ANNEX L

Capital Strategy

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Milton Keynes City Council

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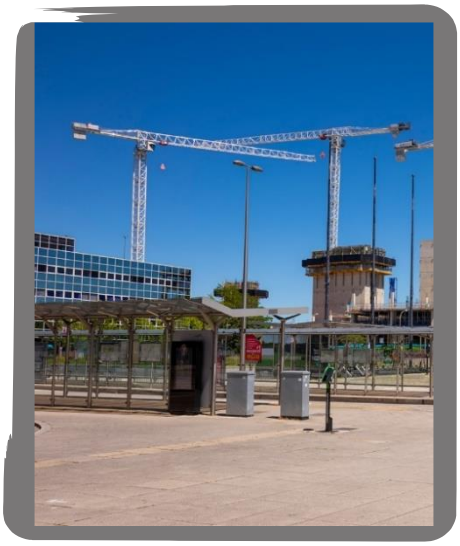
1. Introduction



1.1. The capital strategy was first introduced for 2019/20. It gives a high-level overview of how the Council's strategic planning, capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2. The aim of the report is to demonstrate how Milton Keynes City Council (MKCC) takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

1.3. The purpose of the capital strategy is to explain how Milton Keynes (MK) determines it's priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. The capital strategy sets out the long term context in which capital expenditure and investment decisions are made.

2. Capital Strategy Overview

2.1. In 1967, when Government dedicated 34 square miles of land to what it intended would become the New City of Milton Keynes, around 40,000 people lived in its small towns and rural villages. Even though they shared a rich heritage dating from medieval times, these communities did not make up a city. Government had envisaged it would grow to become a city, and the statutory order designating some 22,000 acres - an area far larger than most other British cities.

2.2. Since then the population has grown to nearly 300,000 people and in May 2022 Milton Keynes was officially recognised as a city after being granted the status as part of the Queen's Platinum Jubilee celebrations.

2.3. Milton Keynes is a home of innovation, with unrivalled green space. Thanks to enlightened city planning from the outset, the environment is integrated into every part of life. It was the fundamental driver for why the urban area looks as it does today, since a goal for the new estates was that everyone would live within a short walk of a green space, park or play area. The green network is essential for travelling by bike, on foot, or by scooter, and residents never need cross a grid road to walk across the urban area.

2.4. Local ambitions are to be carbon neutral and carbon negative by 2030 and 2050 respectively by decarbonising transport, producing more energy from renewable sources and waste, and pushing the boundaries on sustainable construction.

2.5. Six goals have been guiding principles for Milton Keynes' development: opportunity and freedom of choice; easy movement and access; balance and variety, the creation of an attractive city; public awareness and participation; and efficient and imaginative use of resources. The huge urban expansion was held together by an unrivalled green framework. Neighbourhood housing is based around schools and local centres. Characteristic grid roads run between urban districts, with a revolutionary 200 mile-long system of independent and safe cycle and pedestrian paths, alongside intensive tree planting, lakes and parkland.

2.6. The scale of growth has brought with it funding from developers, with significant infrastructure funded and planned in the future from S106 contributions. Investment in new schools, roads, and community buildings continues throughout the Medium Term Financial Plan, with large scale developments in the Expansion Areas, and Milton Keynes East.

2.7. Being a new City has brought its challenges, much of the infrastructure was built over a short timescale, this is approaching the end of life, and therefore is in need of investment. Investment in highways infrastructure, operational buildings and housing assets is a key priority for the capital programme.

2.8. Milton Keynes has built a strong reputation as a world leader in future technologies City Council's ambitions to find innovative and sustainable solutions to make it even easier to get around MK, building on its world-leading smart city reputation. Investment in innovation continues through the development of 5G network, waste infrastructure, and plans to enable net zero.

2.9. Working with Milton Keynes Development Partnership, it plans to deliver new housing through projects such as The Agora, MK Gateway, Tickford Fields and the development of a Local Housing Company, whilst also delivering regeneration in Bletchley through the Towns Fund and Lakes Estate regeneration schemes.

2.10. The ambition for growth is demonstrated in the Council Plan with the key objectives being: **a thriving city** that continue to improve our city as a unique regional and national economic powerhouse, with a growing cultural significance that builds on our success and innovates for the future, **a progressive city** where everyone in Milton Keynes deserves to have the same opportunities and chances in life, where people are valued, feel safe and are encouraged to participate in their community and lead healthier, fulfilled lives and **a**

sustainable city, where we will ensure that we grow sustainably and deliver value for money services that put tackling climate change at the heart of our actions.

2.11. Underpinning these objectives is the desired outcome of continued financial stability, managing our finances well, and agreeing a balanced budget each year which is robust and contains appropriate resources to deliver our services and council plan priorities. The capital strategy outlines how the Council's ambition will be delivered and strong financial management achieved.

3. Milton Keynes City Council Ambition and Vision

3.1. As an organisation, Milton Keynes City Council wants to set an example in its working practices and deliver excellence for its citizens. It operates on the principles of a co-operative council and wants to build partnerships with other public services, voluntary groups, charities and parish and town councils so that the services that its citizens value can continue to be delivered in a sustainable way into the future.

3.2. Milton Keynes is the pinnacle of post-war planning and innovation. Designed on the founding principle that each and every citizen has the right to a high quality of life through the provision of good-quality affordable housing, well paid employment and access to open space, the city is a unique and special place of character, innovation, and community. Milton Keynes City Council is committed to strengthening and enhancing the qualities that make it special while ensuring it is ambitious for the next chapter in its history as an internationally recognised economic powerhouse, centre of innovation and cultural creativity, and pioneer of high-quality sustainable growth. Milton Keynes City Council is ambitious for all, ensuring everybody has opportunities to fulfil their potential by delivering the best services and support it can while ensuring the change needed to tackle climate change and meeting the challenges of recovering from a global pandemic and a cost-of-living crisis.

4. Milton Keynes City Council Strategic Planning Framework

4.1. The capital programme for Milton Keynes City Council is developed in the context of an expanding city, balancing the need for both investment in new infrastructure and enhancement of existing assets.

4.2. Infrastructure before Expansion is a principle which has been critical to the success of Milton Keynes, ensuring as far as possible that existing communities are not adversely impacted by the continued growth of the city.

4.3. Government policy recognises Milton Keynes as an area of high housing demand. Centrally located, Milton Keynes has consistently been one of the fastest growing cities in the country, both in terms of population and economic growth. MK is the third most productive UK city outside of London.

4.4. The **MK Futures 2050 Commission** was set up in September 2015 as a way of thinking about the future of the city, helping to create a long term vision for the way MK should grow and prosper over the coming decades. The 2050 Commission Report "Making a Great City Greater" set out a long term vision for the Borough to 2050 and identified Six Big Projects which the City Council has taken forward through the MK Futures 2050 programme. These projects included the work to create a new tech-focussed undergraduate university in the city centre, in partnership with Cranfield University, and the development of innovative mobility solutions for the city.

4.5. Good progress has been made since the Commission's recommendations, including the adoption of the **Strategy for 2050** as an annex to the Council Plan (at Full Council on 20 January 2021),

4.6. The Strategy for 2050 sets out a long-term vision for the future of Milton Keynes. This non-statutory document provides a framework of policies which set the vision for the New City Plan and other strategies and policy documents and includes policies to support the delivery of the other MK Futures 2050 projects, helping to identify and strengthen the links between them. The Strategy for 2050 proposes the growth of MK to a population of around 410,000 people by 2050, with the construction of 30,000 – 35,000 new homes in addition to the 25,000 homes already committed through existing plans. It also proposes 50,000 – 90,000 new jobs across the city and the delivery of a Mass Rapid Transit (MRT) network to provide mobility for all.

4.7. The concept for an MRT system is to support the growth of the city and offer residents, businesses and visitors a convenient, sustainable, cost-effective and efficient alternative to private vehicles by 2050. Building on the evidence base already underpinning the Strategy for 2050, the concept needs to be advanced further to support its delivery and to guide future land use and transport planning and policy decisions. Work is being undertaken to develop the Strategic Outline Business Case (SOBC). The development of the SOBC is a necessary step to develop the detail of the proposal and its business case, which in turn is essential for obtaining funding to deliver the scheme and ensure future council investment is value for money.

4.8. **Plan:MK** is the current Local Plan for Milton Keynes, setting out the development strategy for Milton Keynes and delivering a minimum of 26,500 new dwellings up to 2031. The plan which has a range of detailed policies to guide development over this period, was adopted in March 2019. This includes policies relating to the delivery of necessary infrastructure to support the level of planned growth.

4.9. A new Local Plan (titled the **New City Plan**) is due to be submitted for examination in 2024 and, when adopted, will replace Plan:MK (adopted in 2019); the Site Allocations Plan (adopted in 2018): and the Waste Local Plan (adopted in 2008). Work to establish the evidence base that will inform the New City Plan is now well underway with the majority of the key studies either already in progress, or in the final stages of procurement and due to commence within the first quarter of the year.

4.10. The New City Plan will guide the development and growth of the city through to 2050, helping to implement the vision and ambitions set out within the Strategy for 2050, which was adopted follownig extensive engagement work.

4.11. The Council Plan 2022-2026 also contains a clear set of priorities and outcomes related to the built environment and growth of the city. Together, these document have set the Vision and Ambitions for the New City Plan, which were discussed by the Planning Cabinet Advisory Group during the Summer 2022.

4.12. As part of Plan:MK an **Infrastructure Delivery Plan (IDP)** was compiled for the delivery of infrastructure to support the continued expansion of development within the Borough.

4.13. The aim of the IDP was to:

- Identify what infrastructure is needed to sustainably support future strategic growth within the Borough of Milton Keynes.
- Explain the approach the City Council has taken to identifying this infrastructure that will serve both employment and housing growth, how it will be delivered, and where possible highlight potential risks associated with doing such development.
- Seek to support and inform the City Council's policies including those in the new Plan:MK.

4.14. Included within the IDP, infrastructure requirements are categorised under Schools, Highways, Health, Leisure & Community, and Landscape and Open Space; together with estimated costs, potential funding sources and delivery dates through to 2030. Responsibility for the delivery of the infrastructure covers both MKC and developers. The IDP is a strategic picture of the infrastructure requirements; therefore, as growth options are refined the IDP will be updated to extend the understanding of infrastructure needs beyond 2031 towards 2050.

4.15. Milton Keynes has developed a Mobility Strategy which is a long-term transport strategy for the Borough. This strategy outlines the City Council's approach for the design and use of the city's local transport system and how it connects with the wider strategic transport system of motorways, trunk roads, and railways, setting out an implementation plan that is intended to ensure Milton Keynes' transport system is improved to support growth, access to jobs and the quality of life for local communities defined in the council plan. This strategy, together with the **Transport Infrastructure Delivery Plan** and IDP, will inform future capital decisions for investment in transport infrastructure.

4.16. Recognising the progress made in delivery of the Six Big Projects originally identified by the MK Futures 2050 Commission in their report “Making a Great City Greater”. An **updated MK Futures Programme** was approved by Cabinet in June 2021 giving a priority area of focus for the next 24 months which included :

- *Delivery mechanisms* – to review the City Council’s options for delivering the longterm growth programme in order to determine the most appropriate approach and put in place a process to establish any new mechanism or model. This work also includes further developing the City Council’s relationship with Homes England and the potential to formalise a strategic partnership with the agency
- *Renaissance:CMK* – work with Milton Keynes Development Partnership (MKDP) to prepare a Strategy for Central Milton Keynes which expands on the Strategy for 2050 for the city centre, and sets out a delivery programme for a range of interventions, including exploring the potential benefits of a joint venture or partnership with a major development partner.
- *MK:U* – continuing to work with Cranfield University on delivery of the university project, expanding on the pilot launch degree apprenticeships programme commencing summer 2021
- *Strategy for 2050 monitoring and delivery* – working across service areas and with other partners/organisations to test and deliver the ambitions of the Strategy for 2050 through the development of the new Local Plan and the work of the Central Area Growth Board.

The MK Futures programme integrates closely with other services and departments to ensure the ambitions of the Strategy for 2050 (including in its role as an Annex to the Council Plan) are carried forward into future City Council policy, including in the development of the New City Plan.

5. Strategic Development in Milton Keynes

5.1. The Land East of the M1, identified as MK East, is a strategic development site formally allocated in Plan MK, contingent on identifying and securing infrastructure funding. In March 2019, the City Council applied to the government's Housing Infrastructure Fund (HIF) for £94.6m of forward funding grant support, to pay for the delivery of essential upfront infrastructure (highways, a new road bridge across the M1, a primary school and community health hub) to unlock the delivery of 5,000 homes on this land, including 1550 affordable homes.

5.2. In July 2020 a decision was taken to accept this grant funding and to develop a 'Tariff 2" mechanism for MK East site, in line with the requirement of the Milton Keynes East Development Framework SPD previously adopted by the City Council, to ensure HIF grant monies and all other infrastructure contributions due from developers are recovered from the Development and reinvested in Milton Keynes.

5.3. Tickford Fields Farm is a c.45 ha development site in Newport Pagnell. The site is allocated in the Newport Pagnell Neighbourhood Plan for Residential development and is in the freehold ownership of the City Council. Planning permission was recently (Sept. 20) granted in outline for up to 930 dwellings along with associated uses (local centre, school, health & wellbeing centre etc.). In anticipation of the implementation phase, the City Council is currently seeking a development partner to deliver its vision for the site – a sustainable and mixed community comprising both affordable and housing, with placemaking and sustainability as key considerations.

5.4. In October 2011 Cabinet approved terms for a sales agreement to be entered into with Redlawn/Gallaghers (R/G) to enable the disposal of sites for development to deliver housing in the Western Expansion Area. The intention was to share the infrastructure costs and land sale receipts, in line with the respective ownership percentages, with the entire process to be managed by R/G. This agreement was signed in March 2019 and a disposal strategy for the land has been developed. Infrastructure works, and disposal of the land parcels have commenced; with MKC receiving a share of capital receipts from 2022 onwards.

6. Council Plan

6.1. The Council Plan was refreshed in June 2022, it sets out how Milton Keynes City Council will deliver our Strategy for 2050, as agreed by Milton Keynes City Council on 20 January 2021. The Strategy for 2050 is our long-term vision for our city and the future, seeking to ensure that everyone in Milton Keynes can lead happy, healthy lives. The Council Plan sets out the corporate priorities for the period between 2022 to 2026 as we continue to deliver the ambitious goals set out in the Strategy for 2050, alongside an annual delivery plan on specific policies and tasks. Many of theses priorities and outcomes will require capital investment over the medium term.

6.2. The Council Plan identifies 10 priorities:

1. Ambition is what we do	**2. Supporting vulnerable people**
3. Public Service at its best	**4. Meeting our financial challenges**
5. Well planned growth and renewal	**6. Value for money services**
7. Equality, diversity and inclusion	**8. Opportunity for all**
9. The importance of co-operation and partnerships	**10. Prevention is better than cure**

6.3. From this certain outcomes were identified to be achieved by 2026. The capital related items include:

- ❖ A dynamic and vibrant Milton Keynes city centre, that is resilient and adaptable to changing economic behaviour
- ❖ An improved gateway and public realm at Station Square
- ❖ Use East-West Rail and the Town Deal to leverage investment and support regeneration of Bletchley town centre
- ❖ A regenerated Wolverton town centre with a completed Agora redevelopment
- ❖ Increase the supply of genuinely affordable housing
- ❖ Use of the Local Housing Company to directly deliver more genuinely affordable homes

- ❖ Complete Phase A of the Lakes Estate regeneration
- ❖ Well maintained highways and infrastructure
- ❖ Improved appearance and pride in our local estates
- ❖ Reduce MK City Council emissions to net zero and aim to reduce all carbon emissions in MK to net zero by 2030
- ❖ Increase the biodiversity of our green spaces
- ❖ Decrease levels of waste and increased the reuse and recycling of resources
- ❖ Develop plans for a Mass Rapid Transport System for Milton Keynes

7. Engagement with partners

7.1. Milton Keynes is the only fully-parished urban borough in England. Work between the local authority and the 48 independent parish and town councils is helping society move closer to where and how decisions are made. It is at the forefront of devolution, actively passing down assets, service and power to communities. Hectare for hectare, more Neighbourhood Plans have been made by parishes in Milton Keynes than almost anywhere else in the nation.

7.2. Milton Keynes City Council and centre:mk have entered into the UK's first formal Council/Retail partnership to create an even more welcoming and appealing city centre. As part of the City Council's wider work to support households and businesses, and create local jobs across the whole city, it has signed an agreement called a 'Memorandum of Understanding' (MoU) with centre:mk – the first of its kind between a local authority and a major shopping centre. The City Council and centre:mk are particularly keen to create and improve community spaces and are in early discussions about a number of areas that welcome visitors into the centre.

It has strong links with the voluntary sector supporting more than 1300 charities and support organisations. Milton Keynes City Council recently set aside £1m to help the local Food Bank and other charities and groups, providing 13,000 sq ft of premises as a permanent hub and covering other costs.

Working with Health Partners, the capital programme has seen funding set aside for investment in health centres, and other health facilities. Through the Tariff S106 agreement we have worked with the hospital on projects such as the Radiotheraphy Centre and the Cancer Centre.

The City Council is also in a shared service with North Northants Council, West Northants Council and Cambridge County Council, sharing services for Business Systems, Payroll, Accounts Payable and Insurance services. Financial systems are shared and we work closely with our partners on the management and improvements to these services.

8. Regeneration

8.1. The regeneration and revitalisation of our cherished high streets, especially those in MK's original settlements, has and continues to be a long standing priority of Milton Keynes City Council. A number of important initiatives are underway across the borough, the most prominent of which focus on Bletchley town centre and Wolverton High Street.

8.2. Serpentine Court in Bletchley represents a small part of the Housing Revenue Account (HRA) portfolio (191 properties out of a total of c.11,500), but because of its overall poor condition it is a disproportionate drain on HRA resources resulting in the wider tenant base subsidising improvement works. Engagement with residents of Serpentine Court began in 2017 and outline masterplan options were developed that included full redevelopment, partial redevelopment, or retention of existing homes. In November 2018, the residents of Serpentine Court voted overwhelmingly for full redevelopment.

8.3. A hybrid planning application was submitted in March 2020 for 589 dwellings and associated infrastructure, over two phases. This scheme will include the demolition of Serpentine Court and the reprovision of high quality, safe and secure homes. The scheme will also see significant improvements across the whole estate including new flexible retail space, a new community space and nursery and light industrial space. This scheme is included within the capital programme at a total cost of £60.590m for the redevelopment.

8.4. The Agora high street regeneration is a long standing Council Plan priority.

8.5. Due to viability issues impacting on the progress of the scheme, the City Council is acting as developer to develop the former Agora site in Wolverton. This development in total comprises of 115 new homes with affordable housing, a local convenience store with small shops totalling 917m^2, along with car free 'little streets', new areas of public realm including a small public park. This scheme is included within the capital programme at a total cost of £36.6m for the development and £3.7m for the public realm and car parking improvements.

8.6. Further investment is also being undertaken in revitalising Central Milton Keynes. The public realm of Central Milton Keynes is unique and composed to a defined grid plan using a dedicated set of materials with juxtapositions of shapes and angles for uniformity. However, its urban fabric has degraded at the same time contiguously causing a 'tired' look and feel in some areas and on some infrastructure. This had led to a series of Public Realm issues across the city which cannot be prevented on reactive revenue funding approach alone.

8.7. In 2020 Milton Keynes City Council proposed the utilisation of a blend of capital and revenues funding, working with partners and our contractors to deliver a series of deliverables which would assist in the delivery of a revitalisation programme for CMK.

8.8. The work includes tree planting and maintenance, granite set restoration, replacement litter bins and street furniture, boulevard and downpass restoration, porte cocher improvements.

8.9. The CMK Handbook for the Public Realm has been developed to provide guidance and set standards for the design and delivery of the public environment within Central Milton Keynes to ensure it is co-ordinated, attractive, easily understood and easy to move around. It was developed as part of a Joint Venture between English Partnerships and Milton Keynes City Council and was adopted as Technical Guidance by Milton Keynes City Council on 26 September 2006 and draws together public realm, access and movement, wayfinding and landscaping. This handbook is currently be refreshed to ensure that maintenance is sustainable in the future, and that CMK can be retained at design code for the next 50 years.

9. Bletchley Towns Fund

9.1. In September 2019, the government invited 100 places to develop proposals for a Town Deal, as part of the £3.6 billion Towns Fund. The Towns Fund is part of the government's plan for levelling up the UK economy and the overarching aims of the Towns Fund are to drive the sustainable economic regeneration of towns and to deliver long term economic and productivity growth through:

- Urban regeneration, planning and land use: ensuring towns are thriving places for people to live and work, including by: increasing density in town centres; strengthening local economic assets including local cultural assets; site acquisition, remediation, preparation, regeneration; and making full use of planning tools to bring strategic direction and change.

- Skills and enterprise infrastructure: driving private sector investment and ensuring towns have the space to support skills and small business development.

- Connectivity: developing local transport schemes that complement regional and national networks, as well as supporting the delivery of improved digital connectivity.

9.2. Through the Towns Deal process, Bletchley and Fenny Stratford were awarded £22.7m across nine projects that have been selected to drive transformational and sustainable growth in the area. These interventions individually and collectively seek to deliver the vision for Bletchley and Fenny Stratford, as identified in the Town Investment Plan.

9.3. The nine projects funded by the grant are: Revolving Fund for investment in area, Redway improvements, Public Realm improvements, provision of an Innovation Hub, investment in a Tech Park, transformation at Bletchley Park, development of a transport hub, active marketing of vacant sites, and improvements to broadband fibre connectivity.

10. Housing

10.1. Housing is a key area for City Council capital investment. The Council Plan seeks to deliver more affordable housing, council housing and accessible properties, with commitments to build 1200 more new Council homes by 2030, investigating establishing a disruptive council-owned housing company (LHC) to deliver 2,000 new truly affordable homes by 2023 and to deliver the refurbishment programme to an efficient high standard.

10.2. The political goal of forming a Local Housing Company (LHC) was to help address the national housing crisis: too few homes, and many of which are unaffordable or unsuitable for residents and their families on low to average wages at a local MK level.

10.3. The LHC would look to:

• create more genuinely affordable and affordable rental homes owned by a charity and social housing provider;

• ensure these homes will be sustainable, meaning for example better insulation, lower energy costs, and a smaller carbon footprint; and

• provide better homes for families.

10.4. On 28 September 2021, the City Council gave Milton Keynes Development Partnership (MKDP) permission to set up a wholly owned Local Housing Company, Milton Keynes Housing Company and MKHC was incorporated on 26 November 2021.

10.5. The Milton Keynes Housing Company (MKHC) submitted its Preliminary Application May 2022, the Regulator of Social Housing (‘RSH’) approved the application on 17 May 2022, and the final Detailed Application was submitted in December 2022. It is expected that the Regulator of Social Housing may determine the second stage application by the late Spring of 2023.

10.6. The submission of the second stage process to the Regulator of Social Housing is focused on the first site only, Kents Hill Park. This is for 78 units that have been secured from the overall site that comprises 171 units. This represents a rate of affordable housing of 47% on this site. These units are expected to be completed and available for occupation in early 2024. Of these 78 units, 34 will be charged at social rent levels, with 25 of these supported with the Homes England funding. Therefore 43% of the affordable units provided by MKHC on this first scheme at Kents Hill will be truly affordable as they will be provided at socially rented levels.

10.7. On this site, all of the 78 affordable units have been designed to Future Homes Standard, with triple glazing, air source heat pumps and are larger than most other affordable units provided through the S106 process. The consequence of this is that the first 78 units units in the MKHC portfolio are of a superior standard to many of the affordable housing properties that would be delivered through the usual S106 route, as MKDP has been able to set the specification through the development arrangement it has put in place with the developer for this site. This should have direct economic benefits to MKHC, as the properties should require less investment in retro fitting to achieve higher energy standards, that are expected to be a future requirement and it will also assist tenants to have more energy efficient homes.

11. School Build

11.1. Between 2017/18 and the end of the 2021/22 academic year the mainstream primary cohort grew by 1.8%, (472 children) predominately as a result of new housing developments in the growth areas of MK. During the same period of time the secondary cohort grew by 17% (2,667 children) as a result of a previous demographic increase within the established communities as well additional demand from new housing and the increase of pupil numbers previously experienced within the primary sector now working its way through to the secondary sector. As a result of this, Milton Keynes City Council had one of the largest school place expansion programmes in the country. Since 2017 we have added 13.5 Forms of Entry (FE) into the primary sector at Year R, 4FE at Year 3 (junior) and 23 FE into the secondary sector where additional demand has been identified.

11.2. Due to the significant developments that are expected to be delivered in forthcoming years it is possible that a further 39 FE worth of new mainstream provision (mixture of primary and secondary) will need to be delivered to support the potential pressure from new housing development; however like many areas of the country, the city is currently experiencing a decrease in births across some of the established areas of Milton Keynes.

The need and potential timing of any new provision is therefore being monitored and reviewed annually in line with current capacity within nearby schools and is subject to development buildout progress and projections.

11.3. Subject to continued monitoring of birth and housing developments across all areas of Milton Keynes, there may also be a requirement for additional expansion projects to be delivered to mitigate any area specific shortfalls that might be experienced over the coming years. However, no expansion projects have been identified as being required at this moment in time.

11.4. A comprehensive analysis has taken place to ensure that there is clarity around the projected deficit of provision already in places to meet the needs of children with Education Health Care Plans (EHCPs) across Milton Keynes. The driver for this was to ensure that as many children with EHCPs as possible can have their needs met in local mainstream and special provision.

11.5. The paper proposed that in order to address these needs five clear proposals were consulted upon:

- The Development of a new primary and a new secondary Complex Needs Schools with a specialism in Autistic Spectrum Condition (ASC)
- The Development of additional Social, Emotional and Mental Health (SEMH) places at existing SEMH schools
- The Development of a High Complex Needs Provision
- The Review and Development of Communication and Interaction Resources Provision
- The Development of additional options for post 16 / 18 provision

11.6. Works have progressed to proceed three of the five proposals with the other two requiring identification of sites.

- For children with needs around Social, Emotional and Mental Health (SEMH), 2 new classrooms hav been delivered at Romans Field School offering 16 new places, and the delivery of a new 4 classroom block is underway at Stephenson Academy which will offer 24 new places.
- Secondly a Delegated Decision was taken on 29 November 2022 to provide a new 24 place unit for children with communication and interaction needs at St Paul's Catholic School. Subject to planning considerations this new unit will open in September 2023.
- Further the commissioning exercise to facilitate provision around young people who are post 16 and post 18, but whose needs can not easily be met via current local provision, is underway.
- The proposal to open a new all through school for children with Autistic Spectrum Condition (ASC). This proposal is the subject of a £22M capital bid to government.
- The proposal to open a small satellite site of an existing special school to address the needs of the most highly complex needs (HCN) children who are unable to

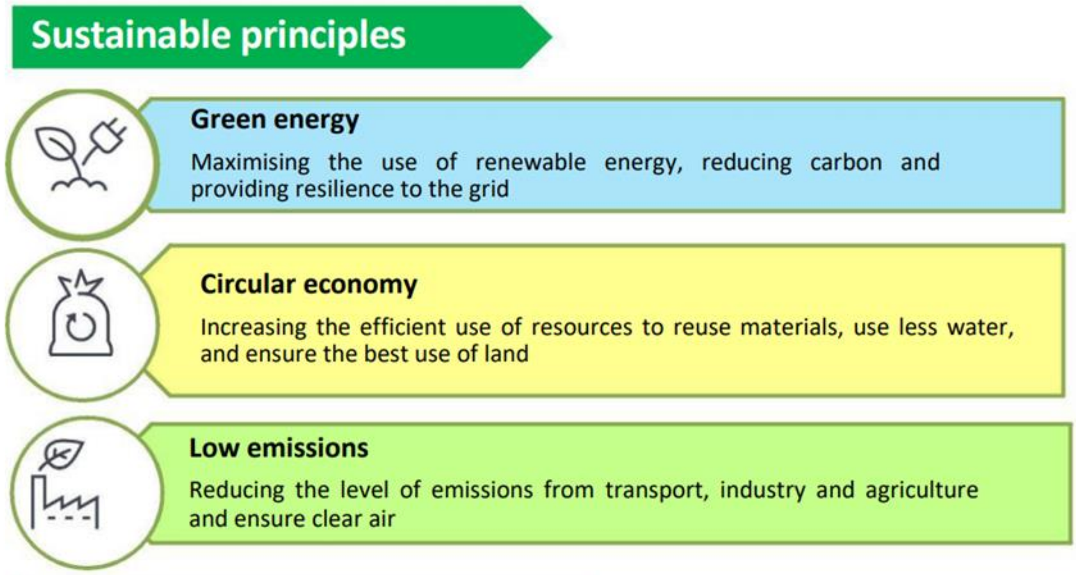
have their needs met in our existing special schools. This opportunity has been advertised to all existing special schools in Milton Keynes and and a provider is currently being identified via a robust and transparent process.

12. Sustainability Strategy

12.1. In January 2019 the City Council declared a climate emergency and adopted the **Sustainability Strategy 2019-50.**

12.2. In developing the strategy, the City Council expressed the commitment to make Milton Keynes a world leading sustainable city which embraces innovation, creates high quality jobs whilst recognising it has a vital role in tackling the global challenges of climate change. It agreed to strive to be carbon neutral by 2030 and carbon negative by 2050 while creating one of the world’s most truly sustainable economies and models for growth.

12.3. The strategy has 3 principles:



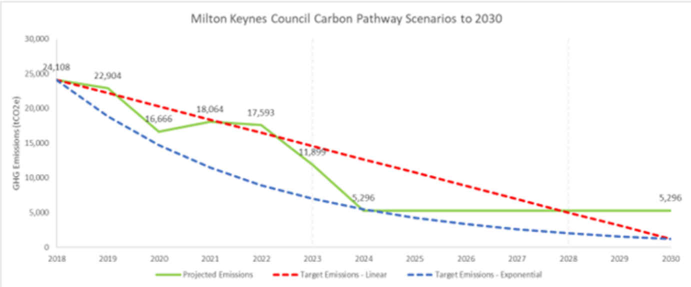
12.4. Following the approval of the Strategy an action plan was developed to demonstrate the City Council’s civic and climate leadership by becoming carbon neutral and showing residents, organisations and businesses of the borough how they too can work towards carbon neutrality. An update to the action plan was presented to Cabinet in December 2021 which reported on the City Council emissions baseline and measures that are being undertaken to enable the City Council to reach net zero by 2030.

12.5. This included a detailed independent assessment of the Council’s 2020/2021 carbon emissions, as well as the carbon pathway to reach net zero emissions by 2030 for City Council owned operations. The impact of current projects and interventions were modelled to produce a pathway to net zero by 2030, leaving a residual c5,000tonnes of CO_2e per annum in 2030 that will require further action.

Projected carbon budget (tCO2e)

Projected Carbon Budget (tCO2e)									
Year	2020	2021	2022	2023	2024	2025	2026	2027	Cumulative
Linear Budget	20,292	18,384	16,476	14,568	12,660	10,752	8,844	6,937	108,914
Exponential Budget	14,694	11,472	8,956	6,992	5,459	4,262	3,327	2,598	57,758
Projected Emissions	16,666	18,064	17,593	11,899	5,296	5,296	5,296	5,296	85,406

Carbon budget aligned to UK Government Carbon Budget



LOCAL PARTNERSHIPS

12.6. Interventions are currently being progressed to enable the City Council to achieve our 2030 commitment. These include refit projects, investment in LED lighting, and fleet decarbonisation.

12.7. Both the current capital programme and future investment decisions need to align with this strategy, ensuring that building design targets energy performance and satisfies requirements of the Local Planning Policy Framework.

13. Digital strategy

13.1. This digital strategy outlines Milton Keynes City Council's vision to create a world leading digital city, one which embraces innovation, promotes high quality jobs and provides seamless digital connectivity to its citizens and businesses.

13.2. Our three priorities as outlined in this strategy are: digital connectivity, digital services and digital economy. These priorities ensure physical connections to digital services are in place, working as a partner and enabler to create the best possible digital environment for residents and businesses to make the most of digital connections. Projects within the capital programme include provision of superfast broadband services, and investment in new systems and technology.

14. Corporate Property Strategy

14.1. The Corporate Property Strategy 2019-2024, which was adopted in February 2020, set out a process of Asset Challenge with the service areas to identify their property needs for future service delivery. Through this process, the aim was to reduce running costs, reduce maintenance liabilities, and to focus investment on the right properties in the right locations to deliver good quality services.

14.2. There are three key outputs from the CPS:

- An Asset Management Plan which sets out the rationale for retaining, developing, or disposing of assets based on strategic and service delivery need identified in conjunction with the service areas.
- A Building Maintenance Plan which sets out the backlog maintenance and investment required to ensure that the City Council is providing good condition assets in the right location to meet service delivery needs.
- A suite of policy documents setting out how the City Council will manage property assets.

14.3. In March 2020, the implications of the Covid-19 pandemic became apparent. Overnight, our working environment and practices changed and there was an obvious knock-on effect for our property assets. Across the property sector, numerous organisations are looking to downsize their property portfolio to reduce revenue and capital pressures. For many organisations, there has been a shift from office-based activities to working in a virtual environment.

14.4. Prior to the pandemic, the work to develop the Corporate Property Strategy identified that the spend on buildings was unsustainable in the long-term, given the increasing age of the properties and the ballooning maintenance obligations. An accelerated Asset Rationalisation Programme has therefore been developed in response to the opportunity the Covid-19 outbreak.

14.5. The Asset Rationalisation Programme is split into three phases:

- Accommodation Plan (a programme of team moves, building operations and building closures)
- Co-location (highlighting opportunities for co-location of services)
- Development (opportunities for development or disposal of sites as they become vacant)

14.6. A review of Adult's Service assets is commenced as part of the Asset Rationalisation Programme (ARP). The properties currently under discussion are the Day Centres and Short Breaks Services, with a review of homelessness provision to follow later. We are working with the service area on two options for day care services and accommodation, considering the closure of three facilities and reprovision allowing for a needs-led approach to future demographic change and requirements:

- ❖ Provision of one Day Care service in one location.
- ❖ Provision of new adult Day Centres in the north and the south of the city.

14.7. A review of Children and Family Centres is also being undertaken. There are currently 14 properties within the portfolio, with a total backlog maintenance of £302,291 and an average annual running cost (utilities, NNDR, and facilites management) of £193,162. The aim is to re-configure services is to ensure delivery is resilient, sustainable and fit for purpose in the light of changing needs and demand. As a result of this review, a number of properties have been identified as being potentially surplus.

14.8. We have analysed the City Council's property data to produce a summary of what each building costs to run (where the City Council is responsible), the capital value, planned maintenance spend, capital investment required and potential alternative uses. Through this process, we have identified properties which are surplus, either through alternative service delivery methods, or because the building is uneconomical to maintain, or where there is development potential in the asset.

14.9. Where an asset is declared surplus, we propose to advertise the disposal through methods which meet the City Council's statutory obligations under S123 of the Local Government Act, 1972 and the Secretary of State's General Consent for Disposal of Land, 2013.

14.10. As set out in the Corporate Property Strategy 2019-2024, assets have been declared surplus where one or more of the following criteria applies:

14.11. We propose to undertake three phases of disposals:

- Phase 1 (12-18 months)

The disposal of 33 assets subject to detailed due diligence, is planned. There are 20 GF assets in this phase, with an indicative value of £17,572,775. There are also 12 HRA properties in this phase with an indicative value of £5,216,675.

- Phase 2 (12-24 months)

  The disposal of a further 8 assets where the disposal will be more difficult to achieve – for example, there may be title or access issues which need resolution prior to sale. Some of these properties would benefit from a Development Brief which will take time to deliver. This work to progress Phase 2 will be carried out simultaneously with the disposal activity in Phase 1

- Phase 3 (24-36 months)

  Further disposals are categorised as Phase 3. Disposals in this phase will require more detailed work. Many of the sites are allocated in Plan MK as amenity sites, and therefore subject to Policy L3.

A delegated Decision report is planned for Qtr 4 2022/23 giving more details on the phasing and work required.

14.12. A savings target of £0.773m has been included in the revenue budget to reflect anticipated savings from the asset rationalisation programme.

14.13. The Building Maintenance Plan developed as part of the Property Strategy, this determines the future maintenance needs of the asset base, over the medium to long term. This plan takes into consideration capital and disposal plans and identifies the level of funding required annually to meet the maintenance standards established to support effective service delivery. The plan incorporates life cycle planning having due regard for the age, condition, value, deferred maintenance and functional quality of the assets, as well as new assets and any emerging issues which may impact on their service potential.

14.14. The Building Maintenance Plan has been prioritised in line with the Building Maintenance Policy. All of the Corporate Landlord (MKCC operational portfolio) has been classified as follows:

Property Priority Rating	
1	Core service: critical or high-profile asset to be in the best possible condition within economic constraints (e.g.: Civic, the Crematorium, Galley Hill PDC, Synergy Park)
2	Core Service: asset to be in good condition operationally and aesthetically (e.g. children’s centres, adult social care, libraries, sports, and leisure)
3	Core Service: asset to be in reasonable condition to meet operational and statutory requirements (e.g. community centres, car parks, allotments, depots)

4	Non-Core Service: Operational property, condition needs to meet minimum operational and statutory requirements (example Heritage assets)
5	Non-Core Service: Non-operational property maintained to meet statutory or lease requirements only (example Commercial, Retail, Industrial)

14.15. A corporate property reserve of £2.161m as at 1 April 2022 has been set aside to enable the authority to address concerns being highlighted by Building Maintenance Plan.

14.16. The building maintenance plan as identified major unfunded works are required for Central Milton Keynes Library. Central Milton Keynes Library serves the whole of Milton Keynes through its strategic provision of central services, alongside several smaller local branches. There is a need to invest in the Central Library building to improve service delivery; retain existing and increase new users through a diversification and improvement of service provision. To bring the building up to current standards an investment of c£6.5m is required. This sum would address the roof replacement and a thermal upgrade of the building, which would include a thermal upgrade of all external walls to meet current Building Regulations. Futher investigative works are currently being undertaken to establish more detail on the works required.

15. Schools Asset Management

15.1. The schools asset management programme is a targeted programme of works based on survey information. This includes works to windows and doors, roofs, heating and fire alarm systems. Current expenditure is approximately £2m a year.

16. Highways Asset Management

16.1. The Highways asset management strategy was approved by Cabinet in March 2018. This sets out the City Council's plans for the maintenance and operation of the streets of Milton Keynes over the coming years, recognising their vital role ensuring the vitality of our communities and the success of our local and regional economy. The strategic approach to investment in the road network, takes into account maintainability and whole-lifecycle cost.

16.2. In 2011 it was estimated that there was a backlog in maintenance of £8m for highways, £48m for streetlights, and £31m for bridges. In response to this in 2012, the City Council agreed to use prudential borrowing for increased planned maintenance on the basis that increased short-term investment would reduce the maintenance backlog and allow the City Council to bring the network to a steady state condition, thereby saving money in the long-term. This investment has enabled the City Council to carry out more preventative maintenance and to start to move towards a more sustainable asset management approach. To date a total of £52.7m has been spent on this programme with a further £1.9m approved in 2022/23. A further £11.5m is planned over the next 5 years with borrowing repayments funded by annual revenue contributions to the infrastructure reserve.

16.3. The highway asset management strategy is being reviewed and updated to align with the new term maintenance contract which is planned to commence in April 2024. This will incorporate greater emphasis on carbon reduction, and biodiversity, whilst taking into account improvements to materials, processes and environmental factors.

16.4. The 2023/24 capital programme includes a £10m investment in LED street lighting and a central management system (CMS) to enable reductions in energy useage and reduced maintenance liability in the longer term.

17. Asset Renewals

17.1. Historically the City Council has not set aside funds for replacement of assets, like many other councils it has funded investment from capital receipts, capital grants and one-off resources. Work has commenced to start to look at a longer term funding strategy and this will continue in 2023/24.

17.2. Milton Keynes Waste Recovery Park (MKWRP) is critical asset in ownership of the Authority providing significant sustainable, financial and service benefits. Since 2018 Milton Keynes City Council has worked to deliver the UKs first working gasification. The plant itself is a source of Civic pride providing electricity to up to 11,000 homes, disposing of waste produced in Milton Keynes within the boundaries of the city and was referred to in the application for City Status and as part of the new Environmental Services Contract the facility will be providing electricity via private wire to our landscaping, street cleansing and internal fleets.

17.3. A Deed of Variation to the contract has been negotiated which provides for an asset investment of £5m from Milton Keynes City Council into the asset and offsets some of the profiled commercial risk that this would have otherwise created for the new delivery vehicle. This in returns yields an improved securities package for the Authority as well as an enhanced asset and further contributes to a supported position to enable the contract extension or reprovision in 2033. Further funding will need to be set aside in the future as the initial borrowing for the facility is repaid.

17.4. In 2022 the City Council undertook a re-procurement of the Environmental Services Contract. The new contract will provide a one city approach through integration of waste collection, street cleansing, landscape and play area services, a new wheelie bin service, co-location of depots and the energy generation and recovery from MK Waste Recovery Park (MKWRP) will electrify the City Council owned fleet. A total of £43.1m capital investment is being made in wheeled bins, land, depot facilties, vehicles and electric charging infrastructure for the new contract. As part of the budget process an asset renewal fund of £3.9m pa has been created to set funding aside for the future replacement of vehicles.

18. Housing Revenue Account

18.1. Milton Keynes City Council owns over 12,000 properties and we are one of the largest landlords in the area. Investment in our housing stock sits within the Housing Revenue Account (HRA). The nature of our stock profile presents us with a challenge; a lot of our stock is of non-traditional construction, is ageing and requiring improvements at a similar time, and we have significant demand for affordable housing in the city. We also want to improve carbon efficiency, to directly benefit tenants' lives and reduce their energy costs. In 2019, we began a five year £165m Capital Investment Programme prioritising components such as kitchens, bathrooms, roofs, windows, rewiring and heating systems, as well as fire safety improvements and investment in communal areas, in order to improve the decency levels of our stock.

18.2. In 2022, we were successful in our bid for external grant funding towards decarbonisation (improving energy efficiency), via the Social Housing Decarbonisation Fund where we were awarded £3m against a total scheme £11m for improvements in over 300 homes in Netherfield. We have submitted a further, much larger bid for the next wave of funding, which if succesful, would result in energy improvement works on ove 1,600 properties, totalling £65m (with grant of £23m).

18.3. The Housing Revenue Account (HRA) Business Plan is Milton Keynes City Council's strategic plan for managing and maintaining its housing stock. The 30-year business plan was last approved in February 2022 and this set out how we intended to achieve our ambitions to maintain and improve our existing housing stock, regenerate local estates, build new council homes and improve the service we deliver to tenants. At this time, we were able to fund our planned maintenance programme, new build developments (as per the capital programme) and acquisitions programme and still have borrowing capacity of £115m spare, for investment, at 2025/26.

18.4. The HRA business plan has also been refreshed this year and is reported to Cabinet alongside this report. The business plan financial model captures the financial position of the HRA for 30 years and has been subject to an independent external review to ensure our assumptions are reasonable and robust. Any surplus in the HRA together with the borrowing capacity identified, represents the amount that the City Council can invest in its key housing priorities over the next 30 years (further details are available in the Treasury Management Strategy). The refresh of the HRA has been severly impacted by the economic climate caused by general inflation, but also on construction as a result of shortage of materials and higher borrowing costs. Despite the ecomonic climate, our priorities for investment remain unchanged, and we continue to focus on estate renewal, energy improvements and investment in new stock, however we have had to consider the timing of uncommitted development schemes, in order to ensure our capital spending remains in line with our borrowing capacity.

18.5. This means that we have delayed some schemes,including Cripps Lodge, Pipeline 2 schemes (Berwick, Fern Grove, Glovers Lane, Kirkstall and Surrey Road), Fullers Slade and we have also paused the acquisition programme. These schemes were delivering 104 units, with budget in the previous capital programme of £34m (however it is anticipated that due to inflation, costs on these schemes would be higher than the previous budget allocation). New development remains a priority, but we will need to assess the timing of these schemes as part of the rolling refresh of the HRA Business Plan.

18.6. The 2023/24 Capital Programme includes budgets to complete our committed development schemes (£24m), including the Lakes Regeneration, Pencarrow Mews, , and health and saftey works, including completion of the demolition of Mellish Court and the Gables anad planned maintenance of our stock (£37m).

18.7. There are a significant number of variables that can impact the availability of resources in the business plan; including inflation assumptions, Government Policy, Legal or Regulatory changes, borrowing costs, etc. As a result, it is critical to review the business plan not only annually, but also during the course of the year, to closely monitor the impact of any changes on the availability of resources and the City Council’s ability to invest in its key priorities, as a result, the HRA will be subject to a formal quartely refresh.

19. Delivery of the Capital Strategy

19.1. Further work will be completed during 2023/24 on a gap analysis of the capital strategy. Whilst new schemes are brought forward into the capital programme as needs are identified, work needs to be completed to look at the longer term stratetgy for replacement of assets and how these future liabilities may be financed. A long term strategy is in place for highways assets, replacement of waste vehicles and some leisure facilities, however this does not currently extend to other service critical assets e.g. property assets and the Residual Waste Plant, therefore futher planning is required for these assets.

20. Capital Expenditure Definition and Accounting Policy

20.1. Capital expenditure is where the City Council spends money on assets, such as property or vehicles that will be used for more than one year. This includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The City Council has some limited discretion on what counts as capital expenditure, for example assets costing below £20,000 are not capitalised and are charged to revenue in year.

20.2. For details of the City Council's policy on capitalisation, see: 2021/22 Statement of Accounts, Page 43

20.3. For 2023/24 the de minimis level for capitalisation is £20,000 unless specifically agreed differently by the Director of Finance & Resources.

21. Corporate Governance of Projects

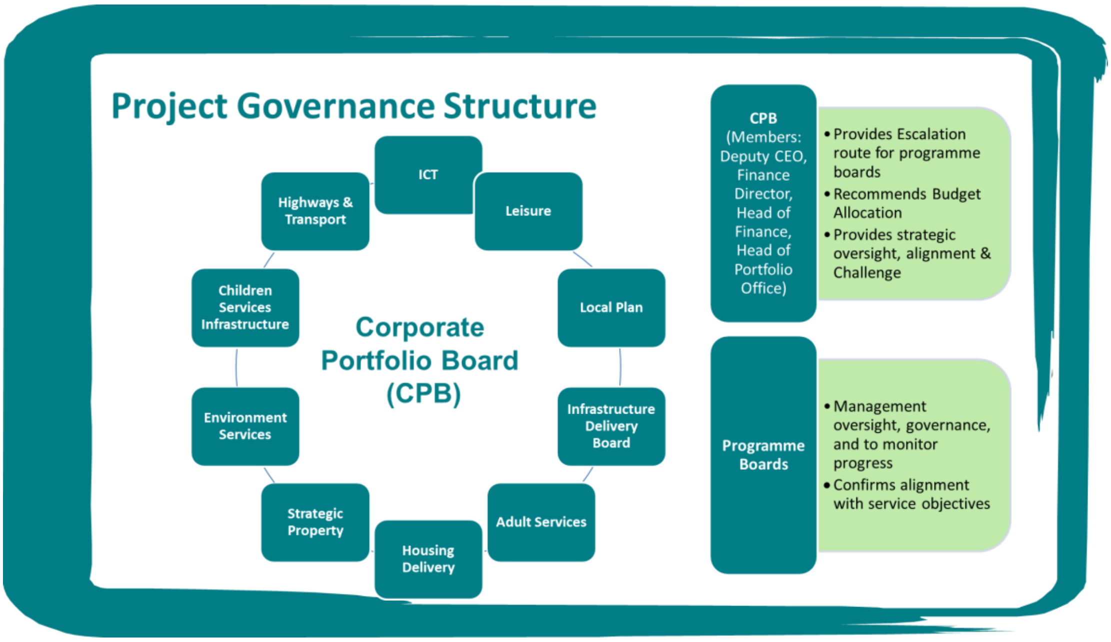
21.1. The capital programme is set on an annual basis and includes a review of existing projects which have not yet commenced, new submissions, available capital resources and any new funding streams. Quarterly revisions to the capital programme are approved by Cabinet, with any intervening emergency decisions or significant new schemes being approved as required through Delegated Decision.

21.2. Decisions and monitoring of the capital programme is through a series of project, and programme boards, with strategic overview through the Corporate Portfolio Board.

21.3. The governance structure consists of a three tier hierarchy with devolved responsibility to the Programme Boards in terms of recommending projects for prioritisation and allocation of capital resources.

21.4. A Corporate Portfolio Board provides oversight of corporate projects and programmes, and in particular:

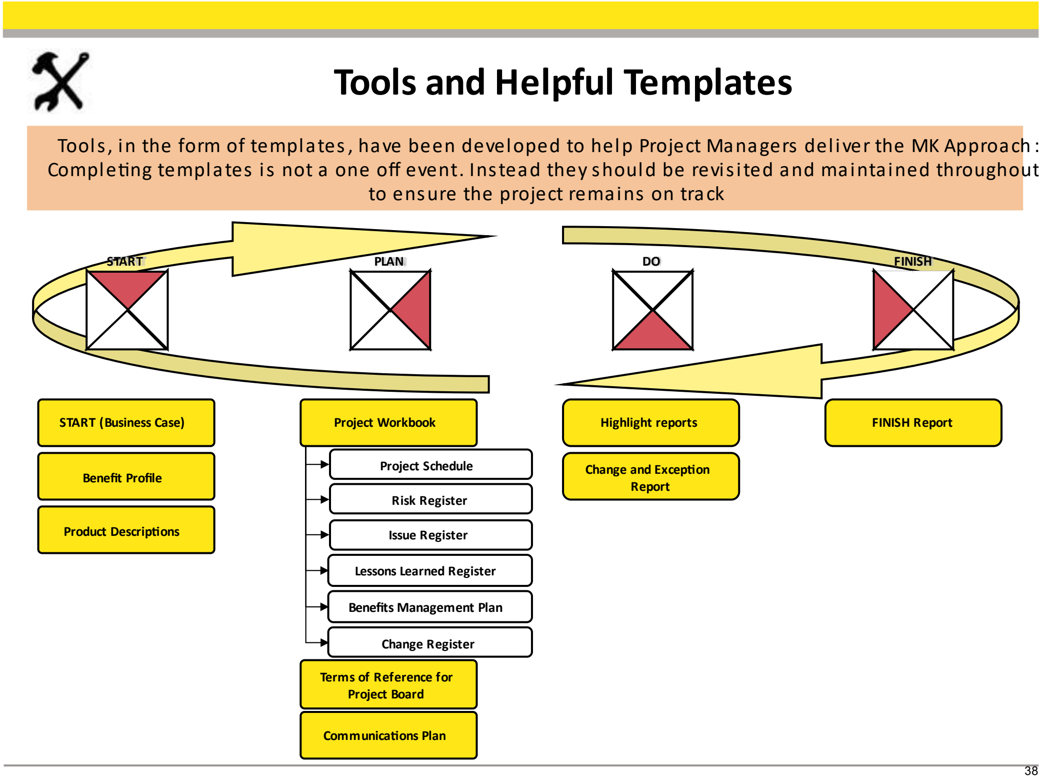
- Receives assurance from Programme Boards
- Provides an escalation route when requesting Cabinet decisions
- Recommends budget allocation and release of Capital project budgets, and
- Provides strategic oversight, alignment & challenge



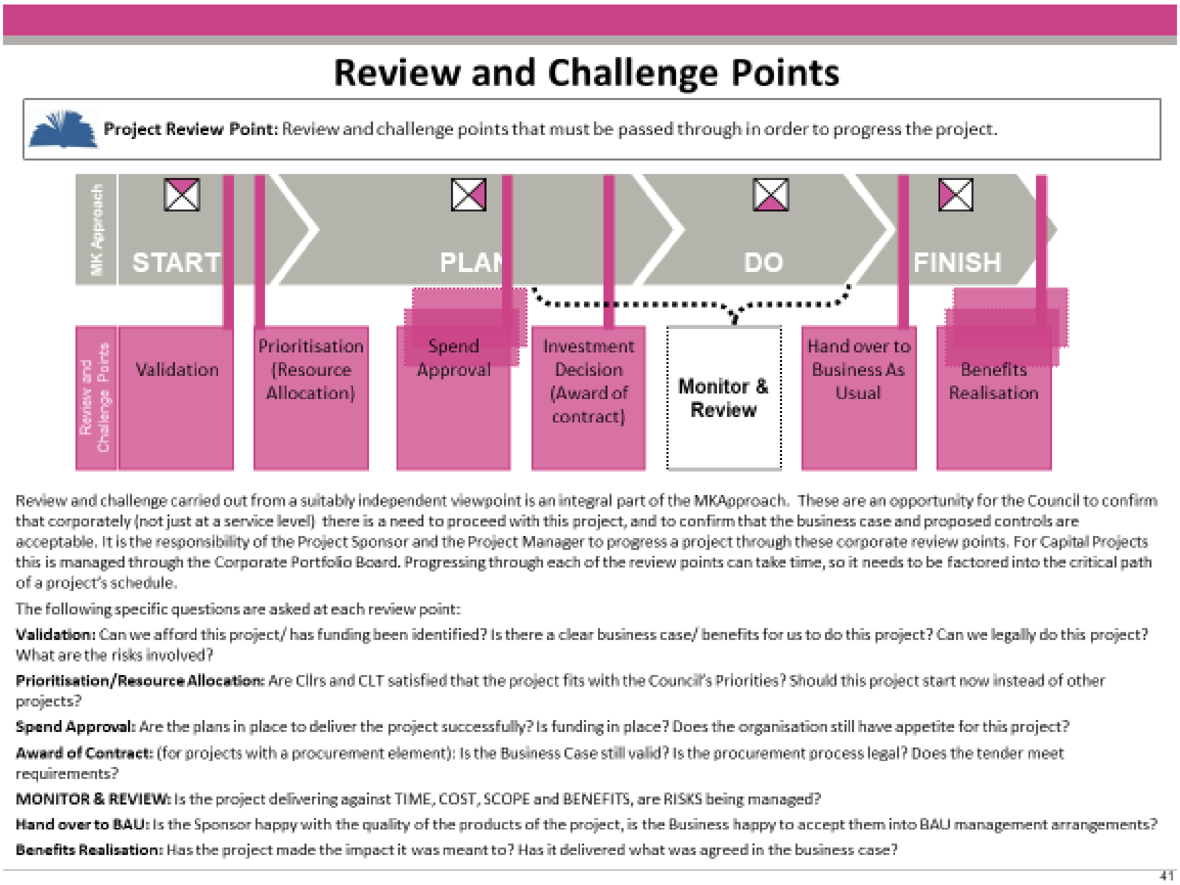
22. Project Management and Methodology

22.1. Capital Projects are managed in the City Council using the MK Approach methodology. This is a user friendly best practice guide to managing projects at the City Council. It focuses on the essential elements needed within the organisation and is a minimum standard for all projects. It is a scalable approach: smaller projects can use the framework, while more complex projects can use it as a foundation in conjunction with their specific needs. The guide has been developed internally in consultation with existing project managers and support service teams to make the approach as relevant as possible for the organisation.

22.2. Project documentation has been developed in conjunction with the MK Approach, including project mandate, outline business case, and project initiation forms (known as the START business case), together with specific documents and templates for use throughout the project lifecycle for areas such as benefits realisation, procurement strategy, and risk register.



22.3. Review points are built into all stages of the project delivery, with spend approval not being released until the business case is signed off and the funding confirmed, and lessons learnt completed at the end of the project.



23. Submissions to the Capital Programme

23.1. Services are asked annually to review the following years capital programme. Schemes are split into two categories, those which relate to specific funding blocks, e.g. Highways Maintenance, Integrated Transport, Schools Basic Need and Asset Management, Housing Revenue Account, and those of a more ad hoc nature where funding is from non-ring fenced sources.

23.2. Programmes of work are developed for the specific funding block schemes, and project documentation reviewed by the Programme Boards.

23.3. For all other schemes that are service critical and in support of the Council Plan, business cases and project documentation are prepared. The proposals are reviewed and challenged by Programme Boards to ensure schemes meet with service priorities.

23.4. The Corporate Portfolio Board appraises all bids based on a comparison of service priorities and strategic alignment prior to prioritisation by Cabinet for inclusion within the capital programme. The final capital programme is then approved by Cabinet and Council in February each year.

- For full details of the City Council’s capital programme, see: **Annex M** Council Budget 2023/24 and **Annex T** Medium Term Financial Plan February 2023 .

23.5. A number of schemes are identified at the end of the capital programme as pipeline projects. These are schemes where a need has been identified, but the project has not currently been fully developed for inclusion within the capital programme at the current time. Many of these schemes are identified within the tariff and infrastructure delivery plans, and whilst some of these may already have specific ring fenced funding attached others are not currently funded. As schemes are developed further, and funding identified, they will be presented for inclusion within the programme.

24. Monitoring of the Programme

24.1. Once approved in the capital programme, programme boards are responsible for receiving regular (highlight) reports from project managers and summarising them for inclusion in the Quarterly Corporate Project Dashboard which is reported to cabinet.

24.2. The capital programme is monitored on a monthly basis by project managers and programme boards, with monthly reporting to the Corporate Leadership Team and quarterly reporting to Cabinet.

24.3. Reporting against the approved capital programme includes forecasts for both in year expenditure and that over the life of the project, together with commentary about progress of the project and any significant issues.

25. Capital Expenditure

25.1. In 2023/24, the City Council is planning capital expenditure of £157.997m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
General Fund services	106.393	67.871	19.995	13.379	10.848
Council housing (HRA)	51.604	82.248	43.288	21.366	0.000
Investment activity classed as Capital	0.000	0.000	0.000	0.000	0.000
TOTAL	**157.997**	**150.119**	**63.283**	**34.745**	**10.848**

25.2. Capital expenditure is broadly split into five main categories:

- One off projects
- Rolling programmes (eg highways & housing programmes)
- Operational Assets
- Asset Renewals
- Non operational Assets

25.3. The main General Fund 2023/24 capital projects include completion of the construction of Calverton Lane Primary school £3.2m, investment in highway network improvements £8.4m, LED Street Lighting £9.750m, Parking and Street Improvements in Wolverton £1.5m, Agora regeneration £9m, HIF grant projects of £41m for highways and £6m for social infrastructure, investment in waste facilities and vehicles £15.2m together with investment in ICT and property.

25.4. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes investment in new homes, and environmental improvements alongside planned maintenance. The investment for 2023/24 is £51.604m

25.5. Changes in accounting standards for 2024/25 statement of accounts will require amendments to capital expenditure to reflect changes in accounting for leasing. The impact of this is currently being assessed and expenditure will be updated during 2023/24.

25.6. The Council Plan has a commitment to ‘Action on Climate Change’, therefore environmental sustainability is considered as part of the appraisal process for new projects entering into the Capital Programme. Included within the capital programme for 2023/24 is investment in energy measures for HRA assets, and investment in electric vehicles & charging infrastructure for the City Council's fleet. In addition, where the City Council is enhancing or building new properties, the design specification includes measures to ensure renewable energy sources are included in specifications as standard.

26. Capital Financing

26.1. All capital expenditure must be financed, either from external sources (government grants and other contributions), the City Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Financing of the Capital Programme

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
External sources	139.177	46.501	16.856	10.839	10.200
Own resources	45.255	24.586	20.023	20.155	0.540
Debt	9.856	79.984	27.880	4.325	0.953
TOTAL	**194.288**	**151.071**	**64.759**	**35.319**	**11.693**

27. Funding Sources

27.1. The capital programme is funded from various sources including Single Capital Pot Grant and other specific Government grants, capital receipts, revenue contributions and prudential borrowing. The scale of development within Milton Keynes means that the City Council receives considerable sums of developer contributions which are also used in the financing the capital programme.

- **Tariff:** In December 2005 the government approved the Tariff approach to funding the infrastructure needed for the next phase of growth in Milton Keynes. The approval allowed English Partnerships, the government's regeneration agency, to act as banker by providing the advanced funding needed to ensure that the essential physical and social infrastructure required for the Eastern and Western Expansion Areas was in place at the right time. The management of the tariff was transferred to Milton Keynes City Council in 2013 and as the operator of the Tariff; the City Council is also responsible for controlling expenditure across the whole Tariff mechanism. Through the Tariff mechanism, the City Council will collect over £310m in developer contributions over its lifetime, which will be re-invested in a Programme of strategic and local infrastructure covering a total of 18 'portfolios', 11 of which are delivered through the City Council and are included with the City Council's capital programme as schemes are brought forward.

A second tariff agreement has been agreed as part of the MK East Development. Through this mechanism the City Council will collect a further £180m in developer contributions over its lifetime, to be reinvested in strategic and local infrastructure over 14 portfolios.

- **S106 Developer Contributions**: In addition to Tariff funding the City Council also receives funds from Developers under S106 agreements. S106 funding is agreed with developers on individual site by site basis and sums are provided to mitigate the harm caused by the development. This funding can only be used for the original intended purpose.
- **Prudential Borrowing:** The City Council over time has built into its revenue base budgets the funding to support prudential borrowing for investment in highways and waste infrastructure. The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing, the City Council must be satisfied that the additional borrowing costs can be afforded within future years' budgets.

28. Funding Risks

28.1. The Capital Programme is large and complex and exposes the Council to both funding risks (quantum and timing) and cost risks (overruns, slippage etc). The current climate has elevated these risks further (e.g. inflation, geopolitical, labour etc). To account for these risks the Council is holding back resources in its capital reserve to manage key risks in the existing programme.

28.2. A risk reserve, with current annual contributions of £580k is held for the risk that developer contributions do not achieve the planned programme of receipts for the tariff programme. The balance on this reserve as at 1 April 2023 was £6.921m.

29. Minimum Revenue Provision (MRP)

29.1. The City 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 overpayments if considered prudent.

29.2. DLUHC 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 Councils, but this does not preclude other options so long as there is a prudent provision.

➢ Further details on MRP can be found in the Treasury Management Strategy (Appendix B).

30. Capital Financing Requirement

30.1. The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the City Council's underlying need to borrow for a capital purpose.

30.2. The City Council's CFR increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) / loans fund repayments and capital receipts used to replace debt. Based on the above capital programme figures for expenditure and financing, the City Council's estimated CFR is as follows:

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
General Fund (GF) Services	431.595	441.462	432.529	421.407	408.923
GF Investment activity classed as Capital (see para 35.4 below)	5.000	5.000	5.000	5.000	5.000
Council Housing (HRA)	252.838	309.423	332.011	332.358	331.085
TOTAL LOANS CFR	**689.433**	**755.885**	**769.540**	**758.765**	**745.008**
GF Finance Leases	4.004	3.988	3.972	3.955	3.937
TOTAL CFR	**693.437**	**759.873**	**773.512**	**762.720**	**748.945**

30.3. The CFR for 2023/24 and subsequent years will require amending once the impact of changes in the accounting for leases has been assessed (IFRS 16), which brings such financing liabilities on balance sheet and therefore into the CFR calculations.

31. Asset Disposals

31.1. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The disposal of assets in Milton

Keynes City Council is reviewed by the Strategic Property Board. This board aims to provide a formal 'gateway' approval process and consider making formal recommendations to Council for any property disposal, acquisition or significant change of use. The board manages the strategic oversight, for the future of all property and land assets within the City Council's property portfolio.

31.2. The City Council expects to receive £9.472m of capital receipts in the coming financial years (2023-7) as follows:

Table 4: Capital receipts

	2023/24 £m	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Asset sales GF	1.943	3.191	1.490	1.428	0.540
Asset sales HRA	0.220	0.220	0.220	0.220	0.000
Capital loans repaid	0.000	0.000	0.000	0.000	0.000
TOTAL	**2.163**	**3.411**	**1.710**	**1.648**	**0.540**

31.3. The City Council has various land holdings in the Western Expansion Area which are currently being taken forward for development. It is expected these sales will generate the City Council significant capital receipts over the period from 2022/23 to 2026/27, although actual values and pace of delivery will be dependent on market conditions. The structure of the proposed agreement between Milton Keynes City Council and the other land owners means that the upfront financial liability for the infrastructure will fall on the developer, with the City Council receiving a net income stream. The first call on receipts is to repay all infrastructure costs. This means the City Council will only benefit as receipts exceed the investment. For this reason no assumptions have been made in the capital programme on the use of these receipts beyond those in the current programme.

31.4. **Flexible Capital Receipts:** From 2016, a new national directive has allowed local authorities to use capital receipts to fund the revenue costs of transition. This directive only applies to new capital receipts from 2016/17. Local authorities cannot borrow to fund the costs of change. The plans for using this new power need to be notified to the Department for Levelling Up, Housing and Communities before the beginning of the financial year and individual projects using this power need to be declared as part of the Budget process and Medium Term Financial Strategy. At present new capital receipts are being used to fund the demand for capital expenditure which arises from the growth of Milton Keynes and the relatively high cost infrastructure which needs to be maintained. There are currently no plans to use capital receipts for transformation funding.

32. Treasury Management

32.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the City Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The City Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed.

32.2. At 1st April 2023 the City Council expects to hold external borrowing in aggregate of £438.5m; for the General Fund £220.4m at an average interest rate of 4.34% and for the HRA £218.1m at an average interest rate of 4.26%.

32.3. During 2023/24 the City Council expects to hold on average treasury investments of c. £428.5m at an average interest rate of 4.38%.

32.4. **Borrowing strategy:** The City Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the City Council therefore seeks to strike a balance between cheaper short-term loans and more expensive long-term fixed rate loans where the future cost is certain.

32.5. Projected levels of the City Council's total outstanding debt (which comprises borrowing and finance lease liabilities) are shown below, compared with the Capital Financing Requirement (the CFR, as described above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2022/23 forecast £m	**2023/24 budget £m**	**2024/25 budget £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**
GF External Loans	220.432	214.218	207.630	198.665	191.069	184.834
GF Leases	4.019	4.004	3.988	3.972	3.955	3.937
GF Gross External Debt	**224.451**	**218.222**	**211.618**	**202.637**	**195.024**	**188.771**
GF CFR	**442.220**	**440.599**	**450.450**	**441.502**	**430.362**	**417.860**
HRA External	**218.110**	**208.110**	**201.360**	**196.360**	**190.360**	**183.360**

Loans / Gross External Debt						
HRA CFR	**253.677**	**252.838**	**309.423**	**332.010**	**332.358**	**331.085**
Total Gross External Debt	**442.561**	**426.332**	**412.978**	**398.997**	**385.384**	**371.131**
Total CFR (see Table 3)	**695.897**	**693.437**	**759.873**	**773.512**	**762.720**	**748.945**

32.6. Statutory guidance states that debt should remain below the Capital Financing Requirement, except in the short-term for cashflow management purposes. As can be seen from Table 5 above, the City Council expects to comply with this in the medium term.

32.7. **Affordable borrowing limit:** The City Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. A lower "operational boundary" is also set as a warning indicator should debt approach the authorised limit. Where local authorities have separately identifiable income streams that relate to borrowing for specific functions, they are encouraged to set an operational boundary and authorised limit for each of these functions. Separate limits are shown below for General Fund and HRA.

Table 6: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt

	2023/24 limit £m	**2024/25 limit £m**	**2025/26 limit £m**
GF Loans limit	470.0	480.0	480.0
GF Other long term liabilities limit	25.0	25.0	25.0
GF Authorised limit – Total	**495.0**	**505.0**	**505.0**
HRA Loans limit	295.0	420.0	420.0
HRA Other long term liabilities limit	5.0	5.0	5.0
HRA Authorised limit – Total	**300.0**	**425.0**	**425.0**
Combined Loans limit	765.0	900.0	900.0
Combined Other long term liabilities limit	30.0	30.0	30.0

Combined Authorised limit – Total	**795.0**	**930.0**	**930.0**
GF Loans limit	455.0	465.0	460.0
GF Other long term liabilities limit	20.0	20.0	20.0
GF Operational boundary – Total	**475.0**	**485.0**	**480.0**
HRA Loans limit	285.0	410.0	410.0
HRA Other long term liabilities limit	5.0	5.0	5.0
HRA Operational boundary – Total	**290.0**	**415.0**	**415.0**
Combined Loans limit	740.0	875.0	875.0
Combined Other long term liabilities limit	25.0	25.0	25.0
Combined Operational boundary – Total	**765.0**	**900.0**	**900.0**

32.8. The ‘Other long term liabilities’ limits of both the authorised limit and operational boundary for 2023/24 and subsequent years may require amendment once the impact of changes in the accounting for leases (IFRS16) has been fully assessed.

➢ Further details on borrowing can be found in the Treasury Management Strategy

32.9. **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

32.10. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code and Department for Levelling Up, Housing & Communities (DLUHC) guidance require Council’s to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return/yield. The objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults as well as the risk of receiving unsuitably low investment income.

32.11. The City Council aims to maintain the diversity of its investments as a means of limiting exposure to credit risk. For short-term investments, a range of unsecured fixed term deposits, certificates of deposit, term deposits with the Debt Management Office, and money market fund deposits will be primarily utilised. For longer-term investments, higher yielding asset classes and/or more secure (collateralised/asset-backed) options may be sought.

➢ Further details on investments can be found in the Treasury Management Strategy

32.12. **Risk Management:** The effective management and control of risk are prime objectives of the Authority’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

32.13. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director Finance & Resources and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet who are responsible for scrutinising treasury management decisions.

33. Investments for Service Purposes

33.1. The City Council makes investments to assist local public services, including making loans to the City Council's subsidiary, MKDP. In light of the public service objective, the City Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate an income return after all costs.

33.2. **Governance:** Decisions on service investments are made by the relevant Director in consultation with the Director Finance & Resources. The classification of loans is dependent upon the recipients intended use of those funds; cashflow loans are classified as treasury management activity whereas loans supporting capital activity and share investments are classified as capital expenditure and so any such transactions approved as part of the capital programme approval process.

34. Commercial Activities

34.1. With Central Government financial support for local public services declining, Councils are looking for more innovative means of securing sustainable income sources. A requirement of the prudential code is that borrowing is not used to fund investments with a primary purpose of financial return. Milton Keynes City Council has not undertaken any borrowing for this purpose.

34.2. Although not classed as treasury management activities per se, the CIPFA Code now requires the City Council to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational as well as commercial investments which are made mainly for financial reasons.

Milton Keynes Development Partnership (MKDP)

34.3. The City Council has lent funds to its wholly owned subsidiary Milton Keynes Development Partnership (MKDP) to support its cashflows. A secured loan facility was approved by both parties in September 2022 for up to £22m to 30th September 2023 with quarterly options to draw further advances or make early repayments. An initial loan of £12m was drawn at the loan commencement date. MKDP subsequently made an early principal repayment of

£3.5m in December 2022, and so the balance outstanding at 31st December 2022 was £8.5m.

National Homelessness Property Fund

34.4. The City Council holds a £5m principal investment (match-funded by external investment) in the National Homelessness Property Fund (the Fund). This investment was undertaken for service reasons to reduce the ongoing cost to the City Council of providing temporary housing accommodation. At 30 September 2022 (latest available) the Net Asset Value of the City Council's investment was £5.049m which represents an unrealised revaluation gain against principal of £0.049m. The unrealised valuation loss is due to the basis of property asset valuation; the assets were acquired on an Open Market Value (OMV) basis, but have been revalued at Existing Use Value (EUV) based on sub-market rental income streams to reflect the ongoing use as temporary accommodation. If the assets were sold to liquidise the City Council's investment, it would be with vacant possession and thus the valuation method would revert back to OMV, so it is expected that the book loss would be fully recovered and with additional capital/housing market growth. The Fund provides over 20,000 bed-nights per year which results in an ongoing annual saving of around £200,000 against alternative temporary placement costs. Incidentally this investment also generates a distributed income return into the City Council of approximately 2% per annum.

34.5. **Governance:** Decisions on commercial investments are made by the Director Finance & Resources. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

35. Revenue Budget Implications

35.1. Although capital expenditure is not charged directly to the revenue budget, financing costs including interest payable on loans and MRP charges are charged to revenue. From 2023/24 CIPFA has removed the offsetting investment income receivable from this calculation. The gross annual financing costs are compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants, to illustrate the proportion of the City Council's resources required to cover gross financing costs.

Table 7: Prudential Indicator: Proportion of gross financing costs to net revenue stream

	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget
General Fund	8.84%	8.57%	7.15%	6.52%	6.58%
HRA	46.76%	41.67%	42.28%	42.91%	43.01%

35.2. **Commentary:** The reduction in the General Fund indicator from 2023/24 to 2025/26 reflects falling borrowing interest costs as loans are repaid upon maturity coupled with the benefit from internal loans to the HRA. The marginal increase in 2026/27 is a result of increased MRP charges as a result of the proposed capital programme. For the HRA indicator the reduction in 2023/24 reflects a decrease in borrowing interest costs consummate with the reprofiling of the HRA capital programme. The marginal annual increases from 2024/25 to 2026/27 reflects the gradual rise in voluntary MRP set aside to repay an element of the HRA debt liability.

35.3. **Sustainability:** The capital programme requires the City Council to enter into long term financial commitments in terms of debt financing and additional operational costs. These have been fully comprehended within the City Council's MTFP and are considered prudent and sustainable.

36. Knowledge and Skills

36.1. The City Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director Finance and Resources and Heads of Finance are qualified accountants with significant experience. The City Council pays for trainees to study towards CIPFA and AAT professional qualifications and invests in providing professional training in other service areas.

36.2. Where the City Councils needs to supplement the knowledge and skills of its staff, use is made of external advisors and consultants that are specialists in their field. The City Council currently employs Link Group as Treasury Management and Leasing advisors, and PWC as VAT advisors. This approach ensures the City Council has access to specialist expertise when needed to support its staff, commensurate with its risk appetite.

37. Links to City Council's Strategies and Plan

The Council Plan: Council June 2022

Plan MK: Council March 2019

Mobility Strategy: Cabinet March 2018

Transport Infrastructure Delivery Plan: Delegated Decision October 2019

Sustainability Strategy 2019-50: Council January 2019

Regeneration Strategy: Cabinet July 2015

Highways Asset Management Strategy: Cabinet March 2018

Financial Regulations

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