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

The General Fund revenue forecast outturn is an overspend of £1.548m, 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** | | | |

## 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