnership Agreement be delegated to the Director of Strategy, both in terms of the current and future Delivery Partnership Agreements.

1.3 That the working arrangements of the Council's cross cutting Universal Credit Project, to support the safe landing of Universal Credit in Milton Keynes be noted.

1.4 That the historical reduction in Government funding associated with the provision of Housing Benefit, and the funding pressure that this creates be noted.

1.5 That the risks associated with Universal Credit for the Council be noted.

2. Background and timescales

2.1 Universal Credit (UC) is the new Department for Work and Pensions (DWP) benefit which replaces six existing working age benefits, currently administered by three different organisations, namely:-

- Jobseeker's Allowance (JSA) (income based) (administered by the DWP)
- Employment and Support Allowance (ESA) (income related) (administered by the DWP)
- Income Support (IS) (administered by the DWP)
- Working Tax Credit (WTC) (administered by HMRC)
- Child Tax Credit (CTC) (administered by HMRC)
- Housing Benefit (HB) (administered by Local Authorities)

2.2 UC will be administered by the DWP as one single monthly payment in arrears, and paid into a claimant's bank or building society account. The single payment will include a Housing Element, paid in respect of the claimants rent and which replaces Housing Benefit. It will be the responsibility of the claimant to ensure that they pay their rent to their landlord. This will be a change for many people, as under the existing Housing Benefit scheme, tenants of public sector landlords, who receive Housing Benefit, have their benefit entitlement paid directly to their landlord.

2.3 UC is available to working age people who are either in work or on a low income

2.4 UC was first announced in November 2010, and was intended to be rolled out nationally from October 2013. There have been a number of challenges, many IT related, which has led to a much slower roll out than originally anticipated.

2.5 The timescale for the national rollout of UC has regularly slipped and as a result the Government is no longer providing a firm end date for its implementation. The DWP are operating a twin track approach to delivering UC by developing a strategic 'Digital Service', whilst learning from further roll-out of the 'Live Service'. Further details about this can be found in Annex C. The table below provides estimated timescales for the migration process and full roll out of UC based on information provided by the DWP, National Audit Office and Office for Budgetary Responsibility.

Universal Credit Government Rollout Timetable – Summary

Date	Where	Who
April 2013	Pathfinders in the North West	New Claims for single jobseekers, without children.
October 13	Expansion into regions across Britain, bringing UC to a total of 10 areas.	As above
June 2014	Expansion to a further 29 areas, bringing total to 39.	As above, plus the DWP starts taking some new claim for job-seeking couples, and singles who are also claiming Housing Benefit.
September 2014 - February 2016	11 areas for 12 months reducing to 6 in the final 6 months	Formal Universal Support delivered locally trials. Data gathered will help the DWP to inform the Universal Support operating model for May 2016.
24 November 2014	6 sites in the NW of England	The DWP starts taking some new claims for jobseeking families with children.
26 January 2015	Further 26 Jobcentre areas; including Hammersmith, Rugby, Harrogate, Bath, Inverness, Shotton and 20 in the NW of England	
2 March 2015	Further 54 areas bringing total to 96 jobcentre areas across 45 LAs.	
February 2015 - 27 April 2015	National Expansion Tranche 1	New Claims for single jobseekers, without children. *By April 2016 the Government estimates that 500,000 claimants will be on Universal Credit (out of planned 7m)*
May 2015 – 20 July 2015	National Expansion Tranche 2	
21 September 2015 – 30 November 2015	National Expansion Tranche 3; **including Milton Keynes**	
7 December 2015 – 25 April 2016	National Expansion Tranche 4.	

	UC will now have reached all 700 jobcentre areas.	
May 2016	Start of National Expansion to families	New claims for job seeking couples & families.
May 2016	National	Universal Support Operating Model finalised
Postponed until Digital Service in place. Estimated to be between May 2016 and December 2017 although a 6 month delay is now being assumed	National Expansion	New claims for people who would otherwise have claimed Tax Credits & Employment & Support Allowance (Income Related)
January 2018 - December 2019	National	Managed transfer of existing Job Seekers Allowance, Housing Benefit & Income Support claims
End of 2019 onwards (no official end date has been announced)	National	Managed transfer of remaining Employment & Support Allowance cases and Tax Credits cases. *NB: the Government expects that at this point only 9% of the existing ESA & TC caseload will exist to be transferred. The remainder will have migrated naturally onto UC when their circumstances changed*

2.5 The DWP's current plans do not see the migration of claimants currently on Employment and Support Allowance (income related) (ESA -IR) before the end of 2019

2.6 Post migration, LA's will retain responsibility for administering HB for pensioners (some 8,500) and for a small number of working age people (approx. 500 in MK) living in Supported 'Specified' Accommodation.

2.7 In terms of Pensioners, the Government initially anticipated that their Housing costs would be rolled into Pension Credit, but by 2013 this programme was put on hold and we currently have no information as to when (and if) such a migration will commence.

Milton Keynes timescales

2.8 In November 2014, the DWP announced that a further phased national UC roll out would begin from February 2015 over one year in quarterly tranches. Milton Keynes is in the third tranche, 'Going Live' on the 16 November 2015. The DWP estimate that there will be approximately 1410 claims for UC between 16 November 2015 and 31 March 2016 in Milton Keynes. These claims are likely to be only single claimants, as the timetable in Section 2.4 shows.

2.9 There are currently circa 21,500 claimants in receipt of HB in Milton Keynes, of which 13,000 of them are of working age, the remaining 8,500 being pensioners. The anticipated decline in the HB caseload for Milton Keynes is depicted in Annex D

2.10 At this point it should be noted that the Council will continue to run its Council Tax Reduction (CTR) scheme (help with Council Tax) for both working age and pensioner age claimants. Currently, Housing Benefit and Council Tax Reduction are administered 'side by side' and benefit from economies / synergies with this arrangement. In addition to the 21,500 claimants that receive help with their rent (HB) and Council Tax (CTR) there are a further 3,000 owner occupiers who receive help with their Council Tax (CTR). In the short term, the gradual introduction of UC means it is preferable to treat income from UC in line with the existing provision within the CTR scheme. Longer term, (possibly from 2017 / 2018 onwards) there will be potential to develop a revised CTR scheme with awards linked to banded levels of income which would be more cost effective to administer. This is currently being explored as we gain more knowledge of the wider impact of UC.

2.11 Given the national roll out, which is being done on a 'test and learn approach', and given the challenges of the delays in the roll out to date, the lack of detail is not allowing the Council (in particular the Benefit Service and Housing Service) to plan for the future with any level of confidence and certainty.

2.12 The Government has been reducing its administration funding for the provision of Benefit Services (LA's pay out HB on behalf of the DWP) over the last few years, which has added pressure on the Benefit Service budgets. The funding reduction is detailed below:

- 2010/11 - £2,264,919
- 2011/12 - £2,143,810
- 2012/13 - £2,053,557
- 2013/14 - £1,909,039
- 2014/15 - £1,852,692 (1,537,616 DWP / £315,076 CLG)[1]
- 2015/16 – £1,505,028 (1,210,787 DWP / 297,315 CLG)

2.13 Caseload figures for HB for those claiming HB March 2010 were 20,746 (compared to the current figure of 21,500). Whilst some of the reduction in administration funding has been offset to a degree by additional 'one off' funding to support LA's through various aspects of Welfare Reform Implementation, the core funding has seen a significant reduction in real terms.

3. The Delivery Partnership Agreement (DPA)

3.1 The DWP is requesting that local Job Centre Plus (JCP) offices and LA's to enter into a local Delivery Partnership Agreements (DPA's), to aid the smooth roll out of UC. The DPA sets out the roles of each organisation in delivering UC and provides for payments to be made to LA's in respect of the activities they carry out to support UC claimants.

3.2 The DWP have requested the Council's assistance through a DPA in the following areas:

[1] Grant source is split from 2014/15 between DWP and CLG (Communities and Local Government) as DWP only have responsibility for HB, with CTR falling to CLG with the introduction of Local Council Tax Reductions Schemes in 2013.

(i) Support for claimants to “get on-line and stay on-line” – this will involve helping and facilitating residents to make applications on-line through advice and provision of adequate internet facilities.

(ii) Provide benefits advice and application advice and support to claimants – this will involve giving help and advice to complete applications and provide the supporting information required for each claim.

(iii) Provide budgeting support for claimants with complex needs in particular those identified as requiring Personal Budgeting Support (PBS).

(iv) Work with DWP staff to prepare landlords (private landlords, Registered Social Landlords and ourselves as the Council landlord) for the change. This will be a liaison role and will include setting up information meetings for landlords.

(v) Provide support to the UC Service Centre around housing issues that may arise. This is likely to be the analysis of rents to help determine what housing costs are eligible to be included in the UC calculation, for example, service charges, etc.

(vi) Providing Management Information (MI) to DWP.

3.3 As the migration of UC progresses, it is likely that DPA’s will be revisited to take into account the requirements being identified as part of the ‘slow roll out’ under a ‘test and learn’ approach.

3.4 The UC ‘Local Support Services Framework (LSSF - published February 2013[2]) was the initial title of the DWP model to provide support to claimants with complex needs who would need assistance adapting to and managing the UC claim process. It was rebranded in October 2014 as Universal Support – Delivered Locally[3] (US-DL). This provides a structure for the delivery of a range of local support services to individuals needing additional help with the new demands of UC.

3.5 Eleven formal LA US-DL trials began in September 2014 for a 12 month period. We are currently waiting for the DWP to share the interim research report, along with their findings with associated learning reports. The Minister for Welfare Reform, Lord Freud, has recently written to six of the trials offering an opportunity to extend the trial by three months to allow the gathering of more data, which will inform the Universal Support Operating Model for May 2016.

3.6 Although responsibility for administering HB (for working age claimants) will pass from LA’s to the DWP as claimants move from HB on to UC, it is clear that LA’s will still have an important and ongoing role to play in the introduction and safe landing of UC for residents in their areas.

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[2] https://www.gov.uk/government/publications/universal-credit-local-support-services-framework

[3] https://www.gov.uk/government/publications/universal-support-delivered-locally-information-for-local-authorities/universal-support-delivered-locally-information-for-local-authorities

4. **Funding the DPA**

(a) The initial DPA will be for a short period only - from 16 November 2015 to 31 March 2016. During this period, the DWP are anticipating only a very small number of customer enquiries (possibly fewer than 150 over this period) and an estimated 280 'support enquires' from the DWP UC Service Centre. From what is likely to be a pilot exercise over this period, the Council will be able to gauge the service demand. It may be necessary to employ additional [temporary / fixed term] resources to enable existing staff to undertake new requirements, with temporary staff, backfilling current work, at the point of the DWP issuing their timetable for the general migration of HB caseload to UC. As described in Section 3.3, as lessons are learnt and demand unfolds, it is likely that the subsequent DPA (possibly from 1 April 2016) will require a different level of funding to that allocated for the period 16 November 2015 to 31 March 2016.

(b) The reimbursement of costs contained within the current DPA will be through a level of costs determined by the DWP. They are based on an hourly rate, according to different levels of support required and payment will be made to the Council on production of an invoice to the DWP. For the period 16 November 2015 to 31 March 2016, the proposed funding is confirmed as £33,798. A detailed breakdown is contained within the DPA, but can also be found in Annex B

(c) It is not clear how the DWP will fund the support provided by LA's for 2016/17 and future years. One possibility, that the DWP appear to be considering, is to pay a fee per interaction, although no concrete information is currently available. It is important that in this event, we prepare a cross Council system to record the assistance provided to residents, which will allow our costs to be recovered from the DWP (to any agreed limits)

5. **Options for the Council**

5.1 The proposed DPA is contained in Annex A. There is no statutory requirement for Milton Keynes Council to help support the delivery of UC but it is believed to be in its residents, and its own interests, to do so. The following options have been identified.

(a) Agree and sign DPA – recommended option

The Council works as a key partner with the DWP in the implementation of UC and undertakes the roles within the UC DPA contained in Annex A. The Council continues to build on the work undertaken from the cross cutting Universal Credit / Welfare Reform Project, to get residents, stakeholders and staff prepared for UC, and assist them in managing the impacts of the wider welfare reforms, but recognises that it is doing so within the confines of the existing council wide budget pressures.

(b) Do Nothing – not recommended

The impacts of UC are still being tested in pilot areas, and those LA's in the earlier tranches. It is, however, a known fact that there will be impact on the citizens of the authority and there will be an increase in resources required from the Council and from many departments.

Claimants for UC who need support will not be helped, leading to loss in benefits, increased deprivation, greater potential for homelessness and indebtedness, and greater potential for increased Rent and Council Tax arrears.

Although the Council is not obliged to enter into a DPA to provide the support, it would be counter-productive to wellbeing of claimants and it would be difficult to insulate it from residents affected by UC. Furthermore, the Council would be unprepared and likely to incur unintended costs through impacts felt elsewhere, which would be unfunded.

(c) Do Minimum – not recommended

The Council accepts that UC is happening and waits to see the impact.

There are certain administrative tasks where it is clearly in the Council's interest to co-operate in order to prevent an overpayment of benefit. For example, responding to requests for information regarding the status of the Housing Benefit claim and terminating that claim to allow the transfer onto Universal Credit.

For the remaining undertakings the response would be disjointed and unplanned over the numerous services it provides with the Council continuing to support claimants where possible. For a minimum service there would be no funding from the DWP.

If the minimum option is chosen the resources and arrangements to provide support for residents will not be in place, which will lead to a fragmented response, leading to fragmented services, impacting heavily on claimants and their families.

6. Working with other partners

6.1 Whist it is intended that the Council is the key partner and will undertake most of the Personal Budgeting Support (PBS) demand, there will be a need to triage or signpost claimants to other specialist advice and support agencies, who will be required / expected to respond. For example, formal debt / money advice can only be provided by persons or agencies qualified to do so.

6.2 Organisations such as the Citizens Advice Bureau (CAB), Milton Keynes Money Advice, MK Money Lifeline and the Swan Credit Union will be pivotal in providing support to UC claimants. It is likely that there will an increased demand on these services, as the migration to UC happens over the coming years.

6.3 There are general concerns in respect of the ability of our partners to cope with the increase in demand. This is because, in general terms, they are seeing reductions in their own funding / commissions. This does present a risk for the Council, however until the future funding and the level of need is better understood, the degree of risk and ability to mitigate is uncertain.

7. Managing the Programme

7.1 A cross departmental officer project has been established to develop and lead on a policy response and to develop and propose changes to cross cutting working practices in respect of the introduction of UC.

7.2 The overarching expected outcome in terms of UC is that it lands safely in Milton Keynes and citizens are supported throughout the transition, thereby mitigating some of the potential impacts as described throughout the report. There are of course external influences to the safe landing, for example DWP processing times, which LA's have no direct control over. However not to provide the relevant level of support, at the appropriate time to customers who are transitioning to UC is expected to result in a greater cost to the authority at a future point in time (see Risk and Resources at section 8.2.

7.3 The programme organisation is

(a) Project Board chaired by and sponsored by the Director of Strategy

(b) Delivery Partnership Group to oversee the DPA and early implementation

(c) Cross authority Implementation Group that oversees the impact of UC and other welfare reforms across the whole authority, including capturing Management Information (MI) data and shaping process change.

(d) An external Stakeholder Group which includes Voluntary Organisations, Registered Social Landlords (Housing Associations), the CAB and the Credit Union.

7.4 Full project controls including risks and issue lists are maintained and issues and blockages escalated as appropriate.

8. **Implications**

8.1 Policy

The sign up to the DPA will progress the following *priorities/outcomes* within the Corporate Plan 2012-16, in terms of Living in MK and Working in MK.

Enjoy personal dignity and respect (Develop cost effective models of support [and care] for vulnerable people that ensure they regain and maintain independence)

High levels of employment opportunities for current and potential residents (Increase everyone's career opportunities by improving the overall skills and qualifications profile of the resident population)

Endeavouring to land Universal Credit safely in Milton Keynes for the benefit of its residents is important. In working with the DWP under the DPA the Council will seek to manage the impact of national decisions in the context of the Councils Medium Term Financial Strategy.

8.2 Resources and Risk

There are risks to the implementation UC in general – these are detailed in Annex E

However, there are a couple of significant risks, which if we do not attempt to resource and mitigate, will have a significant impact on the Councils overall financial position.

The current primary risk around UC is an increase in rent arrears as a result of the fundamental change that when claimants move onto UC, their HB will cease being paid directly to the landlord, and start to be paid directly to them (Direct Payments). The DWP's 'Direct Payment Demonstration Projects; Key Findings of 18 Months' Rent Account Analysis exercise' identified that the levels of rent arrears increased where tenants moved to UC. The report into direct payments noted *'Direct payments in the DPDP did have a financial impact on landlords and tenants but much of this burden was borne in the first few months following migration*….' The report also noted '*a clear picture emerged, then, of a distinct and significant drop in rent payment rates when tenants first migrated to direct payment. Payment rates then improved dramatically over time, stabilising at slightly below baseline and comparator rates*.'

In Milton Keynes there are approximately 11,200 tenants living in Council owned properties with a Housing Revenue Account (HRA) rent roll of circa £50million. Out of these 11,200 tenants, some 4,600 tenants are of working age and are in receipt of Housing Benefit which totals some £17.3million. Of the 4,600 tenants approximately 3,000 are in receipt of full HB which covers their rent in full, whilst circa 1600 are in receipt of partial HB (and are therefore contributing to their rent in some degree). In essence, it is a proportion of this figure, ie £17.3million that will, over the phased roll out of UC, be paid direct to our tenants. If support is not provided to our tenants, as they transition to UC (because of having UC paid direct, as opposed to it being paid direct onto rent accounts, as it is now for HB), the risk is that during the transitional period, a proportion of this may become more difficult to collect. Whilst the DWP has made changes in the way landlords can apply to have arrears repaid, and rent payments paid directly to the landlord (known as APA's – Alternative Payment Arrangements), when specific criteria are met, in order to mitigate some risk, the Council needs to be in a position to provide support to customers through the transition, to be able to make their claims on-line, manage their finances effectively and budget to pay their rent out of their UC payments.

A further risk is around the collection of Council Tax. In 2013, we saw the introduction of a Local Council Tax Reduction (CTR) scheme which required LA's to develop their own CTR schemes. Milton Keynes chose to limit the maximum level of support (reduction) at 80% (previously 100% under the Governments Council Tax Benefit Scheme), requiring customers to pay a minimum contribution of 20% towards their Council Tax. Significant resource and investment was required to ensure that people were 'transitioned and supported to pay'. If similar resource and investment is not made, the impact of UC, combined with other welfare reforms, which are reducing the overall level of financial support available, will have an impact on Council Tax collection as well as Rent collection (as described above).

Resources – section 2.12 detailed the decline in government funding in respect of HB administration; however there are synergies between the HB process and the Local Council Tax Reduction / Local Welfare Provision assessments. The reductions in HB administration grant may mean that the Council takes a disproportionate reduction in funding, while costs may not decrease with the same profile. This issue will need to be managed though the Council's medium term financial plan, including appropriate process redesign. There is likely to be an impact on the numbers and skills of staff required to deliver UC in terms of Universal Support Delivered Locally (UCDL) and this will be assessed alongside the roll out and process redesign, with resourcing plans developed accordingly.

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

8.3 Carbon and Energy Management

No impacts

8.4 Legal

The Local Government Finance Act 2012.

The Legal Services team have reviewed the contents of the DPA, and have confirmed that there are no matters of major concern from a legal perspective.

Other Implications

Equality Impact Assessment

The policy decision related to Universal Credit was taken by the National Government and an EqIA was created http://j.mp/1NO0hzp This found that "Universal Credit will impact on the welfare of individuals by increasing the likelihood that they will be willing and able to move into work, or work an increased number of hours"(page 8). This finding may use a questionable interpretation of the advancement of equality of opportunity. Adjustments are promised for people with a disability, "The Government will reform the current system of overlapping disability premiums and tax credits and create a simpler system. These are paid at different rates and have different qualifying conditions and different purposes. Within Universal Credit, the Government does not intend to replicate every aspect of this provision. Instead, the Government will recycle the savings from abolishing existing premiums to the most severely disabled people by providing all those in the support group an addition that is substantially higher than the current support component in ESA" (page 9). This suggests that Universal Credit will have an indirect impact on those who have the most severe disability.

Y	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	Y	Stakeholders	N	Crime and Disorder

Background Papers:

CIPFA Benefits and Revenue Service – Universal Credit - Progress and Roll out – Feb 2015

www.gov.uk/government/publications/universal-credit-local-support-services-framework

https://www.gov.uk/government/publications/universal-support-delivered-locally-information-for-local-authorities/universal-support-delivered-locally-information-for-local-authorities

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263490/universal-credit-local-support-services-update-trialling-plan.pdf

https://www.gov.uk/government/publications/local-authority-led-pilots-a-summary-of-early-learning-from-the-pilots.

http://www.local.gov.uk/publications/-/journal_content/56/10180/4050723/PUBLICATION

http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/direct-payments-learning-lessons.pdf.

https://www.gov.uk/government/publications/direct-payment-demonstration-projects-final-reports

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388673/rr891-direct-payment-demonstration-projects-18-month-rent-account-analysis.pdf

http://ssac.independent.gov.uk/pdf/occasional/implementation-uc-claimants.pdf.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226191/uc-local-service-support-framework-response.pdf

http://www.nao.org.uk/wp-content/uploads/2014/11/Universal-Credit-progress-update.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368805/uc-at-work.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/405921/uc-at-work-spring-2015.pdf

List of annexes for easy reference

Annex A – Delivery Partnership Agreement (DPA)

Annex B – DPA - Proposed Funding Table

Annex C – Live / Digital Service information

Annex D – Anticipated HB Caseload reductions

Annex E – Universal Credit Project Risk Register

DATED 2015

(1) DEPARTMENT FOR WORK AND PENSIONS

and

(2) MILTON KEYNES COUNCIL

UNIVERSAL CREDIT DELIVERY PARTNERSHIP AGREEMENT

CONTENTS

THIS AGREEMENT is made on --/--/2015

BETWEEN:-

(1) Department for Work and Pensions, whose principal place of business is at Caxton House, Tothill Street, London, SW1H 9NA (the 'Department') and

(2) Milton Keynes Council 1, Saxon Gate east Central Milton Keynes MK9 3EJ ('the Council')

IT IS AGREED as follows:-

1. BACKGROUND

1.1. A feasibility review undertaken in the summer of 2012 identified areas of new challenge for claimants of Universal Credit in certain circumstances. These are:

- Making initial contact through the best channel
- Getting online to make and then manage their claim
- Receiving budgeting support to become financially self-sufficient.

1.2. Learning from early live running of Universal Credit has also revealed a current requirement for assistance from LAs with complex housing cost claims.

1.3. From April to October 2013 the Department has had Delivery Partnership Agreements ("DPAs") in place with local authorities in the Pathfinder areas to ensure that people in such circumstances can readily obtain the support they need to access Universal Credit services and to move closer to and into work wherever possible.

1.4. Partnership working between agencies involved with providing services to claimants with complex needs is seen as the key enabler to unlocking the potential in claimants with additional requirements.

1.5. As part of UC Live Service Milton Keynes Council have agreed to be a delivery partner from 16/11/2015 to 31/03/2016 in accordance with this DPA.

1.6. The Department will work in partnership with the Council, to deliver the services required by these claimants, following Universal Support – delivered locally (previously Local Support Services) principles, recognising that the Partnership will deliver services (as set out in Schedule1) that are flexible and sensitive to local needs, with the ultimate aim of delivering a joined up and coherent journey between services for the claimant. This Agreement will support national expansion of Universal Credit as an interim arrangement, until the full Universal Support offer is in place.

1.7. Partnership working is crucial to the delivery of this Agreement and will lay the foundations upon which the Local Support Services will be developed and delivered.

1.8. The following partnering principles will apply as the Department and the Council move forward.

The Department and the Council are:

- committed to working together to improve performance, efficiency and the quality of claimants' experience of services;
- in agreement that they have key roles to play in identifying, leading and participating in partnerships working;

- in agreement that, wherever possible, partnership working should be based on and leveraged against infrastructure and services that are already in place, building on existing successful partnerships and taking learning from these successful models;

- in agreement that they will continue to seek, through discussion, opportunities to further help to develop, test and trial the early implementation of any jointly agreed initiatives and best practice that will further support the ambitions of the wider Department and the Council and other local authorities in the delivery of Universal Support.

1.9. During the period of this Agreement the Department will continue to accept new claims to UC from claimants, in the designated post code areas, who satisfy the UC eligibility criteria. It is recognised that this claimant group may change as a result of changes in circumstance once the claimant is in receipt of UC.

1.10. Where a subsequent change in the UC eligibility criteria causes the volumes to differ from the projected volumes on which this Agreement is based and or volumes change for any reason, the Department and the Council will enter into discussions to re-negotiate the funding.

2. PARTICIPATION IN UC LIVE SERVICE

2.1 Each of the Department and the Council shall participate in UC Live Service, performing the acts, functions and roles assigned to it by the Parties in accordance with the outline of the services and activities set out in Schedule 1.

2.2 The Council shall inform the Department in writing of the identity of any organisation which the Council employs or engages to assist the Council in performing any act on behalf of the Council or in performing any of the functions or roles of the Council in the UC Live Service.

2.3 Nothing in this Agreement shall be deemed to constitute a partnership under the Partnership Act 1890 or the Limited Partnerships Act 1907, joint venture, agency, interest grouping or any other kind of formal business grouping or entity between the Department and the Council.

3. PAYMENT BY THE DEPARTMENT

3.1 The Department will pay the Council on presentation to the Department by the Council of a valid invoice in such form and containing such information as the Department reasonably requires for the costs incurred by the Council in providing those services and activities and in accordance with the funding arrangements set out in Schedule 2. Payment will be subject to validation by the Department which may include additional information being requested by the Department. Invoices must be presented monthly or at agreed intervals.

3.2 Subject to clause 3.1 the Department will pay the Council for the costs incurred by the Council in providing the services and undertaking the activities set out in Part 2 of Schedule 1 during the month for which the invoice is presented within 20 working days of the date of the presentation of the invoice

3.3 Payment is time bound and invoices need to be submitted promptly. DWP cannot make payment in advance for services that have not been delivered.

4. MANAGEMENT INFORMATION

4.1 The Council will provide the following information each month to the Department and on an 'ad-hoc' basis (as agreed by parties on an exceptional basis), in such format and/or media as the Department reasonably requires:

- Number of claims requiring additional support (i.e. one to one assistance needed in order to complete the claim process)
- Volume of referrals to personal budgeting support received;
- Volume of referrals to personal budgeting support that resulted in telephone advice by the Council (or provider)
- Volume of referrals to personal budgeting support that resulted in face to face advice by the Council (or provider)
- For each claimant, details of:
    - Date referral received from the Department
    - Who delivered Personal budgeting support (the Council or 3rd sector provider)
    - Personal budgeting support provision details – date, channel(s), frequency, offering
    - Outcomes i.e. completed action plan and/or knowledge check
    - Failure of claimants to attend and reason why
    - If alternative payment arrangements can be removed because claimant now able to manage
- Number of manual applications to Local Council Tax Reduction Scheme processed
- Number of cases where Universal Credit service centre contacts the Council to complete the evidence gathering or makes checks on the claimant.

5. GOVERNANCE

5.1 The services and activities to be undertaken by the Council will be monitored during the life of this Agreement through:

- Monthly review meetings that will take place between the Council and the Department at a working level; and
- Quarterly review meetings will take place between the Council's Chief Executive, and the District Manager (DWP) or their nominated representatives

Such reviews shall include (but are not limited to) (i) the impact of the services delivered by the Council upon claimants under the UC Live Service; (ii) any specific issues received or raised by either party; (iii) the performance of the wider obligations of the Department and Council under this DPA including any impact on funding; .and (iv) any complaints received.

5.2 The Council will attend where required the Department's governance meetings as appropriate.

5.3 The Council will participate in the Department's evaluation process, to support continuous improvement and inform the future roll out of Universal Credit. This will include interviews of the Council's staff and third party service providers, where appropriate. The feedback from the evaluation interviews will be kept anonymous.

5.4 The Department's District Manager and the relevant senior Council Official **Geoff Snelson@Milton-keynes.gov.uk** or other nominees as agreed locally, shall use reasonable endeavours to resolve all issues and differences arising out of or in connection with this Agreement by means of prompt discussions.

5.5 If the Council has a query relating to Universal Credit, in the first instance, the Council will attempt to resolve the query from existing guidance. If the query remains unresolved, the Council will complete the LA Issue Resolution Template and forward the query to the **AST.DISTRICT@DWP.GSI.GOV.Uk** inbox for resolution. The Department will seek to resolve queries submitted within 5 working days and in exceptional circumstances within 10 working days except where the query relates to a customer where the query should be resolved as soon as possible and within a maximum of 5 working days.

5.6 If the Department has a query relating to UC for the Council to resolve, the Council will seek to resolve queries submitted within 5 working days and in exceptional circumstances within 10 working days except where the query relates to a customer. In these circumstances the query should be resolved as soon as possible and within a maximum of 5 working days.

6. CHANGE CONTROL

6.1 Either the Department or the Council may propose a variation to the activities listed, in writing (including but not limited to electronic mail) to the other, and the other shall confirm in writing (including but not limited to electronic mail) to the Party who proposed the variation, whether it agrees or does not agree to the variation as soon as practicable and in any event within 30 calendar days.

6.2 Immediately upon agreement by the other in accordance with clause 6.1 above, the Department's nominated signatory and the Council's nominated signatory shall sign a variation whereupon the Parties shall be bound by those terms.

7. DATA PROTECTION AND FREEDOM OF INFORMATION

7.1 DWP/Councils are Data Controllers under the Data Protection Act 1998 and are joint Data Controllers for the purposes of Universal Support

7.2 DWP and the Council as Data Controllers will comply with the obligations imposed on them by the Seventh Principle of the Data Protection Act by taking appropriate technical, security and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.

7.3 DWP and the Council as Data Controllers will ensure they have mechanisms in place to address the issues of physical security, security awareness and training, security management systems development, site-specific information systems security policy and systems specific security policies.

7.4 The full detail of each party's responsibilities related to data protection will be set out in a separate Data Sharing Agreement signed by both DWP and the Council.

7.5 From time to time either party may receive requests for information relating to this Agreement and/or the UC Live Service. In such event, the other party will do all things reasonably necessary to assist the party who received the request, in meeting the requirements of the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

8. CONFIDENTIALITY

8.1 Both Parties must ensure that they (and any person they employ or engage) only use Confidential Information belonging to the other for the purposes of the UC Live Service and neither Party shall disclose Confidential Information of the other without the other's prior written consent.

8.2 Both Parties shall be allowed to disclose Confidential Information to any person who they employ or engage in connection with the UC Live Service provided that that other person is bound by confidentiality obligations substantially the same as those set out in this clause 8.

8.3 This clause 8 shall continue to apply after this Agreement has ended but it shall not apply at any time to information which is or comes into the public domain or which is required to be disclosed by law or to an auditor or regulator of a Party.

9. HEALTH & SAFETY

Both Parties shall co-operate with the other to ensure the health, safety and welfare of their employee, customers and visitors. In particular, they shall take all reasonable steps to:

- Inform each other of any risks arising out of each others businesses
- Co-ordinate the emergency procedures, including evacuation arrangements and first aid provision
- Co-ordinate the exchange and management of information in respect of serious offenders, potentially violent persons, staff protection lists and dangerous areas.
- Co-ordinate the collection and management of health and safety management information

- Co-operate with the consultation arrangements, including provision and recognition of Trade Union appointed safety representatives and the remit of safety committees that cover co-location premises.

10. DIVERSITY & EQUALITY

10.1 Both Parties shall ensure that they actively promote equality of opportunity for and good relations between all persons irrespective of their race, gender, gender reassignment, disability, age, sexual orientation or religion or belief. Both Parties commit to providing services that embrace diversity and promotes equality of opportunity and shall ensure that they are embedded in day to day working practices with customers, colleagues and Partners. Both Parties shall ensure that business partners support their commitment to take reasonable steps to:

- Treat each other fairly and with respect
- Promote an environment that is free from discrimination, bullying and harassment and tackle behaviours that breach this
- Promote diversity and equality of opportunity within your respective businesses
- Recognise and value the differences and individual contribution people make.

11. TERMINATION

11.1 Each Party shall have the right to terminate their participation in the UC Live Service at any time by giving 3 month's written notice to the other. Notwithstanding clause 11.2, termination or expiry of the UC Live Service shall be without prejudice to any rights, remedies or obligations of either Party accrued under this Agreement prior to termination or expiry.

11.2 In the event of either Party terminating their involvement under clause 11.1, the Department shall reimburse to the Council any properly and reasonably committed expenditure of the Council which is within the funding envelope set out in Schedule 2 only to the extent that such expenditure has or will have been incurred by the Council and cannot be avoided or mitigated despite the use by the Council of its best endeavours

12. RIGHTS OF THIRD PARTIES

12.1 A person, who is not a Party to this Agreement, has no right to enforce any term of this Agreement.

13. SEVERABILITY

13.1 If any provision of this Agreement is held invalid, illegal or unenforceable for any reason, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if this Agreement had been executed with the invalid provision eliminated.

14. DISPUTE RESOLUTION

14.1 The Parties shall attempt in good faith to negotiate a settlement to any dispute between them arising out of or in connection with this Agreement within 42 days of a Party notifying the other of the dispute and such efforts shall involve the escalation of the dispute to chief officer level in the Council and Universal Credit Programme director level in the Department.

15 LAW AND JURISDICTION

15.1 Subject to the provisions of clause 14.1, the Department and the Council accept the exclusive jurisdiction of the English courts and agree that this Agreement is to be governed by and construed according to English Law.

16. INTERPRETATION

16.1 Schedule 3 shall have effect.

SIGNED on behalf of the Department)
for Work and Pensions by an)
Authorised Signatory)

Authorised Signatory

SIGNED on behalf of (*Insert LA name)* Council
by an Authorised Officer

Authorised Officer

SCHEDULE 1

UNIVERSAL CREDIT SERVICE PROVISION

PART 1

The Department will:

- provide reasonable support to the Council in the development and implementation of local service provision, Following Universal Support – delivered locally (previously Local Support Services Framework) principles;
- provide timely and relevant guidance and products to inform delivery of local service provision;
- provide timely data to support the Local Council Tax Reduction Scheme.
- perform the acts, functions and roles assigned to it in accordance with the outline of the Personal Budgeting Support Arrangements set out in Part 1 of Appendix 1.

PART 2

The Council will:

- ensure agreed local service provision is available from 16/11/2015;
- comply with the Department's governance and evaluation processes which are notified to the Council in writing;
- monitor the impact and take appropriate actions to mitigate the impact on current business relating to administering the housing benefit provision as a result of the introduction of UC;
- inform the Department of any potential barriers to the delivery of local service provision;
- participate in discussions with the Department, pursuant to the Partnering Principles, that will further support the ambitions of the wider Department and Local Authorities in the delivery of Universal Support. Where deemed appropriate, and as a result of those discussions, any resultant changes to this Agreement will be subject to agreement in accordance with the Change Control procedures contained in this Agreement.

The Council will undertake the following services and activities:

- Provide support to UC Service Centre staff around housing cost issues that may arise. This will be achieved through:

- Identifying named points of contact for Universal Credit Service Centre staff
- Providing expertise for complex housing cost issues
- Responding to requests for information on UC claimants current housing benefit claim status within 2 working days
- Complete and return the MGP1 (LA) within 5 working days of receipt of the request. A reminder will be issued after this time has lapsed but the non-return of the completed form may result in an incorrect Universal Credit award.

- Support for claimants to get on-line and stay on line. This will be achieved through:
  - Identifying PC/public internet sites across Milton Keynes
  - Identifying which of these locations will have trained staff present to provide 'supported access';
  - Publicising these services to residents of Milton Keynes;
  - Providing the necessary Management Information to support number of claimants assisted.
- Manual processing for Local Council Tax Reduction Scheme. This will be achieved through:
  - Providing the necessary resource to undertake this activity;
  - Manually inputting agreed data into the Council's systems;
  - Responding to the Department's queries around Local Council Tax Reduction Scheme;
  - Providing the necessary Management Information.
- Support for claimants with complex needs and in particular those who require personal budgeting support by performing the acts, functions and roles assigned to it in the outline of the personal budgeting support arrangements set out in Part 2 of Appendix 1. This will be achieved through:
  - Processing personal budgeting support referrals from the Department including those claimants who have alternative payment arrangements;
  - Identifying the appropriate channel, frequency and provider to deliver personal budgeting support (may not be the Council) and referring the claimant to the right place within the set time frame – set at 2 weeks;
  - Providing (or arranging provision of) telephone or face to face Personal budgeting support and follow up action as appropriate;
  - Report the outcomes of Personal budgeting support provision against the agreed outcome measures; knowledge check, budgeting action plan;
  - Providing the necessary Management Information relating to personal budgeting support including the number of claimants assisted;
  - Referring claimants to the Department who need personal budgeting support (but have been missed in the core process);
  - Referring claimants to the Department who may need an alternative payment arrangement e.g. because of rent arrears or vulnerability.
- Work with Universal Credit Programme in preparing landlords'. This will be achieved through:
  - Hosting landlord forum for Universal Credit;
  - Working with landlords to help get claimants on-line
  - Signposting landlord queries to the Department for resolution;
  - Promoting the appropriate use of online channels within the RSL community in Milton Keynes

SCHEDULE 2

FUNDING ARRANGEMENTS

The total UC cost under this Agreement shall not exceed £40,557.00 for services delivered to 31 March 2016.

This arrangement is designed to support initial roll out only from February 2015.

Funding is linked to the delivery of the agreed services and activities as set out below (as more particularised in Part 2 of Schedule 1)

The full breakdown of the agreed total cost of UC Live Service roll out in Milton Keynes Council is shown in the table below. (For the avoidance of doubt, in the event that the delivery of a particular service or activity as detailed in the table below exceeds the volumetric on which the costs are based, the total cost of delivery for such service or activity shall not exceed the figure as provided in the corresponding line entitled UC Live Service breakdown of total Cost in the table below):

Exceptionally, where volumes are significantly different, this can be raised by either party for further consideration.

SCHEDULE 2

DPA Costs	Volume Assumptions to March 2016	Payment Basis	Maximum cost to 31 March 2016 £k
On-Line supported access	14 per month	Volumes 71 per year	£1,822.00
PBS	11 per month	Volumes 53 per year	£2,720.00
PBS complex	4 per month	Volumes 18 per year	£2,771.00
LCTRS Manual processes	0 per month	volumes	0
Support for UC Service Centre	56 per month	Reimburse agreed cost on a monthly basis	£7,236.00
Management 1st 6 months		Reimburse agreed cost on a monthly basis	£14,249.00
Management 2nd 6 months		Reimburse agreed cost on a monthly basis	
One off costs if applicable		Agreed costs which are reasonable and proportionate , not capital, novel or contentious nor paid in advance	£5,000.00
Total **(excluding VAT)**			**£33,798.00**
Total (including VAT)			**£40,557.00**

SCHEDULE 3

INTERPRETATION

Unless the context otherwise requires, the following words and expressions shall have the following meanings:-

"Agreement"	means this agreement between the Parties including its schedules.
"Confidential Information"	means information that ought to be considered as confidential (however it is conveyed or on whatever media it is stored), information the disclosure of which would, or would be likely to, prejudice the legitimate interests of any person, and all Personal Data
"Council"	Means Milton Keynes Council
"**Data Controller**"	bears the meaning ascribed to it in the Data Protection Act 1998.
"Data Processor"	bears the meaning ascribed to it in the Data Protection Act 1998.
"Delivery Partnership Agreement or "DPA"	means a collaborative agreement between the Department and a local authority in which they agree to work together to deliver local support services to Universal Credit claimants and for the avoidance of doubt, use of these words or the word "partnership" in the Agreement is not intended to, or deemed to establish any partnership or joint venture between the Parties to this Agreement, or constitute on any Party the agent of another party or authorise any Party to make or enter into any commitments for or on behalf of any other party.
"Department"	means the Department for Work and Pensions whose principal place of business is at Caxton House, Tothill Street, London SW1H 9NA.
"Local Support Services Framework"	sets out the principles for delivering localised support services to people who might need extra help to make or maintain a claim for Universal Credit. Now known as Universal Support Delivered Locally
"Management Information"	means information of the kinds mentioned in clause 4.
"**Pathfinder**"	means the localised Universal Credit claimant support services which were provided by one of 4 local authorities in the period 29 April 2013 to 27 October 2013.

"Partnership Principles"	means the principles set out in clause 1.6.
"**Party**"	means the Department and/or the Council and "**Parties"** shall be interpreted accordingly.
"**Personal Data**"	bears the meaning ascribed to it in the Data Protection Act 1998.
"**Process**"	bears the meaning ascribed to it in the Data Protection Act 1998.
"**Universal Credit**"	bears the meaning ascribed to that expression by the Welfare Reform Act 2012 and shall be interpreted accordingly.
"UC Live Service "	means the localised Universal Credit claimant support services which are to be provided by local authorities in the period 16 November 2015 to 31 March 2016, an outline of which is set out in Schedule 1

The interpretation and construction of this Agreement shall be subject to the following provisions:-

words importing the singular meaning include where the context so admits the plural meaning and vice versa and words importing the masculine include the feminine and neuter;

the words "include", "includes" and "including" are to be construed as if they were immediately followed by the words "without limitation";

headings are included in this Agreement for ease of reference only and shall not affect the interpretation or construction of this Agreement;

references in this Agreement to any clause or sub-clause or schedule without further designation shall be construed as a reference to the clause or sub-clause or schedule to this Agreement so numbered; and

in the event and to the extent only of any conflict between the clauses and the content of the schedules, the clauses shall prevail over the content of the schedules.

any reference to a statute, statutory provision or subordinate legislation ("legislation") shall (except where the context otherwise requires) be construed as referring to such legislation as amended and in force from time to time and to any legislation which re-enacts or consolidates (with or without modification) any such legislation.

Schedule 4

OPERATIONAL READINESS CERTIFICATE

BUSINESS READINESS CERTIFICATE

Universal Credit, Local Authority UC Live Service

Universal Credit, Local Authority Business Readiness Certificate **Complete prior to Go–Live Date 16 November 2015**	
Local Authority:	Milton Keynes
Name of the person completing this BRC:	Kay Pettit

I can confirm that Milton Keynes Council is ready to deliver the services contained within the Delivery Partnership Agreement in support of Universal Credit Live Service from 16 November 2015.

Signed ____________________________ **Date** ___________

APPENDIX 1

Outline of Personal Budgeting Support Arrangements

Part 1

The Department will:

- Carry out an initial triage process that will highlight claimants needing budgeting support and/or an alternative payment arrangement.[1]
- For those who are unable to self-serve, refer to the Council for provision of budgeting support.
- Ensure claimant consent is obtained to share information with the Council (and providers if applicable) as set out in Appendix 2.
- Provide the Council with details set out in Appendix 3.

Part 2

The Council will:

- Ensure agreed budgeting support provision is available from go-live.
- Deliver relevant learning and development products to support delivery of budgeting support.
- Comply with the Department's governance and evaluation processes.
- Inform the Department of any potential barriers to the delivery of local service provision.

The Council will provide support for claimants who require personal budgeting support. This will be achieved through:

- Processing personal budgeting support referrals from the Department including those claimants who have alternative payment arrangements.
- Identifying the appropriate channel, frequency and provider to deliver personal budgeting support (may not be the Council) and referring the claimant to the right place within the set time frame – set at 2 weeks.
- Providing (or arranging provision of) telephone or face to face personal budgeting support and follow up action as appropriate.
- Report the outcomes of personal budgeting support provision against the agreed outcome measures; knowledge check, budgeting action plan set out in Appendix 4.
- Providing the necessary Management Information relating to personal budgeting support including the number of claimants assisted.
- Referring claimants to the Department who need personal budgeting support (but have been missed in the triage process).
- Referring claimants to the Department who may need an alternative payment arrangement (e.g. because of rent arrears or vulnerability).

[1] An APA is a method of paying a claimant differently to help them manage their money better when faced with the changes that UC will bring (e.g. fortnightly payments instead of monthly).

APPENDIX 2

Claimant Consent

Personal Budgeting Support consent form

Name

National Insurance number

Date of birth

You can get support and advice about managing your money. To do this, the Department for Work and Pensions (DWP) needs to give your local council some details about you. The council will use these to arrange an appointment for you. They may share them with partner organisations that provide money and budgeting advice.

The details we share would be your:

- name
- National Insurance number
- date of birth
- address
- contact phone number
- alternative payment arrangement for Universal Credit (if you have one), and when it will be reviewed

Your details will only be shared if you agree to it. The local council and their partner organisations will only use this information to arrange advice and support about managing your money. They will tell the DWP about the support you get.

Declaration:

I agree that:

☐ the DWP can share the details listed above with my local council, so they can arrange money advice and support for me

☐ my local council can give the DWP details about the support and advice I get, and how it has helped me

I understand that I can withdraw this consent at any time by phoning Universal Credit on 0845 600 0723.

Signed ....……..………… Date ....

Name (print) ....……

Adviser………………………………………………….. Date…………………..

You can find out more about how the DWP uses your information at http://www.dwp.gov.uk/privacy-policy/

APPENDIX 3

Information Supplied to the Council

Following the initial budgeting support triage process carried out by the Department, those claimants deemed as needing budgeting support will be referred to the Council by the Department and will provide the following information:

– Name.
– National Insurance Number.
– Date of birth.
– Address.
– Telephone contact details.
– Whether an alternative payment arrangement is in place and if so;
– The review date set.

APPENDIX 4

Information Supplied to the Department

Part 1

Outcome Report of LA Money Advice Provision

Info provided by DWP (via email or phone referral)

Claimant's Name:	
NINo:	
Local Authority receiving the referral:	
DWP Live Service office:	
Reason for Money Advice referral (Select one reason only)	**PBS need identified by DWP** ☐ (no APA need identified) **Possible APA need identified by DWP** ☐ (please specify APA type) MFP ☐ MPTL ☐ Split ☐
Date this form completed:	

For completion by LA

Questions		
1.	Was this a self-referral from the claimant?	**Yes** ☐ **No** ☐
2.	Date you received the referral	/ /
3.	Were you able to contact the claimant? *	**Yes** ☐ **No** ☐
4.	Has the claimant changed LA (but are still within the Live Service area)	**Yes** ☐ **No** ☐
4.	Did the claimant attend their Money Advice session? **	**Yes** ☐ **No** ☐
6.	Which Money Advice provider did you refer the claimant to? Give the Provider name(s)	1. 2. 3.
7.	What service(s) did the provider offer the claimant?	
8.	Channel of support	**1. A mix of phone and face to face?** ☐ Number of phone contacts? ☐ Number of face to ☐

		face contacts **2. Face to face only?** ☐ **3. Telephone only?** ☐ **4. Other e.g. group session such as a Budgeting Club?** ☐ Please specify:
9.	How many interviews did they have?	**1. Face to face** ☐ How many? **2. Telephone** ☐ How many? **3. A mix of phone and face to face** ☐ How many by phone? How many face to face? **4. Other e.g. group session such as a Budgeting Club** ☐ Please specify

10.	What type of Money Advice did this claimant get?	**1. Understanding the key UC financial changes ☐** **2. How to work out monthly income ☐** **3. How to work out monthly outgoings ☐** **4. How to complete a budgeting plan ☐** **5. How to maintain a budgeting plan ☐** **6. How to get a bank account ☐** **7. How to set up a direct debit ☐** **8. Understanding priority bills ☐** **9. How to cut back on non-essentials ☐** **10. Where to get more help ☐**

		11. Other Money Advice – please give details:
11.	Did the claimant complete a Budgeting Action Plan?	**Yes** ☐ **No** ☐
12.	Was / is the claimant part of any additional on-going Budgeting Support programmes prior to claiming Universal Credit? (please specify)	
13.	If an APA is in place, does the claimant feel in a position to have the APA reviewed?	**Yes** ☐ **No** ☐ If APA is still appropriate, is the claimant undertaking long term support to help with root cause issues? No ☐ Yes ☐ If yes, please specify:

*If answer here is 'no', return the form at this point. NB at least 3 attempts to contact the claimant should have been made.

** If answer here is 'no', return the form at this point. This includes dropping out part way through a course of sessions

Return this form via e-mail to: Linda.j.roberts@dwp.gsi.gov.uk

APPENDIX 4

Information Supplied to the Department

Part 2

Knowledge Check

Following completion of budgeting support, the Council will conduct a check with the claimant and provide the following information:

Your Name:	
Your National Insurance Number:	
Q1. Did the advice session(s) on money matters help you feel more confident about managing your money and paying your bills? (Please tick one answer)	1. Yes 2. No 3. Don't know

Q2. Do you think you'll be able to manage your money on a monthly basis?	1. Yes 2. No 3. Not sure
Q3. Have the advice session(s) encouraged you to seek further advice about managing your money?	1. Yes 2. No If you answered Yes, go to Q4 If you answered No, go to Q5
Q4. Who would you go to in the future if you need more help managing your money?(If you would like to give more than one answer please put the most important at the top)	1…………………………………... 2………………………………….. 3…………………………………..
Q5. What do you think is the most important bill you have to pay? (please specify in order of importance	1……………………………………. 2……………………………………. 3…………………………………….
Q6. What do you think you will do with your budgeting action plan?	1. Keep it in case I want to look at it again 2. Update it regularly with my income and outgoings 3. Throw it away when I leave here as I won't need it again.

Proposed funding for the DPA

The breakdown of the proposed funding is confirmed. The DWP have estimated the numbers, salary levels of officers and time taken for each activity

Funding	Hours	Rate (£)	Vol	Cost (£)
On-line supported access (1 hour)	1	25.66	71	1,822
PBS straight forward (2 hours)	2	25.66	53	2,720
PBS complex (6 hours)	6	25.66	18	2,771
LCTRS (30 mins x 2 per claim)	1	25.66	0	0
Support for UC Service Centre	1	25.66	282	7,236
Management (0.5 post reducing after 6 months)	70	40.71	5	14,249
One off costs				5,000
Sub total				**33,798**
VAT (20%)				6,760
Total				**40,557**

ANNEX C

Live Service and Digital Service - information

Part of the DWP's 'twin-track' approach to delivering UC is by developing a strategic 'Digital Service', whilst learning from further roll-out of a 'Live Service'.

The following, details the roll out of the Live Services and Digital Services

The Live Service:

April 2013: began roll out of UC to limited claimant types (single jobseekers). The DWP aims to use the Live Service to roll out UC and 'test and learn' about processes and policy as it evolves.

June 2014: DWP started taking some new UC claims from job-seeking couples, and singles who are also claiming housing benefit, expanding to around 100 Jobcentres by the end of 2014 (mainly in NW England).

November 2014: DWP started taking some new UC claims for families with children (in existing live areas).

February 2015: DWP started first tranche of 'accelerated' national roll out to expand UC to all 700 Jobcentres by March 2016 (for new claims for single jobseekers with uncomplicated claims only).

The Digital Service:

In parallel, the DWP is developing and testing a new 'Digital Service' which it intends will eventually enhance the features and functionality of the current Live Service operation. The Digital Service also deals with more complex cases

November 2014: DWP started early tests of this service in selected postcodes in Sutton and Croydon

November 2015: planned date for testing its Digital Service at high volumes before nationwide adoption.

May 2016: the DWP's planned start for rolling out its new Digital Service to claimants nationwide.

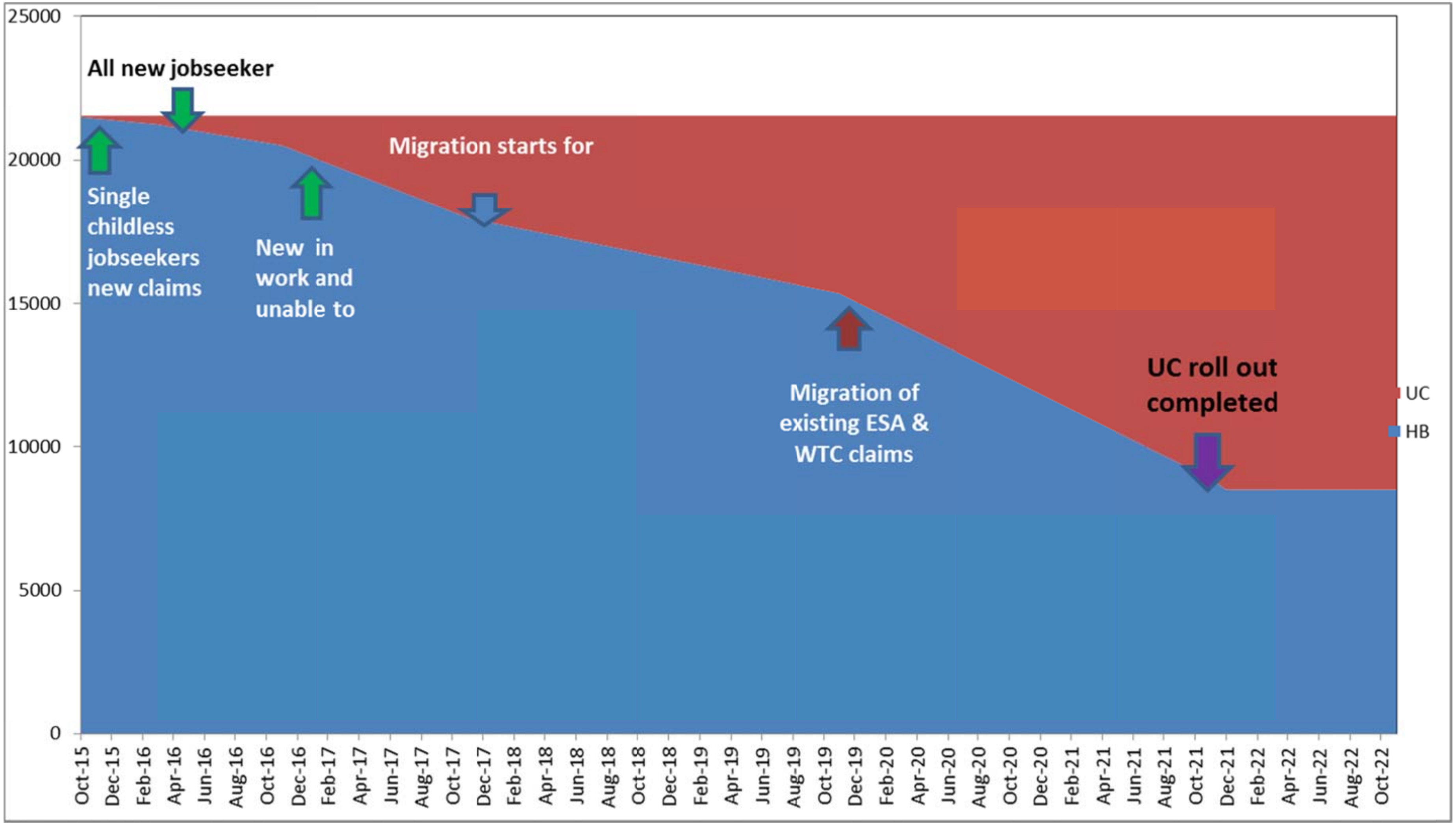
December 2017: DWP expects no new claims to legacy benefits.

January 2018 to December 2019: the DWP's planned dates for completing the transfer of approximately 93 per cent of working age claimants on to UC.

To date there is still little information as to the success or otherwise of the Digital Service. It should be noted that the roll out of UC hinges on the development of the software.

(estimates based on latest DWP timetable published in 'Universal Credit at Work' on 22.10.14 and NAO Report published on 26.11.14)

Anticipated Reduction in MKC HB caseload as UC rolls out November 2015 to October 2022



Universal Credit Programme - Risk Register

Risk #	Entity	Risk	Consequences	Triggers	Residual Likelihood	Residual Consequence	Residual Risk Level
1	Universal Credit Implementation	Data Sharing not shared in most efficient way	If numbers increase significantly the administration of data sharing may be compromised	Data Sharing may not use technology as in early days numbers will be low	3	3	9
2	Universal Credit Implementation	Increased pressure on Council services	Conflict of interests – savings generations hinders other services Increased face to face demand in tenants own home Need for budgeting advice to tenants – potential for tenants to struggle with financial responsibility Overpayments may reduce, reducing the demand on recovery Reputational damage to MKC of failure to support Financial pressures may increase the demands on Mental Health services	Reduction in funding to third sector organisations	4	4	16
3	Universal Credit Implementation	Ineffective transition management could lead to loss of income	Rent and Council tax collection made harder. Private landlords may not get paid directly. Increase in homelessness and financial mismanagement. Increase in stress and mental health concerns and demands on other council services. Increased demand on discretionary payments. Negative impact on repair and regeneration	Universal Credit will be paid directly to tenants, requiring them to manage their own finances. Universal Credit paid 4 weeks in arrears, whereas Housing Benefit is paid 1 week in advance.	4	5	20
4	Universal Credit Implementation	Poor Communications	Reputational damage increased pressure on front line staff Staff and citizen's unawareness	Comms plan not targeted and tenants don't get the right message to benefit them Poor liaison between MKC and DWP Language barrier with clients whose first language is not English	1	4	4
5	Universal Credit Implementation	Systems may not be ready for Universal Credit implementation	Unavailability of information Manual intervention, increasing time and cost demands More susceptible to human error Unable to work in flexible way Payment dates may be delayed – further financial burden Increased debts	Council systems and DWP systems currently not interfacing	5	3	15

Wards affected:
All Wards

ITEM **14**

CABINET

12 OCTOBER 2015

A COMMERCIAL PROPOSAL FOR MILTON KEYNES COUNCIL – SHARED SERVICES

Responsible Cabinet Member:	Councillor Middleton, (Cabinet member for Resources and Commercialism)
Report Sponsors:	Tim Hannam (Corporate Director, Resources) Tel: 01908 252756 Nicole Jones (Service Director, Finance and Resources) Tel: 01908 252079

Executive Summary

The Administration's published financial strategy, set out three touchstone principles: smarter, sustainable, different. These touchstone principles have and will continue to shape this Council's response to Central Government's national austerity programme. This shared service proposal satisfies all three touchstone principles, but in particular, different. As a touchstone principle, it seeks to recognise that this Council cannot continue to deliver services in the same way, and by 2020, it is likely that a number of services will not be directly delivered. The Administration are committed to continue to reimagine how Council services can continue to be delivered, whilst seeking both significant financial savings and safeguarding as much as possible the services so valued by residents.

Milton Keynes Council has to make financial savings and reprioritise spending equivalent to £59m by 2019/20, this includes reducing the cost of support services by around 40% (as set out in the Medium Term Financial Strategy).

Initial discussions with the Local Government Shared Service (LGSS) which is a Joint Committee arrangement between Northamptonshire County Council and Cambridgeshire County Council; have indicated there is likely to be a benefit to Milton Keynes in joining the shared service. The benefits would be a combination of financial and wider benefits.

This report requests authority to develop an outline business case for joining LGSS as a member of the Joint Committee and therefore becoming a partner which influences the leadership, management and direction of travel for LGSS.

The development of the outline business case is anticipated to be a short focused piece of work, which would then make a recommendation to Cabinet in January.

1. Recommendations

1.1 That the development of an outline business case for an equity partnership in LGSS (the Shared Service operated by Northamptonshire and Cambridgeshire County Councils) is approved.

1.2 It is noted that this paper authorises first step activities, namely devising an outline business case. As further work is completed, it will be shared publicly, and be subject to further Cabinet decision as set out later in this paper.

2. Introduction

2.1 The Council is under significant pressure to protect and improve services; addressing the national austerity programme. The combination of changes to Government funding and increased local demand, which is not recognised in funding settlements, means there is a need to identify savings and reprioritise spending equivalent to £59m by 2019/20.

2.2 It would be very challenging for the Council to seek to address this funding/demand issue by only reducing staff and services. The size and growth of Milton Keynes means that continued reductions of this scale would increase the risks to the continued delivery of statutory services. This report therefore proposes the development of a shared service approach, which would add volume and size and therefore create opportunities to change the service delivery model for the areas concerned.

3. **Potential Benefits**

3.1 For several services there are considerable benefits from pursuing a shared service agenda, including:

- The ability to share ICT costs, both for the platform and the support required;
- An increase in size offers opportunities for efficiency and the ability to retain specialist roles;
- Provide resilience in some service areas, where we are currently reliant on one or two individuals;
- Additional capacity for management savings;
- Procurement benefits through greater size and volume;
- Process savings through combining transactional processes and reducing overheads;
- A stronger base for trading regionally, maximising skills and reducing competition.

3.2 These benefits could be achieved through a contractual arrangement; but there are also positive advantages from greater regional working, which could support more strategic regional relationships and the development of approaches to common challenges. One example which would benefit Milton Keynes would be a more joined up approach to future growth across the region. A shared service with partners would provide a good basis for a more detailed understanding of the issues faced by other authorities and encourage a more collaborative approach.

3.3 The shared services model could also be progressed more quickly than a large commercial outsourcing proposal which would take longer to procure, ensuring some benefits are realised more quickly. The LGSS model primarily relies upon the delegation of functions between authorities which means matters can be progressed quickly if all parties agree. Although it should be noted that the investment capacity is only as great as individual authorities are prepared to fund. While a commercial partnership may include substantial front-loaded investment, to facilitate efficiency.

3.4 Over the last few years Milton Keynes has made several approaches to other councils to explore shared services options. The outcome to date has been information sharing and joint working but there has not been an appetite to develop more formal shared service arrangements. However, there has been a recent discussion with LGSS (a Joint Committee arrangement between

Cambridgeshire and Northamptonshire County Councils), seems to offer the potential to develop a shared service arrangement, building on their current model.

4. **Proposal**

4.1 The proposal is to work with LGSS to rapidly develop an outline business case to determine if a shared service model would deliver the anticipated benefits. The outline business case is expected to cover the following services:

SHARED SERVICE
• Revenues and Benefits (including corporate debt collection) • HR and payroll • Finance (including transactions) • ICT • Procurement • Internal audit, risk management and fraud • Legal

4.2 However, if there is an additional service area which would be beneficial to include, then this will be incorporated into the formal proposal for a Cabinet decision.

4.3 The shared service model would be to integrate MKC as a partner in LGSS, with appropriate changes to the Joint Committee structure (potentially the development of an alternative vehicle at a suitable point) and Management Board. This would give MKC influence over:

- The direction of travel for the shared service;
- The leadership and management arrangements
- Service quality and performance
- The expansion of their commercial offer.

5. **Advantages and Disadvantages**

5.1 These are as anticipated to be as follows:

Advantages

- Potential pace of delivery without the need for procurement
- Greater resilience and the chance to remodel professional services
- Facilitates regional working
- Professional services can more easily ensure quality for value added advisory services which are more complex under a commercial arrangement
- Opportunity as a partner to improve and enhance the LGSS offer for future financial benefit.
- Opportunities to share investment costs and skills to maximise the benefits and reduce risk.
- There will be greater flexibility in shaping and changing service models as legislation changes. For example the changes which Universal Credit will

bring, will impact on Revenue and Benefits. A contractual arrangement would have limited the capacity for change, or would incorporate this as a risk in the contractual terms.

Disadvantages

- The offer may not be as commercial as a private sector provider, however, without conducing a private sector market test it would be impossible to know exactly what the alternative benefits and risks would be. The outline business case will need to be assessed not only on the adequacy of the financial savings, but also on the service performance and potential risks and benefits for the future.
- The Council will need to ensure it has sufficient standing in the new arrangement to shape and develop proposals to achieve the expected benefits, as risks are not transferred to an alternative provider.
- The pace of change may be slower than for a commercial offer, as the investment will be limited by the capacity of the Council (s) to invest and the decision making and governance may be more complex.

6. Other Options

6.1 There are potentially three other options:

(1) Do nothing – which would mean financial savings would need to be achieved from remodelling services in house or through a contractual arrangement. This would potentially create greater risks to services and limit the options.

(2) Outsource services - a procurement approach would determine the benefits from this type of arrangement, however, this would give less flexibility about service delivery as the context for the Council changes, as this is determined by the terms of the contract, and less control over service quality. Although there is likely to be greater risk transfer, consequentially this is likely to result in less of a financial benefit.

(3) Develop an alternative shared service model – discussions over the last couple of years have not identified an alternative partner with the appetite to progress a model quickly. Setting up a new model would also take longer than integrating with an existing arrangement.

7. Process and Target Timescale

7.1 The decision for a shared service arrangement would be through the development of an outline business case and an agreement to proceed. This does not require a formal procurement route, so benefits could be achieved more quickly.

7.2 The timetable has yet to be agreed with LGSS, but if the model/offer including the ability to be an equity partner is worth pursuing, it should be evident relatively quickly. There are a number of inter-related decisions which means the need for clarity on the direction of travel needs to be determined as soon as is practicable, for example the development and implementation of savings and procurement decisions. However, sufficient time is also needed to undertake due diligence. So the timescale below would be a sensible target.

WHAT	WHEN
Development of Outline Business Case	October to December
Formal Cabinet decision on proceeding	January
Contractual agreement	February
Benefits realisation	Dependent on model – some benefits could be quite quick to secure

8. **Implications**

8.1 Policy

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

8.2 Resources and Risk

This proposal is to develop an outline business case to enable a decision to be taken on whether to proceed with a shared service approach. It is anticipated this will be a short piece of work with outlines the potential model for service delivery; the overall governance arrangements; anticipated service performance and potential financial and non-financial benefits and risks.

Current staff will need to prioritise this work, but it is anticipated that additional capacity will not be required at this stage. However, there is a risk to the development of alternative arrangements to deliver financial savings if the timescales outlined in the paper are not met.

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

There is no impact from the decision to develop an outline business case, providing work is focused and decisions are then made in a timely manner. Delays to the process could create issues with alternative procurement and service delivery decisions.

8.3 Carbon and Energy Management - None

8.4 Legal – To be identified and evaluated as part of the business case preparation.

8.5 Other implications – None

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Mgmt				

Wards affected:
All Wards

ITEM **15**

CABINET

12 OCTOBER 2015

REVENUE AND CAPITAL BUDGET MONITORING REPORT - TO END OF SEPTEMBER 2015

Responsible Cabinet Member:	Councillor Middleton, (Cabinet member for Resources and Commercialism)
Report Sponsors:	Tim Hannam (Corporate Director, Resources) Tel:01908 252756
	Nicole Jones (Service Director, Finance and Resources Tel: 01908 252079

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 £1.548m, after the use of £3.645m of one-off resources, (a decrease in the overspend of £0.402m since P5). The Dedicated Schools Grant is reporting a forecast underspend of (£0.133m) against budget (an increase in the underspend of £0.089m since P5). The Housing Revenue Account is reporting a £nil forecast position.

The Capital Programme has spend approval of £144.873m. At the end of September the forecast outturn is £130.535m, an overall variation of (£14.338m) against the latest spend approval. This figure includes forecast re-phasing of £14.934m bringing the position to a net overspend of £0.596m.

This report also summarises the treasury activity and recommends a change to the Minimum Revenue Provision policy (means of repaying principal amounts of borrowing). This will mean that instead of providing to repay principal for pre 2008 debt on a 4% reducing balance basis, provision will be set aside on a 2% straight line method.

The total establishment at the end of September 2015 is 2,034.84 FTE, a decrease of 28.41 FTE since June 2015. This is largely due to a data cleansing exercise undertaken by HR over the last three months where duplicated posts and vacant posts have been deleted.

The Milton Keynes Service Partnership is currently reporting a nil position at the end of period 6.

The Milton Keynes Development Partnership is currently reporting a forecast underspend of (£0.117m) at the end of period 6.

1. Recommendation(s)

1.1 That the forecast outturn position of £1.548m and the management actions currently underway to mitigate this position be noted.

1.2 That the forecast outturn for the 2015/16 Capital Programme, and the management actions underway to address the overspend on the A421 scheme be noted.

1.3 That the change to the Minimum Revenue Provision Policy for pre-2008 debt as set out in Annex Ai and note the treasury activity in the first six months of the year (Annex A) be approved

1.4 That the amount written off during the first six months of the year; approve the historic write-off beyond statute of limitations and note the overall debt position for the Council be noted.

1.5 That the forecast outturn position for the Milton Keynes Service Partnership and Milton Keynes Development Partnership be noted.

1.6 That the movement in the establishment in year be noted.

2. Corporate Leadership Team (CLT) view on Outturn Position

2.1 CLT are concerned about the forecast overspend and although the improvement is positive, management actions continue to be implemented to minimise the overspend in the current year and reduce the impact on the 2016/17 Budget. However the increasing demands for children's social care placements and temporary accommodation as a result of homelessness are creating substantial challenges for the Council.

2.2 The Council has made good progress in implementing budget savings with 26% (£6.021m) of the savings being achieved to date and 68% (£15.403m) are forecast to be achieved by the end of 2015/16. The remaining 6% (£1.293m) of savings will either be achieved in future years or mitigated within the service areas. This shows a strong position in terms of delivery, but the major issue is the growth in demand pressures during the current financial year.

2.3 CLT will reduce discretionary spending and will seek to implement 2016/17 savings during the current financial year (if appropriate) in order to reduce this forecast overspend over the next few months.

3. General Fund Revenue Outturn Monitor

Table 1 below shows the provisional revenue outturn figures as at the end of September 2015 as an overspend of £1.548m against the budget.

Table 1: Outturn as at September 2015

	Budget £m	Forecast Outturn £m	Projected Variation £m	Movement from P5 £m
Adult Social Care & Health	60.690	60.690	0.000	0.000
Children's Services	50.117	50.756	0.639	(0.476)
Public Health	10.930	10.930	0.000	0.000
Total People	***121.737***	***122.376***	***0.639***	**(0.476)**
Housing & Community	1.167	1.555	0.388	(0.060)
Planning	1.177	1.177	0.000	0.000
Public Realm	33.481	33.585	0.104	0.063
Community Facilities	7.223	7.363	0.140	(0.009)
Total Place	***43.048***	***42.754***	***0.632***	***(0.006)***
Total Resources	***6.100***	***6.437***	***0.337***	***0.080***
Total Corporate Core	**0.838**	**0.843**	**0.005**	**0.000**
Net Operating Expenditure	***171.723***	***173.336***	***1.613***	**0.402**
Debt Financing	18.608	18.608	0.000	0.000
Sustainability Items, levies and one off pressures	11.665	11.665	0.000	0.000
Asset Rentals	(15.483)	(15.483)	0.000	0.000
Outturn position	**186.513**	**188.126**	**1.613**	**0.402**
Less Resources available	**(186.513)**	**(186.578)**	**(0.065)**	**0.000**
Net (under)/overspend	**0.000**	**1.548**	**1.548**	**0.402**

Main movements since P5

3.1 The main movement is a reduction in overspend for children's services of (£0.476m) since period 5 after the use of reserves. This is due to a reduction in the external placements overspend (£0.505m). (£0.427m) relates to two children returning home from a specialist unit and confirmation of joint funding for the remaining four placements in the specialist unit. (£0.202m) relates to nine children that are anticipated to return home by the end of October 2015 as well as additional costs of £0.124m due to more complex needs in existing placements.

Significant revenue variances against revised budget at P6

3.2 Adult Social Care & Health is reporting an overspend of £0.093m compared to budget which has been offset by a drawdown from the Adult Social Care Demand Led Reserve (£0.093m). The key variations include:

- An estimated underspend of (£0.284m) for Manor House is based on current care needs, however, this may vary due to changes in the complex and developing client circumstances.
- The Learning Disability service has a number of variations: an overspend of £0.154m on Residential Care due to additional new clients and additional costs of Direct Payments of £0.100m. There is an underspend of (£0.182m) on staffing due to vacant posts and (£0.292m) on Supported Living following negotiations with providers, in conjunction with the use of the care fund calculator, to negotiate a reduction in care packages. Negotiations with providers are continuing and will be extended to Home Care and Day Purchases.
- There is a £0.383m shortfall in income from older people and Physical Disability client contributions This is offset by lower than expected costs of (£0.260m) for Elderly Mental Health Nursing care placements, (£0.482m) for External Support at Home for Physical Disabilities and (£0.116m) for Frail Elderly Residential and Nursing care placements.
- Older People Community Support Services is forecast to be overspent by £0.342m. This is mainly due to agency costs to cover for vacant posts £0.110m.

3.3 Children's Services are forecasting an overspend of £0.639m (£2.644m before the use of one-off resources) against budget. The key variations including the improved position reported in paragraph 3.1 above are:

- External placements are currently forecasting an overspend of £1.630m. This is due to a significant increase in the overall number of children in care (from 305 as at December 2014 to 355 as at August 2015) due to unavoidable child protection activity and an increase in unaccompanied asylum seeking children. There are currently (end of August) 24 unaccompanied asylum seeking children in external placements. The most expensive placements (17 placements – none are UASC) are forecast to cost £2.663m for the full year (there are 135 active placements overall). The forecast overspend will be partly offset by a drawdown from demand led reserve (£1.300m) but presents an ongoing pressure in future. There are a number of work streams underway to look at reducing the cost pressures including:

    - Increasing adolescent foster care provision
    - Looking at the range and availability of supported lodgings
    - Developing intensive support for older adolescent Children in Care (CiC)
    - Oversee "step down" plans for a small target group of CiC
    - Reviewing CiC placement commissioning arrangements
    - Considering the future arrangements of CiC placement services.

- There is a forecast overspend on home to school transport due to an increase in the volumes of eligible children £0.877m. This pressure has been partially offset by a contribution from the Children's Demand Led Reserve (£0.725m). A number of management actions are in place to look for ways to reduce costs in future. This includes reviewing the efficiency of routes, reviewing eligibility criteria as well as considering opportunities to reduce costs by promotion of mileage to parents as an alternative option to using contracted transport routes, offering ‘personal budgets’ or discounted bus passes to parents to accompany their children to school.

- Special Education Needs (SEN) and Disability service area is forecast to overspend by £0.208m. This is due to increasing numbers of cases as well as the complexity of children’s disabilities which means funding larger and more expensive packages of care. There are currently 183 care packages; the two most expensive packages cost a total of £0.100m.
- Fostering and Adoption (within Corporate Parenting) is forecast to overspend by £0.164m. The cost for fostering maintenance has risen due to an increase in the number of children coming into care. In addition, there has been an increase in the number of Family and Friends carers, many of whom historically were not made subject to fostering regulations or, when they were, were not paid the fee element of fostering allowances; however, since December 2014 they are now paid the same as other foster carers and court rulings have required that many more be regarded as formal foster carers. Staying Put arrangements have also been brought in from May 2014 extending the costs for fostering beyond the age of 18 for some young people.

3.4 Housing and Community are forecasting a net overspend of £0.388m against budget (a cost of £1.603m, offset by (£1.215m) from the demand led reserve) This pressure is the result of a continuing increase in homeless acceptances and fewer void council properties into which homeless families can be rehoused.

3.5 The Community Facilities overspend of £0.140m is largely due to a delay in awarding leisure contracts, which reduce costs (£0.122m).

3.6 Resources are reporting an overspend of £0.337m against budget. This is due to:

- Customer Services – The central savings target relating to the Customer Service Programme is unlikely to be fully achieved this year.
- Property – the forecast assumes that £0.356m of the savings target for the SMART Property; however various alternative savings across the service will help mitigate the impact. The SMART property programme is now running well and is now developing asset management plans for accommodation including work to identify quick win opportunities.
- These are offset by an underspend of (£0.100m) in Revenues and Benefits as a result of increased recovery of housing benefit overpayments.
- Legal –is forecasting an overspend of £0.178m due to use of locums to cover vacant posts and payment of market supplements. Further work on the forecast use of locums and the mix of posts in the establishment is underway.

4. Budget Savings

4.1 The 2015/16 Council budget included (£21.186m) of savings and (£1.531m) savings brought forward from 2014/15, which were also to be delivered. To date (£6.021m) of the savings have been achieved, of the remaining savings

(£15.403m) are currently forecast to be delivered. The remaining (£1.293m) of savings will either be delayed until 2016/17 or mitigated within the service areas.

Table 2: Budgeted savings

	Budgeted Savings in 2015/16 and residual 2014/15	Savings forecast to be delivered		Forecast to be delivered in 2016/17	Undeliverable Savings
		Green	Amber	Red	
	£m	£m	£m	£m	£m
Total	**(22.717)**	**(16.626)**	**(4.798)**	**(1.144)**	**(0.149)**

4.2 The following significant savings will be delayed or not delivered for the following reasons:

- Housing and Community saving target for the reduction in the use of temporary accommdation£0.480m will not be fully achieved in 2015/16 as the Allocations policy implementation was deferred.
- Customer Service project savings for 2015/16 of £0.270m are unlikely to be fully achieved this year. Savings of £0.07m have been achieved so far this year and further savings from end to end reviews are currently being quantified, but implementation time means the full savings are more likely to be achieved in 2016/17.
- SMART property project savings target of £0.324m is likely to be delivered in 2016/17 as the project needed to be refocused. Savings will be delivered from the better management of properties and facilities and rationalising assets.
- Public Realm saving to deliver the reduction in junior concessionary fares concessions to 'half fare' £0.704m is forecast to be partially achieved in year £0.587m. The remaining saving £0.117m has not been fully realisable due to delayed implementation but will be achieved in 2016/17, where the full year effect of the reduced concessions will take effect.

Impact on General Fund Balance

4.3 If the forecast outturn remains unchanged to the end of the financial year the General Fund balance will be:

Table 3: General Fund Balance 2015/16

	Forecast Outturn £m
General Fund balance at 1st April 2015	**(8.886)**
Contributions to 2015/16 Budget (approved as part of the budget setting process)	0.238
Forecast overspend in 2015/16	1.548
Estimated General Fund Balance at 31st March 2016	**(7.100)**

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 Dedicated Schools Grant is reporting an underspend of (£0.133m) against budget. This is an increase in underspend of £0.089m since period 5. The surplus will be carried forward to the next financial year.

5.3 The movement since period 5 £0.089m is mainly due to increased top up payments to schools and colleges.

5.4 Overall the underspend is due to a reduction in Independent School fees and Independent College places based on the number of filled places (£0.600m). This underspend is offset by additional growth fund payments that will be made this financial year due to additional places being agreed £0.419m. This includes the full use of the contingency that was allocated for this purpose.

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

6.1 The HRA is reporting a nil outturn variation. This includes £1.144m spend on block improvements and repairs works (mainly external decorations and fire safety), offset by a contribution from the HRA Block Improvement/Regeneration reserves and the Regeneration project costs of £0.340m, offset by a contribution from the Regeneration reserve.

6.2 The main variations not funded by earmarked reserves are:

- £0.382m overspend on Repairs and Maintenance which is made up of:
  - £0.225m on the demobilisation of the partnering contract with the incumbent contractor due to dilapidations. There will also be an additional pressure of £0.200m in 2016/17. There is also a risk of additional costs relating to the fleet, but this is still being investigated.
  - £0.197m legal costs (for both parties) on the disputed asbestos contract. In addition the disputant is likely to claim for damages but it is not possible to estimate a figure at this stage.

- It was estimated when the 2015/16 HRA budget was approved that overhead charges would reduce by £0.238m. However, the relative reductions in other service areas mean that the proportional charge to the HRA has not reduced as originally estimated. The HRA needs to accommodate the full amount. This is been achieved by reducing the contribution to reserves and the revenue contribution to capital.

- The contribution to the provision for bad debts is lower than budgeted (£0.270m) as tenant debt levels continue to remain below budgeted levels as a result of focused work to improve income collection and the delay in rollout of Universal Credit, which is now expected to impact next year rather than this year.

- Additional rent income due to low void levels (£0.125m) (budget assumed 93, actual is running at 60 – however this also impacts on the General Fund need to accommodate people in temporary accommodation).

6.3 The HRA balance at August 2015 is £4.574m. This continues to be in line with the Prudent Minimum HRA level of £4.500m.

Table 4: HRA Outturn Summary

	2015/16 Budget £'m	Period 6 £'m	Variance £'m
Uncommitted reserve b/f	(4.569)	(3.080)	1.489
Net (surplus)/deficit in year	(0.005)	(1.484)	(1.489)
Uncommitted reserve c/f	**(4.574)**	**(4.574)**	**0.000**
Prudent Minimum HRA level		[redacted]	

7. Capital

7.1 This report monitors against Spend Approval of £144.873m. At the end of September the forecast outturn is £130.535m, an overall variation of £14.338m against the latest Spend Approval. This figure includes forecast rephasing of £14.934m bringing the position to a net overspend of £0.596m.

7.2 **Table 5: Summary of capital expenditure as at 30th September 2015**

Directorate	Latest Spend Approval	Forecast Spend as at 30/09/15	Variation Over /(under) Spend Approval
	£m	**£m**	**£m**
People	77.837	66.413	(11.424)
Place	56.099	54.014	(2.085)
Resources	10.937	10.108	(0.829)
Total	**144.873**	**130.535**	**(14.338)**

7.3 The key overspend is within Public Realm, where the A421 Pinch Point project is forecasting an overspend of £1.693m, this is the only project classed as red within the RAG rating below. The A421 overspend, which equates to 10% of the total resource allocation for the scheme, is mainly due to two main issues. Due to the urgency required to secure the Pinch Point funding, the drainage elements of the scheme were contracted on a contingency basis which once fully designed, utilised the entire contingency. Subsequent unexpected events, outside of MKC control, resulted in significant delays and consequentially additional costs for which no contingency was available.

7.4 A number of compensation events and early warning notices from the contractor have yet to be agreed, together with settlement of various final accounts with utilities. These claims may impact on the final cost of the scheme.

7.5 Discussions are ongoing within the Service Group to identify schemes which can be re-phased in the capital programme to offset the cost of this project. Other work is being investigated to establish if any of the additional cost of the scheme can be recovered from 3rd Parties. This is still subject to contract agreement.

7.6 The major forecast underspends are:

- **Knowles Amalgamation 1 Form of Entry**, (£0.235m), final phase of project to complete by end of August, funding will be used for other education schemes.
- **Brooklands Farm Primary School 2**, (£0.128m), final phase of project, school to open by September 2015, funding will be used for other education schemes.
- **Conversion of 66/70 High Street, Two Mile Ash**, (£0.167m), based on prices bid through tendering process, started on site September, to complete by early January 2016.
- **Window Upgrades,** (£0.360m), majority of leaseholder work has now been agreed, the underspend is due to volume of work being lower than anticipated as a number of leaseholders have already replaced their windows. Also the costs of the work to be performed and associated costs of access equipment are lower than originally modelled.

7.7 There are no other projects identified as requiring any additional funding.

7.8 The following schemes are subject to significant rephasing.

- **South West MK Additional Primary Provision** (£5.405m) – the planning application has been withdrawn due to local objection, a new site has been identified. The generic design is continuing with project completion planned for September 2017.
- **New Kents Hill Primary School**, (£1.469m), feasibility works due to start. Re-assessment of project plan and re-analysis of budget has led to partial rephasing of the project. Expenditure estimated in 2015/16 for planning and survey work, with project completion planned for September 2017.
- **Element Failures** (£2.220m) - work on bathrooms, kitchens and electrics have now been deferred to the survey work has been completed and a regeneration programme has been defined.

7.9 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	38
Green/ Amber	One of the key criteria cannot be delivered within tolerance; project risks are being managed.	14
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 – 2015/16**

8.1 The Tariff investment programme for 2015/16 has spend approval of £25.200m with a forecast outturn of £25.290m. The schemes in this programme are largely contributions to wider schemes which are delivered by MKC and/or External partners.

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

9.1 S106 funding is a key resource in supporting the Council to mitigate the impact of growth. The reductions in government funding mean the use of S106 funding must be managed carefully to address both local and strategic needs. Developer Contributions (S106) are included in the Capital Programme or to fund projects which meet the specification outlined in the S106 agreement.

9.2 The S106 funding received from Developers is often a contribution toward total project costs. As appropriate schemes are developed through the Capital Programme processes, these resources are used towards the delivery of the full project.

9.3 The development of the capital programme has incorporated consideration of S106 funding, so resources are used in the most effective manner to address necessary schemes. This process has also included reviewing unidentified funding to ensure that this is allocated to future projects. In some areas work is still ongoing to identify the individual scheme and future allocations will be updated as individual schemes are developed.

9.4 £26.500m of S106 funding has been allocated within the Capital Programme from 2015/16 to 2020/21. Of this funding, £14.600m has been received as cash whilst £11.900m is yet to be received from S106 agreements that are already signed and implemented.

9.5 In addition to capital allocations there is approximately £4.960m of S106 allocated to revenue, this includes the following:

- £2.390m for Public Transport (bus services)
- £0.023m for Play Areas
- £0.032m for Waste Receptacles projects
- £2.300m for Open Space and Play Area Maintenance
- £0.398m for Public Art
- £0.140m for Playing Fields Maintenance

9.6 A further £7.710m 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 £17.46m is broken down into approximately 200 individual S106 contributions, covering more than 350 individual projects.

Table 5: Summary of the S106 Available for Allocation

Service / Works	Amount	Notes
Carbon Offsetting	£0.880m	For carbon offsetting measures borough wide. £0.504m received since 01/04/2015.
Education	£5.480m	For specific education projects, some which have been identified but not yet programmed. £0.575m received since 01/04/2015.
Environmental Services	£1.590m	Majority for Open Spaces. Some for Play areas and specific maintenance projects.
Highways	£1.510m	Includes £0.31m for highway works at the Stadium and £0.664m for CMK and £0.392m for Oakgrove
Leisure	£2.410m	Includes £0.911m for 13 different community halls, contributions to playing fields, libraries, sports halls and swimming pools
Miscellaneous	£0.710m	Includes £0.251m for Bletchley which needs Development Control Committee (DCC) approval.
Public Art	£0.987m	Covers 17 Public Art projects across MK
Public Transport	£1.600m	Funding for bus infrastructure – projects to be identified.
Social Infrastructure	£2.290m	200 individual contributions making up this fund. A large proportion of this funding will go externally to services such as the NHS, College and University, Voluntary Sectors and Emergency Services.
Total	£17.457m	

9.8 It is anticipated that a significant amount of the above will be allocated or earmarked to projects (both revenue and capital) in the 2015/16 financial year.

10. Establishment Reporting

10.1 The total establishment at the end of September 2015 is 2,034.84 FTE, a decrease of 28.41 FTE since June 2015. This is largely due to a data cleansing exercise undertaken by HR over the last three months where duplicated posts and vacant posts have been deleted.

11. Treasury Management

11.1 The key Treasury Management headlines reported at P6 are as follows:

- Investment income returns outperformed the benchmark 3 month LIBID (a measure of inter-bank lending rates) by 27 basis points;

- No debt rescheduling was undertaken during the first six months of the year;
- £2.5m of borrowing was repaid upon maturity;
- The Prudential Indicators all remain on track.

11.2 Further information on Treasury Management is attached as Annex A.

11.3 This report also recommends changing the policy for Minimum Revenue Provision for borrowing incurred before 2008. Minimum Revenue Provision is a statutory requirement to set aside prudent amounts for the repayment of borrowing. The current policy is set in line with previous legislation at a 4% reducing balance, while the recommended approach is to move to a 2% straight line basis, which gives a more stable debt financing budget. Details of this change are set out in Annex A, while the policy amendment is set out in annex Ai.

12. **Debt Position**

12.1 The table below provides details of the aged debt analysis for the Council, General Debtors (including Social Care debt) and Property as at 31st August 2015. (Housing Debts, Council Tax, Non Domestic Rates and Housing benefits are detailed in paragraphs 12.6-12.9 below).

12.2 Any debt which has payment plans or are being actioned in some way, either with the court/bailiffs or under further investigation have been removed from this table. These debts are reviewed regularly and will become part of the Council's total debt position if the recovery plan falls through.

	Total Debt £m	**0-90 days overdue £m**	**91-365 days overdue £m**	**365+ days overdue £m**
General Debtors	4.719	2.876	0.847	0.996

12.3 The total debt billed to date in 2015/16 is £26.810m.

12.4 The Council has adopted an Income and Collection policy which sets a framework for the consistent and sensitive approach to collecting debt whilst at the same time ensuring that we continue to maximise income collection. To meet this objective the corporate debt recovery team has been put in place to centralise resources and maximise collection. The team's aim is to collect debt more promptly and thereby reduce the amount of 'old' debt that the Council carries.

12.5 Both Council Tax and NDR collection rates are closely monitored by service managers and performance against target is communicated to staff daily. There can be logical reasons for the variation to target i.e. the direct debit dates fall on a weekend or the reasons are intrinsically linked to initiatives that the service is undertaking for example trying to prevent business rates avoidance in the future. The table below provides details on the Council Tax and Non Domestic Rates debt for 2015/16 at 31st August 2015.

	Net collectible debit (In year) £m	Amount collected to date £m	Collection rate(to date) %	Collection target (to date) %
Council Tax	117.41	57.37	48.86%	48.48%
NDR	161.174	77.173	47.88%	48.69%
Total	**278.007**	**110.527**		

12.6 The Housing Revenue Account (HRA) total debt figure on the table below is for the total debt outstanding rather than the total debt raised in the year, unlike Council Tax and NDR in Table above.

	Total billed to date £m	Total Debt Outstanding £m	0-90 days overdue £m	91-180 days overdue £m	181+ days overdue £m
HRA Housing Debts (SX3)	25.204	4.044	1.243	0.978	1.824

12.7 HRA debt levels overall continue to fall and have been driven by the restructured Housing Management teams and debt management processes. However, the introduction of the Universal Credit in Milton Keynes later this year creates a significant risk to collection rates and it is unlikely that performance levels will remain at this level, in the initial roll out phases of the changes.

12.8 Housing Benefit overpayments collection is intrinsically linked to DWP guidelines and their recovery rates are set. MKSP staff are working to minimise overpayments.. The table below provides details on the Housing Benefits Overpayments for the prior and current year.

	Total paid out to date £m	Current year Debt £m	Total Debt £m
Housing Benefits	43.761	0.907	4.522

13. Debt Write offs

The total amount of debt written off during the first half of the year:

Total debt written off 2014/15	Debt type	Debt Raised	Total debt written off 2015/16
£'m		£'m	£'m
0.334	HRA Housing Debt	25.204	0.138
0.321	Housing Benefits	0.907	0.115
0.433	Council Tax	117.410	0.154
0.907	Non Domestic Rates	161.174	0.381
0.184	General Debtors	26.810	0.309
2.179	**Total**	**331.505**	**1.098**

13.1 The write offs above have already been actioned in line with the Financial Scheme of Delegation. However, there are four write offs over £20,000, which are being reported to Cabinet for information. All of these are companies which are in liquidation so there is no option but to write off the debt, in accordance with approved Financial Regulations. The debts are as follows:

- Rent relating to MK Business Venture £0.058m – The unpaid rent built up from 1st December 2012 to 1 February 2013. The company was dissolved in 18th February 2014 when it was deemed that the debt was unrecoverable and written off.
- Business rates relating to DT Assembly and Test – Europe Ltd £0.068m – The debt rose over 1st April 2008 to 31st March 2009. The company was dissolved on 17th June 2014 when it was deemed that the debt was unrecoverable and written off.
- Business rates relating to Oakhill Property Services Limited £0.069m - This is due to an empty property from 1st April 2011 to the date of insolvency 9th June 2015.
- Business rates relating to Milton Keynes NSC Ltd £0.05m - The rates are for the period 1st April 2013 to 31st March 2015. The company went into liquidation on 20th January 2015.

13.2 There is also a write off over £20,000 requiring Cabinet approval, this is for a debt which is beyond the statute of limitation and should have been written off earlier. The debt relates to landscaping carried out at MK Bowl on behalf of BS Group Plc £0.021m in 2000. The debt was disputed at the time. Recent checks show that the company no longer exists, but also that the debt is too old to pursue. Cabinet are therefore recommended to write this off.

14. Milton Keynes Service Partnership (MKSP)

14.1 The table below shows the financial position for the Milton Keynes Service Partnership as at the end of August 2015.

	Revised Budget	Forecast Outturn	Projected Variation
	£'000	£'000	£'000
Total Income	(25,554)	(26,307)	(753)
Total Expenditure	25,554	26,181	627
Net Expenditure	**0**	**(126)**	**(126)**
Transfer to/(from) Reserves	0	126	126
Total	**0**	**0**	**0**

14.2 Milton Keynes Service Partnership is reporting a net underspend of (0.126m), this is after the use of one-off reserves of (£0.225m). This forecast includes meeting redundancy and one-off project support costs, including the review of the partnership.

15. Milton Keynes Development Partnership (MKDP)

15.1 The table below shows the Milton Keynes Development Partnership financial position as at the end of August 2015.

	Budget	Forecast Outturn	Projected Variation
	£'m	£'m	£'m
Management Overheads	0.924	0.848	(0.075)
Asset Management Costs	(1.074)	(1.107)	(0.033)
Car parking	(0.311)	(0.319)	(0.008)
Contributions to MKC	0.205	0.205	0.00 0
Net position for MKDP	**(0.256)**	**(0.373)**	**(0.117)**
Transfer to/(from) Reserves	0.256	0.373	0.117
Total	**0.000**	**0.000**	**0.000**

15.2 The variance is due to lower than expected site preparation costs and development brief costs (£0.075m).

16. Annexes to this Report

ANNEX A	Treasury Management report at September
Annex Ai	Recommended Minimum Revenue Provision Policy

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	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Management				

Background Papers: 2015/16 Revenue Budget and Capital Programme as approved by Council in February 2015

TREASURY MANAGEMENT UPDATE
QUARTER 2 (JULY-SEPTEMBER), 2015/16

Purpose:

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code of Practice for Treasury Management in November 2009; it recommends that Councillors should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.

Economic climate:

In summary, the third quarter of 2015 (calendar year) saw:

- UK economy slowdown continued, although business investment has picked up despite uncertainties in global economy and EU referendum looming;
- Global GDP concerns remain, particularly in light of prospects for Greece and the slowdown of China's economic growth;
- Inflation pressure remains low;
- Unemployment levels fell to 5.5%. Labour market showed continued wages growth;
- The Monetary Policy Committee maintained the stance of monetary policy.

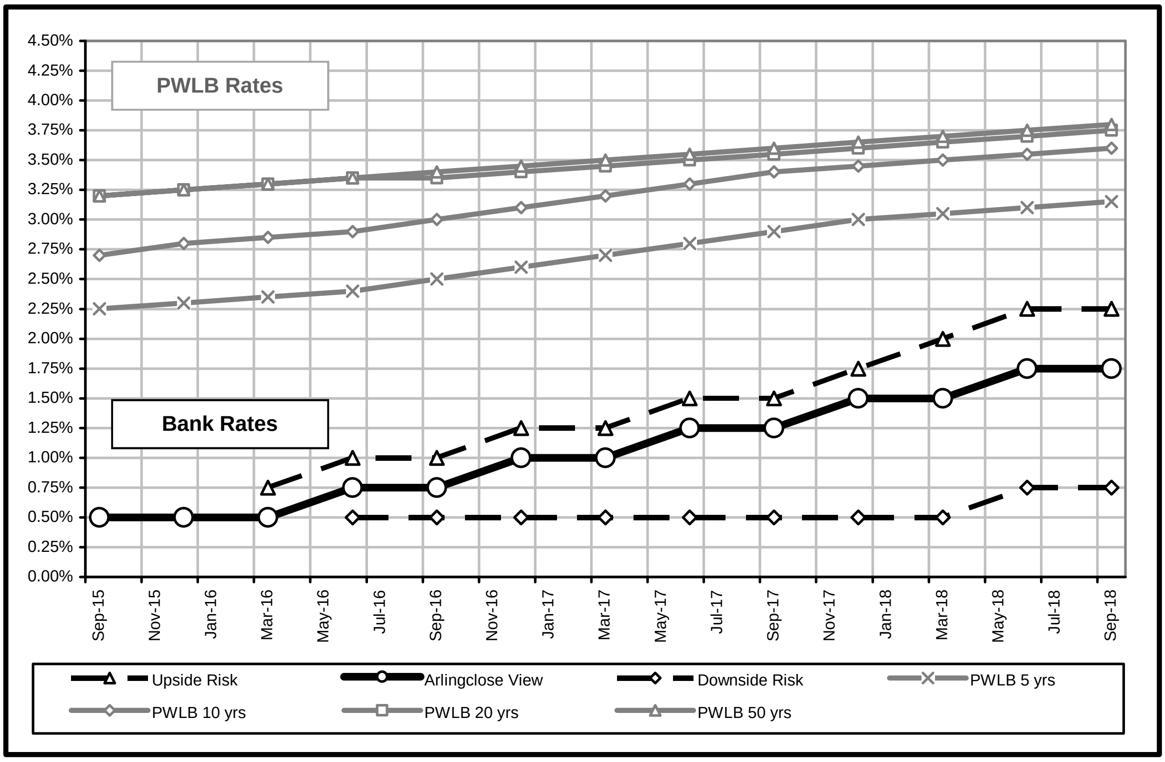
Interest rate forecast:

The latest forecast for interest rates of treasury advisors Arlingclose over the next three years is set out below, along with a sensitivity analysis of potential upside and downside risk to official bank rate.

Table 1: Interest Rate Forecast

	Sept 2015	Dec 2015	Mar 2016	Jun 2016	Sept 2016	Dec 2016	Mar 2017	Jun 2017	Sept 2017	Dec 2017	Mar 2018	Jun 2018	Sept 2018
Official Bank Rate													
Upside Risk			0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
Arlingclose View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
Downside Risk				(0.25%)	(0.25%)	(0.50%)	(0.50%)	(0.75%)	(0.75%)	(1.00%)	(1.00%)	(1.00%)	(1.00%)
Public Works Loans Board Implied Rates (Certainty Rate)													
5 years	2.25%	2.30%	2.35%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.05%	3.10%	3.15%
10 years	2.70%	2.80%	2.85%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.45%	3.50%	3.55%	3.60%
20 years	3.20%	3.25%	3.30%	3.35%	3.35%	3.40%	3.45%	3.50%	3.55%	3.60%	3.65%	3.70%	3.75%
50 years	3.20%	3.25%	3.30%	3.35%	3.40%	3.45%	3.50%	3.55%	3.60%	3.65%	3.70%	3.75%	3.80%

Chart 1: Interest Rate Forecast



There are many risks to the forecast set out above, principally around the timing and pace of rate rises. Budget estimates prudently include sensitivity analysis of the impact that a slower than forecast economic recovery would have upon the Council.

Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 18th February 2015. It sets out the Council's investment priorities as being:

1. **S**ecurity of Capital;
2. **L**iquidity; and
3. **Y**ield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

The table below summarises the forecast investment maturity position at 30th September 2015.

Table 2: Forecast Investment Maturity Position at 30th September 2015

Period	Product type / Maturity	Amount	
		£	**%**
Instant Access	Banks	£7,009,112	2.6
	Money Market Funds	£56,290,000	20.5
		£63,299,112	**23.1**
Fixed Term – Building Societies	6-9 months to maturity	**£1,000,000**	**0.4**
Fixed Term - Local Authorities	0-3 months to maturity	£15,000,000	5.5
	6-9 months to maturity	£20,000,000	7.3
	>12 months to maturity	£22,500,000	8.2
		£57,500,000	**21.0**
Certificates of Deposit – Banks	0-3 months to maturity	£88,500,000	32.4
	3-6 months to maturity	£33,800,000	12.4
	9-12 months to maturity	£4,200,000	1.5
		£126,500,000	**46.3**
Fixed Bonds – Banks	0-3 months to maturity	**£4,535,926**	**1.7**
Covered Bonds – Fixed Rate	2-3 years to maturity	**£5,757,550**	**2.1**
Covered Bonds – Floating Rate	2-3 years to maturity	**£5,004,462**	**1.8**
Property Fund	4-5 years to maturity*	**£9,818,617****	**3.6**
Total Investment Portfolio		**£273,415,667**	**100.0**

* In order to recoup initial BID/OFFER pricing spread. Monthly valuation dates for purchase/sale of units - redemptions may be delayed should the fund be required to raise cash meet this commitment.

** Forecast book value of investment

Investment rates available in the market continue to be low. Investment balances at the 31st March 2015 were £258.826m. Due to the front-loaded nature of various government funding streams the average level of funds available for investment purposes during this quarter is forecast at £297.484m (£294.967m year to date).

Balances are forecast to fall to circa £250.0m by 31st March 2016 as internal resources are applied to fund capital expenditure demands in lieu of further borrowing, effectively reducing the cost of carrying debt at higher cost than income generated through investment of balances.

Table 3: Forecast Benchmark Performance – Q2

Benchmark	Benchmark Return	Council Performance
3 month LIBID	0.53%	0.80%

As illustrated, the authority outperformed the benchmark by 27 basis points. Latest projections for the financial year are reported through the Budget Monitoring process.

New Borrowing

No new borrowing for capital purposes was undertaken during the quarter, with one existing PWLB loan of £2.5m repaid upon maturity (£9.150m principal repayments year to date).

Below is a table setting out the profile of existing borrowing as at 30th September 2015.

Table 4: Borrowing Profile as at 30th September 2015

	No of loan repayments *	Borrowing £m	%
Under 12 months	5	19.428	3.92
1-2 years	2	2.520	0.51
2-5 years	12	25.257	5.09
5-10 years	23	56.702	11.43
Over 10 years	63	392.274	79.05
		496.181	**100.00**

* 67 individual loans (57 principal repayments upon maturity, 10 annuity loans with bi-annual principal repayments)

Debt Restructuring

Debt rescheduling opportunities have been limited due to the current economic climate and consequent structure of interest rates following increases in PWLB new borrowing rates in October 2010. Officers continue to monitor the position regularly.

No debt rescheduling was undertaken during the quarter.

Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved alongside the TMSS on 18th February 2015.

During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement.

The Prudential and Treasury Indicators are shown in table 5 below:

Table 5: Forecast Treasury and Prudential Indicators as at 30th September 2015

Prudential Indicator		2015/16 Indicator	Quarter 2 – Forecast
Authorised limit for external debt		----- £591.000m	-----
Operational boundary for external debt		----- £571.000m	-----
Gross borrowing		£524.146m	£496.181m
Investments (quarter average)		£250.000m	£297.484m
Net borrowing		£274.146m	£198.697m
Capital Financing Requirement (CFR)		£541.727	£550.801m
Ratio of financing costs to net revenue streams:	GF	11.17%	11.14%
	HRA	41.14%	41.14%
Incremental impact of capital investment decisions:-			
a) Increase in council tax (band D) per annum.		(£0.01p)	£1.13p
b) Increase in average housing rent per week		£0.00p	£0.00p
Limit of fixed interest rates based on net debt (average)		£561.000m	£286.886m
Limit of variable interest rates based on net debt (average)		£30.000m	-£88.189m
Principal sums invested > 364 days		£200.000m	£43.081m
Maturity structure of borrowing limits:-			
Under 12 months		Max. 15% Min. 0%	3.92%
12 months to 2 years		Max. 15% Min. 0%	0.51%
2 years to 5 years		Max. 50% Min. 0%	5.09%
5 years to 10 years		Max. 50% Min. 0%	11.43%
10 years and above		Max. 100% Min. 50%	79.05%

Amendment to the Minimum Revenue Provision (MRP) Policy

Officers continually review treasury management practices and as a result have identified an opportunity to make the Council's provision for repayment of historic debt liability more prudent.

Regulations 27 and 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146, as amended) require local authorities to make a prudent amount of minimum revenue provision (MRP) for the repayment of debt. The Secretary of State has issued statutory guidance on determining the prudent level of MRP. While councils are required to have regard to the guidance, they are allowed to set their own policy outside of the options given if it can be demonstrated that this would be prudent.

The statutory guidance states that the broad aim of a 'prudent provision' is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or in the case of borrowing supported by revenue support grant, reasonably implicit in the determination of that grant.

The regulations separately identify the supported capital expenditure incurred before 1st April 2008 - to which this proposed change in MRP policy will apply - and the self-financed borrowing that was incurred after this time (it is not recommended that any changes are made to the MRP policy regarding post-2008 self-financing debt).

The Council's approved MRP Policy states that MRP on capital expenditure incurred before 1st April 2008 will be calculated using a regulatory method (known as Option 1) – where MRP is charged in line with previous legislation of a 4% reducing balance basis, with some technical adjustments. This reducing balance method means that historic debt liability would never be fully repaid, and would take around 200 years to reduce to a near-zero level.

Officers have assessed the impact of changing the MRP policy applied to pre-2008 debt liability from a 4% reducing balance to a 2% straight line method. This would involve taking the net pre-2008 liability and fully providing for debt repayment equally over a period of 50 years, broadly equal to the Council's depreciation policy for land and buildings.

Chart 1 below illustrated the change in MRP calculation between the current approach and this proposal.

Chart 1 – MRP calculation

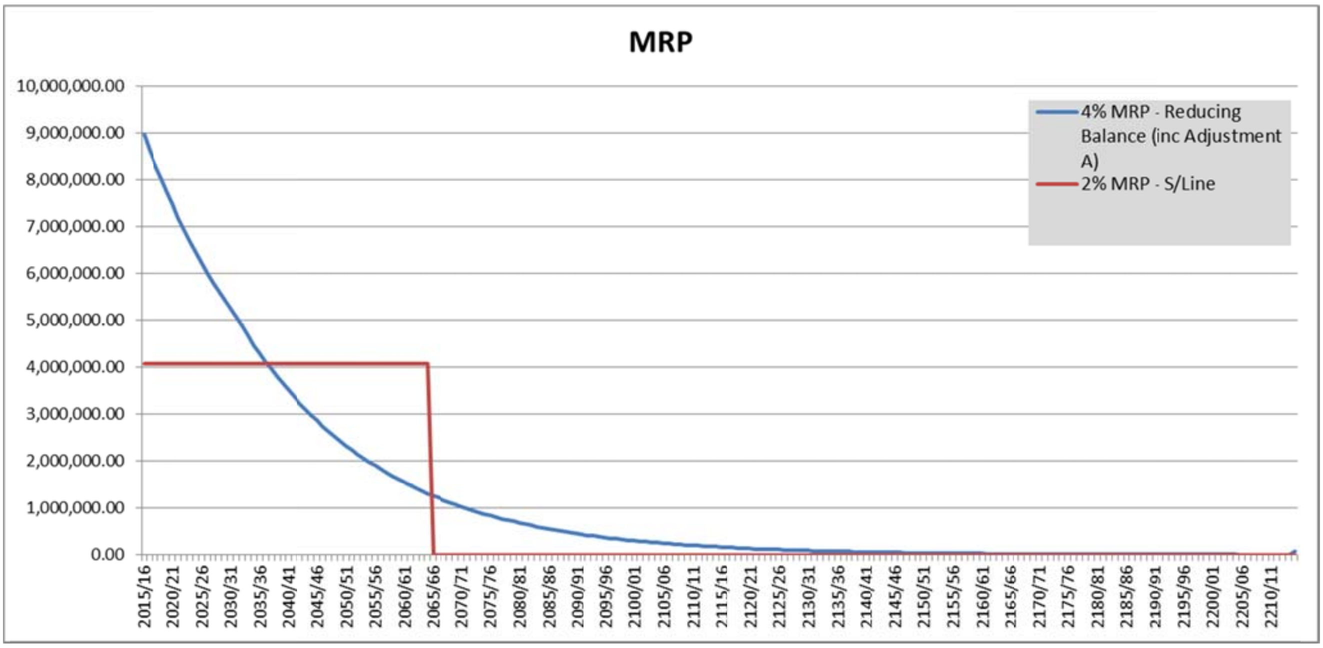
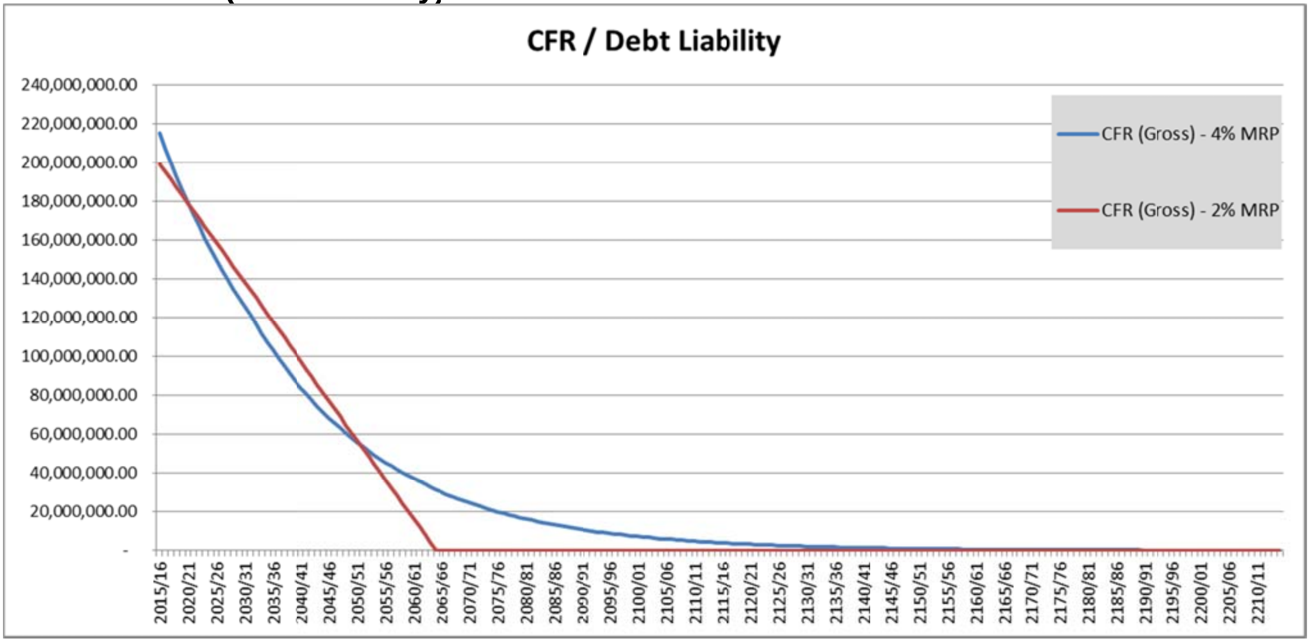


Chart 1 indicates a crossover point between the proposed charge and existing charge in approximately 22 years' time, before the liability is fully extinguished after 50 years and this element of MRP ceases. This re-profiling of MRP provides for a more stable debt financing budget, free from the annual fluctuation caused by a reducing-balance method. Officers have performed a discounted cashflow calculation for each approach and this further supports the case for a change in policy.

The impact upon the Capital Financing Requirement is illustrated in Chart 2 below.

Chart 2 – CFR (Debt Liability)



Re-profiling the MRP charges means that outstanding debt liability will remain higher than under the existing method, with a crossover point after 37 years and the underlying historic debt liability fully repaid after 50 years.

This change in approach to calculating MRP charges has been discussed with external audit, who are supportive of the principles.

Cabinet is asked to approve the revised MRP policy at Annex Ai.

MINIMUM REVENUE PROVISION (MRP) POLICY

The Council is required to pay off an element of the accumulated General Fund borrowing requirement used to fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. Four primary options are set out to council's, however this does not preclude other options so long as there is a prudent provision.

The Council is recommended to approve the following MRP Statement:

Capital Expenditure incurred before 1st April 2008 or future SCE

From 2015/16, for capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis, net of 'Adjustment A'. This ensures that the debt will be repaid within 50 years. Previously, the Council charged MRP in line with former DCLG Option 1. This option provided for an approximate 4% reduction in the supported borrowing need (CFR) each year.

Capital Expenditure incurred after 1st April 2008

From 1 April 2008 for all unsupported borrowing except those separately listed in this Policy (including PFI and finance leases) the MRP policy will be either:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (known as Option 3);

- Depreciation method – MRP will follow standard depreciation accounting procedures (known as Option 4);

These options provide for a reduction in the borrowing need over the approximate asset's life.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

MINIMUM REVENUE PROVISION (MRP) POLICY cont.

Housing Revenue Account (HRA)

There is no requirement on the HRA to make a minimum revenue provision. However as a result of HRA reforms the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, transitional regulations allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

Repayments included in annual PFI or finance leases are applied as MRP.

Assets for Future Development

For assets acquired for future development, where it is anticipated that the future sale proceeds of the asset will offset the cost, the repayment of the debt may be funded from future capital receipts arising as an alternative prudent provision (thus negating the requirement to provide for MRP).

This approach will be reviewed on an annual basis, to ensure that anticipated capital receipts continue to offset the cost of the debt.

Local Authority Mortgage Scheme (LAMS)

For authorities who participate in the Local Authority Mortgage Scheme (LAMS) using a cash backed option, the mortgage lenders require a 5 year deposit from the local authority to match the 5 year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party.

The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit would be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly.

As this constitutes a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

Wards Affected:
All Wards

ITEM 16

CABINET

12 OCTOBER 2015

REVISIONS TO CAPITAL PROGRAMME AND SPEND APPROVALS REPORT

Responsible Cabinet Member:	Councillor Middleton (Cabinet member for Resources and Commercialism
Report Author (s):	Tim Hannam, Corporate Director – Resources Tel:01908 252756 Nicole Jones, Service Director, Finance and Resources Tel: 01908 252079

Executive Summary:

Before spending on any scheme can begin within the Capital Programme, project documentation has to be updated and appraised through a formal review process to ensure projects will deliver required outcomes, are fully funded and provide value for money. This review point is the spend approval stage, where following officer scrutiny, Cabinet approval is requested to allow spending against allocated resources for individual projects.

The report requests spend approval for schemes in the 2015/16 Capital Programme and makes amendments to existing schemes within the Capital Programme. The proposed changes are summarised in Tables 1 and 2 of Annex A.

Once spend approval has been agreed any changes to either the funding or spending of resources need to be reported to Cabinet for approval.

The changes outlined in this report result in a revised Capital Programme for 2015/16 of £163.69m. Against this programme, £144.87m of spend approval has been given to enable individual projects to commence or continue.

The Council is responsible for the management of the Milton Keynes Tariff, which is a unique forward funding mechanism to deliver infrastructure in the expansion areas. This report leaves the Tariff Programme for 2015/16 at £40.71m with the total spend approval for these contributions at £25.2m.

1. Recommendation(s)

1.1 That the <u>additions</u> to resource allocation and spend approvals for the 2015/16 Capital Programme be approved.

1.2 That the <u>amended</u> resource allocation and spend approvals for the 2015/16 Capital Programme be approved.

1.3 That the funding position for the 2015/16 Capital Programme be noted.

1.4 That the current position of the 2015/16 Tariff Programme be noted.

2. Amendments to the 2015/16 Capital Programme

2.1 There are a number of schemes that were not included in the original 2015/16 Capital Programme but have now completed the officer review process for resource allocation and spend approval. Cabinet approval for resource allocation and spend approval is now sought so that the new capital projects (summarised in **Annex B**) are included in the 2015/16 Capital Programme.

2.2 The significant new schemes submitted for inclusion in the 2015/16 Capital Programme in Annex B are:

- **Short Breaks Aiming High Grant** (resource allocation and spend approval of £145k in 2015/16) – to provide a grant to Action 4 Youth to contribute to their project to improve accessibility to the Longrigg Outdoor Residential Centre for children and young people with learning difficulties and disabilities. This project is funded from the Aiming High Capital Grant. This request is subject to the Education Funding Agency granting approval for MKC to retain these funds.

- **Electrical Street Furniture Conversion - Borough** (resource allocation and spend approval of £400k in 2015/16 and resource allocation of £400k in 2016/17) – to convert electrical bollards and signs from conventional lighting to low energy LED alternative. This project is funded from a Single Capital Pot Grant and a Salix Seels Contribution.

  The £200k Single Capital Pot Grant funding in 2015/16 is being transferred from the Street Lighting Column Replacement project.

2.3 Approval is sought to amend the resource allocation and spend approval for existing projects which have previously been allocated resources within the 2015/16 Capital Programme and to approve spending on these projects. The main changes are summarised in **Annex B.** The significant requests for resource allocation and spend approval for existing projects in the 2015/16 Capital Programme, as set out in **Annex B** are:

- Realignment of the **Transport Programme** reducing resource allocation by £1.67m in 2015/16 to create a provision for the potential overspend on the Pinch Point projects. The significant reductions are as follows:

  Smarter Choices £843k Single Capital Pot Grant

  Quality Bus Initiative - Bus Routes £250k Single Capital Pot Grant

  V4 Crossings £300k New Homes Bonus

  V3 Junction Dulverton Dr / Hawkshead Dr £100k Single Capital Pot Grant

  Grid Road Underpasses £50k Single Capital Pot Grant

2.4 A summary of proposed revisions to the Capital Programme for 2015/16 is shown in **Annex A, Table 1**. These revisions are set out in detail in **Annex B**.

2.5 Project managers have a monthly opportunity to satisfy the Capital Programme Review Panel (Corporate Director Resources, colleagues from Finance and the Portfolio Office, and a representative of the Corporate Leadership Team) that the project is well controlled and managed, and that funding is confirmed as available. While some projects have been through this process and been allocated spend approval, there are a number of schemes where spend approval has not been requested or where the Capital Programme Review Panel has requested further work / assurance before the scheme can be brought to Councillors.

2.6 The revised 2015/16 Capital Programme resource allocation and spend approval, including schemes still to be given spend approval is available on the Council website at http://www.milton-keynes.gov.uk/finance.

2.7 **Table 2** in **Annex A** shows the financing position for the 2015/16 Capital Programme.

3. Spend Approvals Across Multiple Years

3.1 Some major capital schemes require spend approval for more than the current financial year. In approving spend approval for the project resources are effectively being committed for the future. This is usually for major schemes which could not be completed in a single financial year, or where the most effective timing of a project crosses financial years e.g. opening a school in September.

3.2 There are currently forty projects with spend approval phased across multiple years. These projects are fully funded with all of their funding having been confirmed as available within 2015/16. These projects along with the phasing of the spend approvals are detailed in **Annex A, Table 3**.

4. Approval of the Tariff Allocations

4.1 The February report to Full Council outlined the resource allocation for the 2015/16 Tariff schemes.

4.1 There are no amendments to resource allocation and spend approval requested within this report.

5. Annexes to this Report

ANNEX A	Summary of changes to the Capital Programme and Financing
ANNEX B	Detailed list of changes to the 2015/16 Capital Programme and the 2015/16 Tariff Programme

6. Implications

6.1 Policy

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

6.2 Resources and Risk

Capital implications are fully considered throughout the report. Revenue implications may arise from capital schemes in respect of:

a) Borrowing to fund capital expenditure (principal and interest),

b) Running costs associated with capital schemes, and

c) Efficiency savings (e.g. reduced maintenance costs).

These 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	N	Asset Management

6.3 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.

6.4 Legal

Legal implications may arise in relation to specific capital schemes. In particular a capital scheme 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.

6.5 Other Implications

There are no other implications arising as a result of this report.

N	Equalities / Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Policy				

Background Papers: Officer Working Papers, report to all Members

Previous reports to both Cabinet and Council as mentioned within the body of the report

ANNEX A

SUMMARY OF CHANGES TO THE CAPITAL PROGRAMME AND FINANCING

Table 1: Summary of Proposed Revisions to Capital Programme for 2015/16

Directorate	Resource Allocation £m	Spend Approval £m	Spend Approval not yet Requested £m
2015/16 Capital Programme as agreed 14th September 2015 Cabinet	**164.893**	**(145.181)**	**19.712**
New Projects	0.755	(0.755)	0.000
Amendments to Existing Project	(1.955)	1.063	(0.892)
Revised Capital Programme after Adjustments	**163.693**	**(144.873)**	**18.820**

The detailed list of the proposed revisions to Capital Programme for 2015/16 summarised in **Table 1** above are identified in **Annex B.**

Table 2: Financing of the 2015/16 Capital Programme

Funding Type	2015/16 Capital Programme £m
Capital Reserve	0.371
Capital Receipts	2.639
Major Repairs Reserve	11.710
Single Capital Pot - Grants	64.835
Prudential Borrowing	18.572
Government Grants	9.514
S.106 - Planning Gain / Tariff	36.565
Other Third Party Contributions	1.717
Parking Income	0.093
Other Revenue Contributions	7.999
New Homes Bonus	9.678
Total	**163.693**

Table 3: Spend Approvals – Across Multiple Years

Scheme	Total Resource Allocation	Spend Approval				
		Prior Year £m	2015/16 £m	2016/17 £m	2017/18 Onwards £m	Total £m
Abbeys Fire Alarm and Emergency Lighting Upgrade	0.167	0.000	0.004	0.163	0.000	0.167
Castlethorpe Fire Alarm and Emergency Lighting Upgrade	0.038	0.000	0.001	0.037	0.000	0.038
Cold Harbour Fire Alarm and Emergency Lighting Upgrade	0.132	0.000	0.004	0.128	0.000	0.132
Heelands Heating Upgrade	0.292	0.000	0.008	0.284	0.000	0.292
Wyvern Block 4 Heating Upgrade	0.198	0.000	0.006	0.192	0.000	0.198
Tickford Park Block 2 Heating Upgrade	0.240	0.000	0.006	0.234	0.000	0.240
Brookward Block 1 Heating Upgrade	0.236	0.000	0.006	0.230	0.000	0.236
Russell Street Block 1 Heating Upgrade	0.276	0.000	0.008	0.268	0.000	0.276
Radcliffe School Block 1 Heating	0.737	0.026	0.461	0.250	0.000	0.737
Long Meadow Flooring Upgrade	0.100	0.000	0.003	0.097	0.000	0.100
Cedars Block 1 Masonry Works	0.031	0.000	0.001	0.030	0.000	0.031
Southwood Flat Roof & Patent Glazing Upgrade	0.234	0.000	0.006	0.228	0.000	0.234
Willen Roof Lights Upgrade	0.034	0.000	0.001	0.033	0.000	0.034
Oldbrook 1st Sch-Nursery Class provision	0.600	0.000	0.450	0.150	0.000	0.600
Proposed Middleton Primary School 1FOE	4.830	4.775	0.051	0.004	0.000	4.830
Jubilee Wood Primary School Extension	7.392	0.088	5.454	1.850	0.000	7.392
Bushfield Junior Expansion	2.810	0.042	2.728	0.040	0.000	2.810
Whitehouse Primary School	8.683	0.341	5.532	2.810	0.000	8.683

Scheme	Total Resource Allocation	Spend Approval				
		Prior Year £m	2015/16 £m	2016/17 £m	2017/18 Onwards £m	Total £m
Oakgrove Primary	8.317	0.102	5.488	2.727	0.000	8.317
Newton Leys Primary	8.719	0.178	5.290	3.251	0.000	8.719
South W. MK Additional Primary Provision	7.831	0.168	5.626	2.037	0.000	7.831
Fairfield Primary	8.368	0.216	5.342	2.810	0.000	8.368
Eagle Farm Primary School	8.865	0.000	0.300	5.729	2.836	8.865
New Kents Hill Primary School	7.681	0.000	1.969	4.212	1.500	7.681
Walton High at Brooklands Ph1	26.369	1.581	16.844	7.944	0.000	26.369
Kents Hill Secondary & Special Sch	25.141	0.000	1.000	15.000	9.141	25.141
Clifton Court Biomass	0.575	0.000	0.025	0.550	0.000	0.575
New Council Housing - 4 Garage Sites	3.000	0.000	1.000	2.000	0.000	3.000
Development Control Improvement	0.081	0.061	0.000	0.020	0.000	0.081
Milton Keynes Local Broadband Plan	2.400	0.000	2.003	0.397	0.000	2.400
H3 Canal Bridge, Bolbeck Park Strengthen	0.480	0.000	0.000	0.020	0.000	0.020
H8 Railway Bridge Protection	0.185	0.000	0.000	0.020	0.000	0.020
Infrastructure Investment - Transport	37.313	12.609	5.214	0.250	0.000	18.073
Market Square	0.010	0.000	0.000	0.010	0.000	0.010
Investment in Parking	11.988	0.000	9.000	2.988	0.000	11.988
Provision of Additnl Cemetery Facilities	0.130	0.000	0.030	0.070	0.030	0.130
Shenley Leisure Centre - New Sports Hall	0.558	0.000	0.058	0.500	0.000	0.558
New MK Museum	6.825	0.000	1.034	4.517	1.274	6.825
Bradwell Abbey Improvements Programme	0.758	0.286	0.389	0.050	0.033	0.758
Future Work Programme	6.474	0.158	4.216	2.100	0.000	6.474

Scheme	Total Resource Allocation	Spend Approval				
		Prior Year £m	2015/16 £m	2016/17 £m	2017/18 Onwards £m	Total £m
Total Multiple Years Spend Approval	**199.098**	**20.631**	**79.558**	**64.230**	**14.814**	**179.233**

Annex B

Detailed list of changes to the 2015/16 Capital Programme

Scheme	Resource Allocation 2015/16 £	Spend Approval 2015/16 £	Spend Approval not Requested 2015/16 £
2015/16 Capital Programme as agreed at the 14th September Cabinet	**164,892,800**	**145,180,450**	**19,712,349**
Amendments to Resource Allocation and Spend Approval for New Projects			
Childrens & Families			
Short Breaks Aiming High Grant	145,335	145,335	0
Public Realm			
Vernier Cresent	100,000	100,000	0
Electrical Street Furniture Conversion - Borough	400,000	400,000	0
Oak Chapel Cremators Relining Programme	80,000	80,000	0
Registration Service	30,000	30,000	0
Total Amendments to Resource Allocation and Spend Approval for New Projects	**755,335**	**755,335**	**0**
Amendments to Resource Allocation and Spend Approval for Existing Projects			
Childrens & Families			
Brooklands Farm Primary School Extension	(1,128)	(1,128)	0
Gatehouse Special School	(1,653)	(1,653)	0
Housing & Community - Housing			
Disabled Facilities Grant	16,771	16,771	0
Public Realm			
Footpath Improvement Programme	(50,000)	0	(50,000)
Footways	(50,000)	(50,000)	0
Street Lighting Column Replacement	(200,000)	(200,000)	0
Quality Bus Initiative - Bus Routes	(250,000)	(250,000)	0
V3 Jnc Dulverton Dr/Hawkshead Dr	(100,000)	(100,000)	0
V4 Crossings	(300,000)	(300,000)	0
H8 Jnc Trafalgar Ave, West Bletchley	(28,044)	(28,044)	0
Bridge Height Signs conversion to Metric & Imperial	(30,000)	(30,000)	0
Grid Road Underpasses	(50,000)	(50,000)	0
Smarter Choices	(842,558)	0	(842,558)
Cycle Hire Scheme in CMK	(29,000)	(29,000)	0
Speeding Vehicles on Tattenhoe Lane	(10,000)	(10,000)	0
Bletchley, Footpath Widening Scheme	(10,000)	(10,000)	0
Vict Rd, Fenny jct Vicarage Rd & jct V4 Wat	(3,275)	(3,275)	0
Simpson Village, Traffic Scheme	(3,275)	(3,275)	0
New Bradwell Crossing Points	(3,275)	(3,275)	0
Newport Pagnell, Westbury/Wolverton Rd jct	(3,275)	(3,275)	0
Oakridge Park, Traffic Lights Upgrade	(3,275)	(3,275)	0
Redhouse Park, Traffic Lights Upgrade	(3,275)	(3,275)	0
Total Amendments to Resource Allocation and Spend Approval for Existing Projects	**(1,955,262)**	**(1,062,704)**	**(892,558)**
Revised Capital Programme after Adjustments	**163,692,872**	**144,873,081**	**18,819,791**

Detailed list of changes to the 2015/16 Tariff Programme

Scheme	Resource Allocation 2015/16 £	Spend Approval 2015/16 £	Spend Approval not Requested 2015/16 £
2015/16 Tariff Programme as agreed at the 14th September Cabinet	**40,706,000**	**25,200,000**	**15,506,000**
Amendments to Resource Allocation and Spend Approval for Existing Projects			
No Change			
Total Resource Allocation & Spend Approval requests for Existing Projects	**0**	**0**	**0**
Revised Tariff Programme after Adjustments	**40,706,000**	**25,200,000**	**15,506,000**

Wards Affected:
All Wards

ITEM 17

CABINET

12 OCTOBER 2015

INCREASING THE SUPPLY OF PROPERTY FOR HOMELESS HOUSEHOLDS

Responsible Cabinet Member:	Councillor O'Neill (Cabinet Member for Housing and Regeneration)
Report Sponsor:	Jane Reed - Service Director Housing and Community
Author and contact:	Paul Gibson - Housing Development Officer Tel: 01908 253109

Executive Summary:

The Council has a duty to provide accommodation to households that it accepts as statutory homeless and that have no immediate settled housing. Homelessness in Milton Keynes has been growing and a key feature of this has been the lack of supply in meeting a fast-growing population. Nevertheless the Council is committed to responding to and tackling the crisis. The report provides an update on the schemes currently being investigated and seeks endorsement to the idea of setting up a cross-party working group to share ideas and agree solutions that will increase the supply of accommodation for homeless households.

1 Recommendation(s)

1.1 That a cross party approach be enabled to finding further solutions that will increase the supply of properties for homeless households;

1.2 That a cross-party working group be set up to establish and agree shared solutions.

2 Issues

2.1 Milton Keynes Council has a duty to secure housing for households that it accepts as statutory homeless (within the meaning of Part VII of the 1996 Housing Act) or to provide interim temporary accommodation. This is increasingly out of area B&B as there is a shortage in Milton Keynes of alternative accommodation. While demand continues to increase, the supply of properties available for temporary or permanent rent is reducing. On the week ending 5th July the Council had 117 households in B & B. However there were a total of 18 properties available to let (including registered provider homes). By the week ending 20th September there were 162 homeless households but only 7 properties available.

2.2 B&B accommodation cost the Council's General Fund £979k in 2014/15 - in 2015/16 the cost is forecast to be £1.6m. In March 2011 the Council had 33 households in bed and breakfast: by September 15 this had increased to 155 households. B&B also provides an unsuitable environment for families to live in - short-stay rooms generally located out of the Borough away from work, schools, and friends and family, and without the facilities such as cooking and washing that self-contained accommodation offers. The Council is working on a variety of short, medium and long-term options to reduce or eliminate its use.

2.3 **Context**

2.4 Homelessness needs to be set in the context of a lack of housing available to meet the needs of the population. The Barker Review of Housing Supply noted that about 250,000 homes needed to be built every year to prevent spiralling house prices and a shortage of affordable homes. That target has been consistently missed - the closest the UK got was in 2006-07 when 219,000 homes were built. In 2012-13, the UK hit a post-war low of 135,500 homes, much of which was due to the financial crisis. Last year the figure recovered slightly to 141,000 homes. In May 2014, Mark Carney, governor of the Bank of England, complained that housebuilding in the UK was half that of his native Canada, despite the UK having a population twice the size. The consequences have been rocketing prices in London, the South East and some other parts of the country.

2.5 In Milton Keynes the Core Strategy has a target to build 1,750 new homes to keep pace with the growth in the Borough's population. However the target has only been met once in the last 10 years. This has an inevitable knock-on effect for affordable housing.

2.6 The population is growing by around 5,000 people per annum. In 2012 the population was 252,400 people. By 2015 this had risen to 262,200 people & the population is forecast to rise to 273,700 people by 2017.

2.7 This is leading to further pressures in the housing market. In the last five years average property prices in Milton Keynes have risen from just over £151,000 to just under £185,000 in April this year. Wages and incomes however have not kept pace. The average house price to earnings ratio in MK (Feb 15) was 10 (up from 8 in 2014). Median private sector rents in Milton Keynes are now £738 per month, above the median of £600 for England.

2.8 **Current Position**

2.9 The Council has been working hard to try and tackle these problems. There is not a single solution to the problem – there are both demand- and supply-side approaches, but a range of solutions will need to be adopted to deal with the differing needs of various groups within the homeless, and the differing possibilities in various parts of the housing and development market.

2.10 With regards to the short term (within 6 months), the Council has secured an interim lease on 13 properties in Bedford. It has also secured 16 rooms in 4 houses in Milton Keynes. A further 32 rooms (in 8 houses) will be secured with by mid-October. The Council house building programme is moving ahead with 13 bungalows already completed at Stacey Bushes and another 13 under construction on 3 garage sites in Bletchley. A small office conversion at Two Mile Ash is due to deliver 3 properties in December. Other commercial and retail properties owned by the Council are currently the subject of feasibility studies. Discussions have started with a private sector firm called to secure access to an expanding portfolio of private temporary accommodation in the Luton/Leighton Buzzard/Tring area.

2.11 With regards to the medium term (6 months to 1 year), the most promising scheme is the Real Lettings scheme that is due to be presented to Cabinet in October and then to full Council. If approved, this will between secure 60 – 70 properties in Milton Keynes over an 18 month period starting in the New Year. Discussions are also underway with a housing association that could lead to 20 private properties being purchased using private finance and leased to the Council. A scheme to lease 14 flats in Northampton is also being progressed, as is a proposal to lease/purchase some hotels from a local hotelier.

2.12 With regards to the long term (over 1 year), a combination of the Council's house building programme (around 200 homes), tenure changes to low cost/reduced cost sale properties (as reported to Cabinet in September 2015 – current changes achieving 130 homes) and an overall rise in planning applications/construction activity (such as the Western Expansion Area) should all contribute to bringing about an increased supply. Some local landowners have also been in touch with a range of proposals that could, subject to planning, deliver between 350 – 850 homes, many of which could be affordable.

2.13 Some schemes are still being investigated. Others will need more specialist staffing resource (e.g. to deal with conversion of offices/shops into homes, compulsory purchase of problematic empty private sector homes). Whilst this report does not ask for extra resources at this time, the Cabinet is asked to endorse the principle of considering future requests favourably in order to tackle the crisis.

3 Options

3.1 **Do Nothing -** as there is insufficient alternative permanent and temporary accommodation available locally, the Council would continue to place homeless households in expensive and largely out of area B&B with an increasing cost to the General Fund. Homeless families would be placed in an unsatisfactory and disruptive environment.

3.2 **Accept the recommendations made in this report** - This would need political cross-party political support. Not all schemes can or would come to fruition. Nevertheless they provide a good platform for increasing the supply of accommodation for homeless households.

4 Implications

4.1 Policy

It will contribute towards the Housing Strategy 2012 objective - Reduction of the number of Households in Bed and Breakfast. Housing performance measures it will help to achieve are: B&B cost reduction

4.2 Resources and Risk

Failure to respond to the homelessness crisis would result in continuing spending on B&B accommodation, which gives rise to continuing pressures on Temporary Accommodation, Housing Benefit Subsidy, and Home to School Transport budgets. These pressures, together with savings anticipated from measures implemented and imminent, have been included in the Medium Term Financial Plan for 2016/17-2019/20.

This report focuses on potential “supply side” solutions. Each of those described in the body of the report, and those that may be identified henceforth, will have different requirements for revenue and/or capital investment, different risks and benefits, and may have different interfaces with the Housing Benefit (and imminently Universal Credit) regime. Consequently, each potential solution requires financial modelling and sensitivity-testing in order to demonstrate that value for money is achievable.

There is a formal project managed through the MK Approach to coordinate a holistic approach to increasing the supply of accommodation.

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

4.3 Carbon and Energy Management

None.

4.4 Legal

4.5 The Council has a legal duty to secure housing for homeless families (Housing Act 1996).

4.6 The Homelessness Act 2002 requires local authorities to have a strategy for preventing homelessness in their district.

4.7 Other Implications

Y	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Background Papers: None

Wards Affected:
All Wards

ITEM **18**

CABINET

12 OCTOBER 2015

CHOICE BASED LETTINGS – NEXT STEPS

Responsible Cabinet Member:	Councillor O'Neill (Cabinet member for Housing and Regeneration)
Report Sponsor:	Jane Reed Director of Housing and Communities Tel:01908 253553
Author and contact:	Radovan Novakovic - Housing Options Manager Tel: 01908 252737

Executive Summary:

On 14 September 2015 Cabinet accepted in full the recommendations of the Housing Allocations Scheme Task and Finish Group (HASTFG) and requested that a report be brought to the October meeting of the Cabinet setting out the necessary steps to the introduction of "Choice Based Lettings".

This report considers the findings of the HASTFG; considers the current arrangements for letting properties; describes key differences to the proposed new scheme; and sets out what needs to be done to introduce an alternative model and the timeframe for doing that.

1. **Recommendation(s)**

1.1 That Officers be instructed to investigate a Choice Based Lettings system and the implications of its introduction

1.2 That a further report be brought to Cabinet in December 2015 to authorise consulting on proposals with a view to implementing a new scheme in March 2016.

2. **Issues**

2.1 Housing, both locally and nationally, is in short supply and demand is increasing. As a consequence the number of families in temporary accommodation is increasing. The HASTFG pointed out that the only solution to this is to increase the supply of permanent housing, recognising that this will take time to deliver.

2.2 However, in the meantime, the HASTFG advised that changing the current allocations scheme in the way Cabinet proposed in January 2015 would eventually lead to council housing stock being used so much for temporary accommodation that there would be insufficient left for permanent tenancies.

2.3 MKC "needs" based allocations scheme

Milton Keynes Council introduced its Housing Options and Allocations Scheme in 2007 with the intention of creating more transparency about availability and entitlement. The Waiting List was removed so that applicants' expectations could be better managed. However, although there is no longer something called a “waiting list” there are many households waiting for a move to more suitable housing.

2.4 The current allocation scheme ensures the next available property is allocated to the customer in “need” who has waited longest. “Need” is assessed on preference groups. Homeless households; people occupying unsatisfactory housing conditions; people who need to move on welfare grounds; people who need to move to a particular locality; people with an urgent housing need.

2.5 “Choice” based allocations scheme

Choice-based Lettings (CBL) allows applicants to bid (apply) for any home to which they are matched (e.g. a single person would not be eligible for a three-bedroom house). The successful bidder is the one with the highest priority under the scheme. The local authority provides feedback that helps applicants to assess their chances of success in subsequent “bids”.

2.6 CBL is intended to offer choice and make the letting procedure more transparent to the customer. It was intended to “replace the points-based allocation system with a lettings service that people wanting a home or a move could understand”.

2.7 Available homes could be advertised and all registered home-seekers can ‘bid' for the homes advertised. Consideration will be given to how this can be achieved. Potentially an online property magazine could list details including a photograph of the property, its location and the size of household that the home is suitable for.

3. Options

3.1 Do nothing

The work carried out by the HASTFG and the recommendations made to and accepted by Cabinet has determined that “do nothing” is not an option.

3.2 Evaluate CBL

Carry out an evaluation of allocation schemes, including CBL. This is the preferred option. It is estimated that the evaluation can be reported back to Cabinet in December with proposals for consultation and implementation.

4. Implications

4.1 Policy

The key policy issues to consider are the relationship between the tenancy strategy, allocations policy and individual housing providers’ tenancy policies. The Localism Act created a statutory requirement for all local authorities to develop a tenancy strategy which must include high level objectives that registered providers in a particular area are to have ‘regard to’ when considering their own tenancy policies. Local authorities must develop their allocation policy in conjunction with the tenancy strategy. This joined up approach is necessary to ensure an integrated and effective approach to housing options within a locality.

4.2 **Resources and Risk**

The resource required to carry out the evaluation will be found from within existing structures. Proposals for Cabinet to consider in December will need to include project start-up costs; project management; ICT procurement and implementation; training; advertising; and training.

In addition the proposals may require consideration of externalisation of the service or a shared service arrangement with other LAs. There is a risk that the implementation of CBL will not deliver the Medium Term Financial Plan savings that were anticipated from changes to existing Allocations Scheme.

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

4.3 **Carbon and Energy Management**

It is not expected to impact upon the policy

4.4 **Legal**

(a) The Housing Act 1996 Parts VI & VII

(b) The Equalities Act 2010

(c) The Localism Act 2011

(d) Consultation with all Key Partners, Groups & Stakeholders

4.5 **Other Implications**

Y	Equalities/Diversity	Y	Sustainability	Y	Human Rights
Y	E-Government	Y	Stakeholders	Y	Crime and Disorder

Wards Affected:
All Wards

ITEM **21**

CABINET

12 OCTOBER 2015

INVESTMENT IN PROPERTY FUND FOR TEMPORARY ACCOMMODATION

Responsible Cabinet Member:	Councillor O'Neill (Cabinet Member for Housing and Regeneration)
Report Sponsor:	Jane Reed Director of Housing and Communities Tel: 01908 9253553
Author and contact:	John Russell (Housing Development Officer) Tel: 01908 253212

Executive Summary:

Discharging its duty to provide temporary accommodation to households that it accepts as statutory homeless and that have no immediate settled housing costs the Council £979k last year, and due to an increase in demand is forecast to cost an estimated £1.6m in 2015/16.

B&B is unsuitable housing for family households. The Council is working on a variety of options to obtain more self-contained temporary accommodation for rent to reduce or eliminate the use of B&B.

The option recommended here is for the Council to invest £5m in the Real Lettings Property Fund (match-funded by £5m from Big Society Capital) to purchase a portfolio of up to 70 flats in the open market in Milton Keynes.

The scheme will result in net savings of up to £3.3m in B&B costs and the investment will provide a financial return to the council which will largely off-set the cost of borrowing.

This will require approval by the Council, with the scheme funded by Prudential Borrowing.

1 **Recommendation(s)**

1.1 That prudential borrowing of £5m to fund a £5m investment in the Real Lettings Property Fund be approved

1.2 That an addition to the 2015/16 Capital Programme Resource Allocation and Spend Approval of £5m be approved

1.3 That the Treasury Management Strategy be amended by inclusion of joint property investments within the class of permitted investments.

1.4 That, subject to the additional expenditure being approved, the Corporate Director of Place be authorised, in consultation with the Corporate Director of Resources, to agree the detailed terms of investment and complete the agreement with Resonance UK (the Real Lettings Property Fund Manager).

2 **Issues**

2.1 Milton Keynes Council has a duty to secure housing for households that it accepts as statutory homeless (within the meaning of Part VII of the 1996 Housing Act) or to provide interim temporary accommodation. This is increasingly out of area B&B as there is a shortage in Milton Keynes of alternative accommodation. While demand continues to increase, the supply of properties available for temporary or permanent rent is reducing.

2.2 B&B accommodation cost the Council's General Fund £979k in 2014/15 - in 2015/16 the cost is forecast to be £1.6m and there were 137 households in B&B at 9 August 2015. B&B also provides an unsuitable environment for families to live in - short-stay rooms generally located out of the Borough away from work, schools, and friends and family, and without the facilities such as cooking and washing that self-contained accommodation offers. The Council is working on a variety of short, medium and long-term options to reduce or eliminate its use.

2.3 **Real Lettings Fund**

2.3.1 The Council's investment (and the match-funding) in the Real Lettings fund will provide up to 70 self-contained flats to address the urgent need for suitable temporary accommodation. The Council will invest £5m in the Real Lettings Property Fund managed by Resonance UK - a Social Investment Company - to purchase up to 70 properties in the open market in Milton Keynes over 18 months.

2.3.2 St Mungo's Broadway - a Registered Charity and, as St Mungo Community Housing Association, a Registered Provider with the HCA - will manage the properties which will be let to homeless households nominated by Milton Keynes Council at LHA rates. The placement fee of £3000 paid by the Council for each new nomination will go toward a comprehensive support package provided by St Mungo's to help each family to set up and manage its tenancy, and to move on to permanent housing.

2.3.3 As rent will be charged at LHA level, those households eligible for full Housing Benefit should have the full rent paid through benefit and the Council should have no additional 'top-up' costs for any shortfall in rent. St Mungo's Broadway will be responsible for the maintenance of the properties and collection of the rent.

2.3.4 The fund offers a far better temporary housing solution for families in need as well as reducing the need for B&B. The ability to provide additional temporary accommodation for homeless families within Milton Keynes will also reduce the costs of Home to School Transport, estimated at £240k for the current year..

2.3.5 The Council's investment will initially fund the acquisition of up to 70 properties over 18 months. It is then tied in for 5 years. The Council then has an option to extend its investment for 2 years, withdraw or buy out the match funder. The Real Lettings Fund is open to other local authorities outside of London and the rate of return will be linked to the overall performance of the fund. The Council's equity will also be a proportion of the overall fund, not the assets which are in Milton Keynes (as explained in the Annex).

2.4 **Medium Term Position**

2.4.1 The Real Lettings proposal is for an investment by the Council of £5m (which will be match-funded) for the purchase of up to 70 flats for temporary accommodation. Purchase will be over a period of 18 months - time to evaluate the scheme's success as the number of units increase. If it works as intended, there may be an option to extend the investment to meet further demand.

2.4.2 However there are risks due to the time limited nature, the refinancing risk at the end of five years, and of changes to investors at the end of five years and the value of properties at this point.

2.4.3 Homelessness is likely to be an issue for the longer term for the Council. The council will need to adopt a range of approaches to manage and mitigate the pressure, of which this proposal is one.

2.4.4 A further option is to use the experience gained from this fund to create a local pool of temporary accommodation, purchased directly by the Council, but managed by an external provider to ensure successful outcomes are achieved, with a limited risk to the Council. This will be fully considered based on the experience gained from this investment fund model.

2.5 No external consultation is required or has been carried out.

3 Options

3.1 **Do Nothing -** as there is insufficient alternative temporary accommodation available locally, the Council would continue to place homeless households in expensive and largely out of area B&B with an increasing cost to the General Fund. Homeless families would be placed in an unsatisfactory and disruptive environment. It would also miss a low-risk investment opportunity to reduce B&B costs.

3.2 **Purchase Properties for Temporary Accommodation on the Open Market** - the Council would need to invest at least £10m for the purchase of up to 70 properties. This would need political support, would take time to implement any purchase programme through procurement and approval requirements, and the Council would take the risk for its investment.

3.3 **Invest in Real Lettings Property -** the investment will provide speedy delivery of up to 70 properties over 18 months to address the urgent need for temporary accommodation for homeless households, and reduce reliance on expensive B&B. It will also provide a low-risk investment for the Council. This is the recommended Option.

4 Implications

4.1 Policy

It will contribute towards the Housing Strategy 2012 objective - Reduction of the number of Households in Bed and Breakfast. Housing performance measures it will help to achieve are: B&B cost reduction

4.2 Resources and Risk

Failure to act would result in continuing spending on B&B accommodation, which is not currently budgeted for in the Council's Budget 2015-16 or the Medium Term Plan, and on Home to School Transport.

Investment through the fund and with management through St Mungo's Broadway secures match-funding, minimises and shares risks, and provides opportunities to learn from the Council's and partners' experiences of this approach to investment in additional temporary accommodation.

Financing this proposal through Prudential Borrowing is a proper purpose within the CIPFA Treasury Management Code. This has been confirmed by the council's treasury management advisers.

The Treasury Management Strategy does not currently provide for investment in vehicles such as Real Lettings, and Council should be asked to amend the strategy to do so.

Annex A to the report, which is not for publication by virtue of Paragraph 3 (Information Relating to the Financial or Business Affairs of the Authority) of Part 1 of Schedule 12A of the Local Government Act 1972, sets out additional financial and governance issues involved in the proposed investment. These matters are considered to be restricted as they contain commercially confidential information and references to the Council's negotiating position.

Annex B sets out additional information about the issues involved in the proposed investment

The Resource Allocation and Spend Approval amendment of £5m will be added to the capital programme for 2015/16. This project will be funded by prudential borrowing

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

4.3 Carbon and Energy Management

All properties will be at Decent Homes Standard or above.

4.4 Legal

4.4.1 The Council has a legal duty to secure housing for homeless families (Housing Act 1996).

4.4.2 The Right to Buy would not be triggered, as the Council would not own the properties.

4.4.3 The Local Government Act 2003 empowers the Council to borrow money for any purpose relevant to its functions, or for the purposes of the prudent management of its financial affairs.

4.5 Other Implications

Y	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Annexes: Annex A -Additional Financial and Governance Issues

Annex B - Real Lettings Property Fund – Investment in Temporary Accommodation

Real Lettings Property Fund – Investment in Temporary Accommodation

Compliance with statutory guidance on borrowing and investment

Statutory Guidance.

Section 1 of the Local Government Act 2003 gives each local authority in England and Wales the explicit power to borrow money. Section 12 gives a local authority power to invest for "any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs".

Local Authorities are required by The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to have regard to The Prudential Code for Capital Finance in Local Authorities (the Code) when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. The Code sets out proper accounting practices applicable to the council's borrowing and investment activities (treasury management).

Borrowing

The Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for eventual repayment of debt.

The Code allows Local Authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes or take decisions to allocate resources from revenue to support the borrowing costs of capital investment to enable service enhancements. However, before using unsupported borrowing, the authority must be satisfied that the additional borrowing costs can be afforded within future years' budgets.

The CFR identifies the capital borrowing need, however ensuring cash is available to meet this demand is purely a treasury management decision based on cashflow analysis. Local Authorities do not always need to increase borrowing to full capacity if internal sources of finance can be temporarily utilised – a process known as internal borrowing. These internal resources may include cash reserves that have been built up over time or capital grants not yet required to service expenditure and that would otherwise be externally invested. This strategy of deferring additional borrowing remains prudent despite low borrowing rates, as in the current economic climate investment returns are low and credit risk is high.

This Council has developed a financial model to forecast the net borrowing requirement per year over a 50-year period. This model is used to identify optimum borrowing opportunities by ensuring the timeframe for any proposed new borrowing is matched to the aggregate provisions set aside annually for debt repayment. The margin by which borrowing costs outweigh investment returns is known as a cost of carry, and this strategic approach aims to limit this risk exposure.

Real Lettings

The council proposes to make a cash investment of £5m, through the medium of a Partnership (to which the council's liability is limited), in order property be acquired for use as temporary accommodation.

Because the principle objective for the venture is the service benefit (the provision of temporary housing) rather than return on the cash investment (the anticipated revenue interest and capital growth) the venture is classed as capital expenditure and can therefore be financed from borrowing (whether internal or external) under the PC.

The nature of this venture has characteristics similar to treasury investments. Although not strictly required to do so, given the risk to capital and quasi-investment type structure involving expected returns, this report seeks authority to add this category to the permissible classes of investment set out in the TMS so that the inherent treasury-type risks be managed consistently.

Treasury Management Advice

The council' s TM advisors have advised that "*Borrowing to fund any form of capital expenditure is … permitted under the Prudential Code*." and "*A [Partnership] is not a company and you cannot purchase shares in it. As a partner you essentially become an owner of the venture and we would therefore link whether expenditure would be classed as capital expenditure or not to what the money put towards the venture is actually doing. If it is going towards the purchase of buildings and land then that is capital expenditure.*"

Conclusion

The proposed cash investment in the fund would be classed as capital expenditure, which could be financed from borrowing (internal or external) in compliance with proper accounting practices.

Oxford City Council

Concern has been expressed at consistency between the approach taken at Oxford City Council and this council toward the funding of proposed participation in the Real lettings scheme. The Chief Finance Officers of the two councils have jointly advised:

The Real Lettings investment proposal secures both service benefits (supply of temporary accommodation) and treasury benefits (revenue income and capital growth). There are some minor differences in the treatment of these types of investment, under the Prudential Code.

Oxford City Council are proposing to treat their investment as a treasury investment, based on their interpretation of the proposal, the Code, and their financial and service-related circumstances.

Milton Keynes Council are proposing to treat their investment as a service investment, based on their interpretation of the proposal, the Code, and their financial and service-related circumstances.

There is no absolute criterion by which either approach could be judged to be correct and the other incorrect. The guiding principal would be that the decision for each council should be one which could be made by a reasonable council, considering all relevant matters and disregarding all irrelevant matters.

The Chief Finance Officer of each council is content that the approach to be adopted by their respective council complies with this principle.

Oxford City Council's statement that "The Council is not legally able to borrow to invest" refers to the principle of borrowing to invest speculatively, or purely to seek a return on investment. It is not intended to mean that borrowing to invest for service delivery purposes is unlawful.

Other measures to reduce B&B usage & costs

The Real Lettings proposal is part of a wide-ranging response to the council's commitment to reduce the use of B&B accommodation, and the costs thereof. This proposal is aimed at one segment of the "demand" side (homeless families with a realistic prospect of being able to sustain non-social tenancies) and one segment of the "supply" side (two-bed flats in the MK area).

Other proposals are also being brought forward to address the various supply-side and demand-side problems, including:

- Leasing additional temporary accommodation units in Bedford
- Building new council housing to provide permanent rehousing capacity
- Conversion of vacant commercial properties into temporary/permanent housing
- Improving on the existing HIP scheme to encourage private-sector landlords to house homeless families and others in receipt of Housing Benefit

Property market issues

<u>Market capacity</u>

Resonance, the proposed fund manager, have been following the MK property market and have expressed confidence in being able to acquire sufficient properties in adequate condition at appropriate price points.

Each property will be refurbished to the agreed specification between the Fund and SMB and this has been factored into the financial projections, and the capital appreciation assumptions for each area have been taken from the projections from a national property valuer (Jones Lang La Salle)

The council's own modelling indicates that there are sufficient properties on the market, and coming onto the market, to be able to meet the proposed acquisition strategy.

The council will only pay into the fund in relation to properties acquired; the fund will not hold the council's money other than as necessary to meet imminent expenditure

Potential impact on market

The property market in MK included 547 sales of flats in the last year. The proposed acquisitions represent approximately only 12% of this market. It is likely, therefore, that any impact on the overall market will be small.

Robustness of partnership

The council would be entering into a three-way partnership with St Mungo's Broadway (who will manage the properties and support the tenants) and Resonance (who will manage the investment fund). Information as to the robustness of these organisations as potential partners is set out below.

St Mungo's Broadway

St Mungo's Broadway was formed in April 2014 by the merger of two homelessness charities; St Mungo's and Broadway. St Mungo's began helping people sleeping rough off the streets in 1969. Broadway was created on 1 April 2002 from the merger of two London charities that, between them, had been supporting homeless people for more than 20 years.

St Mungo's Broadway, officially registered as St Mungo Community Housing Association, is:

- a limited company registered in England and Wales under company number 8225808
- a charity registered with the Charities Commission under number 1149085 since September 2012
- a housing association registered with the Homes & Communities Agency (HCA) under number LH0279.
- Broadway Homelessness and Support Ltd is a wholly owned subsidiary of St Mungo Community Housing Association. Together, both organisations are known as St Mungo's Broadway.

Both St Mungo's and Broadway produced unqualified accounts for the year 2013/14.

The combined St Mungo's Broadway has a turnover of approximately £70m, 1,250 employees, and works with over 20,000 clients. They work in partnership with many local authorities nationally.

St Mungo Community Housing Association is currently rated G2 ("*The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance*") and V2 ("*The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance*") by the HCA.

The Charities Commission records St Mungo Community Housing Association as being up-to-date with its statutory returns.

<u>Resonance</u>

Resonance is a social impact investment company with over a decade of experience of working closely with social enterprises throughout the UK, with particular expertise in community-led projects, homelessness, education and social care and working closely with investors whose values and ethics closely align with these sectors.

The Resonance Group also includes two subsidiaries; Resonance Impact Investment Limited (RIIL), a deal arranger and fund manager authorized by the Financial Conduct Authority (FCA) and Community Land & Finance CIC, a community development finance institution and accredited Social Enterprise.

As well as the Real Lettings Property Fund, Resonance currently manages two debt funds lending to community-led organisations to develop assets that serve local need and/or make the most of local opportunities. These funds help the development of resilient, powerful, inclusive communities mobilising both financial and social capital for the long-term benefit of communities around the country.

Resonance Limited is a company incorporated on 17 April 2002 registered in England and Wales, number 04418625. Resonance Impact Investment Limited (company number 07349971) is authorised and regulated by the Financial Conduct Authority (FCA), number 588462.

<u>Reference sites</u>

These organisations are already working in partnership with the London Borough of Croydon (LBC) in a London investment fund. LBC have recently decided to increase their investment in the fund.

Social Impact & Equalities Impact Assessment

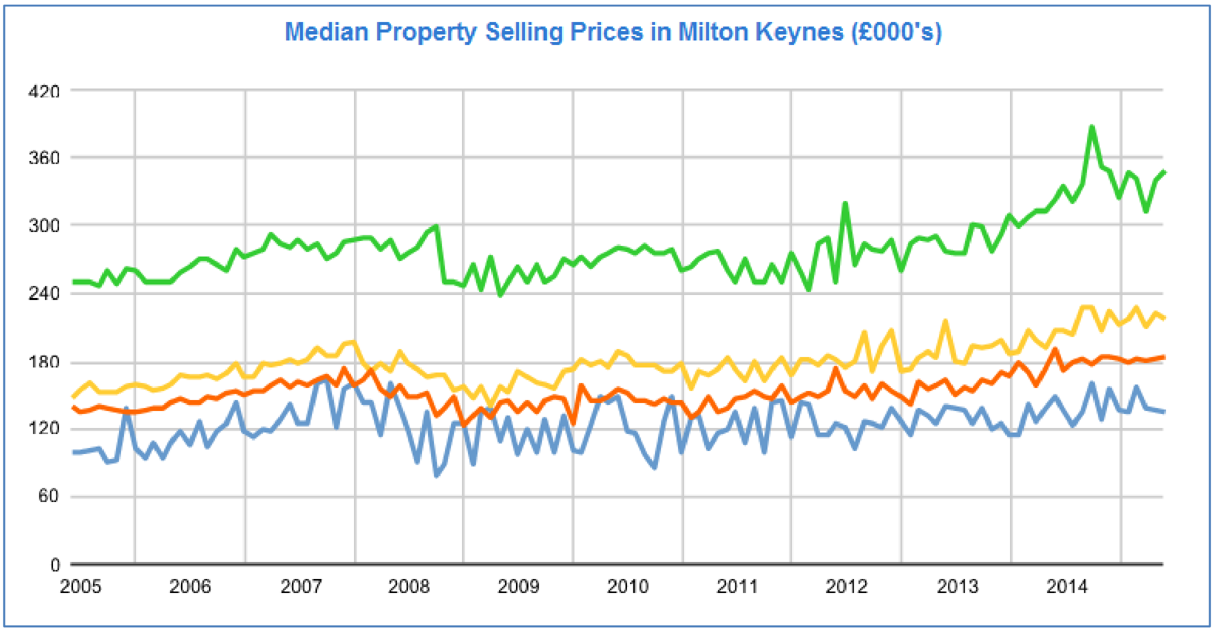
The council's Comprehensive Equality Scheme 2012-2016 contains an objective to reduce the number of households in temporary accommodation and find appropriate accommodation for them. Consequently an Equalities Impact Assessment has been prepared.

On the social impact of the second year of the London scheme, St Mungo's Broadway reported:

- Most of the tenants have been in Real Lettings accommodation for a short period of time with only 20 tenants housed for more than one year. These 20 tenants are nearing two years sustained tenancy, which is a significant achievement.
- 98% of tenants sustain their tenancies for more than six months
- 39% of tenants are in employment, 25% in training/education, 25% actively looking for work
- 87% of tenants say the property has had a positive impact on their support networks and relationships
- 27% of tenants save for a deposit so they can move from real lettings into the private market
- 84% of tenants are not in rent arrears, rising to 96% after 6 months
- Five tenants have moved on, of which four are positive and one is negative. This exceeds expectations in the sense that it happened before the second or third year of their time with Real Lettings.

Market History

The following graph illustrates property market movements in Milton Keynes over the last ten years:
(——Detached, —— semi-detached, —— terraced, —— flats)



Source: www.home.co.uk

This data shows that over the last ten years, flats have increased by an average of **4.5%**; over the last four years, by an average of **7.1%**.

No quantitative forecasts for the Milton Keynes market are available, though Milton Keynes is often quoted as an area offering above-average potential for growth. Nationally, growth is forecast variously at around 6% per annum (Capital Economics), 19% over 5 years (Savills), or 34.1% by the first quarter of 2021 (OBR).

Modelling at 3% (compound 15.9% over 5 years) therefore represents a prudent view.

Market research (although admittedly based on a small sample) suggests that the increase in value of flats in Netherfield to have been 3.07% in the last 12 months, and 17.39% (annual 3.26%) over the last 5 years.