Public Document Pack

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Friday 21 July 2017

Notice of Meeting

Dear Member

Cabinet

The **Cabinet** will meet in the **Council Chamber - Town Hall, Huddersfield** at **4.00 pm** on **Monday 31 July 2017.**

This meeting will be live webcast. To access the webcast please go to the Council's website at the time of the meeting and follow the instructions on the page.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

Julie Muscroft

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Cabinet members are:-

Member	Responsible For:
Councillor David Sheard	Leader / Strategy and Strategic Resources, New Council & Regional Issues
Councillor Shabir Pandor	Deputy Leader / Strategy and Strategic Resources, New Council & Regional Issues
Councillor Peter McBride	Economy (Strategic Planning, Regeneration and Transport)
Councillor Naheed Mather	Economy (Strategic Housing, Regeneration and Enforcement)
Councillor Musarrat Khan	Corporate (Place, Environment and Customer Contact Services)
Councillor Erin Hill	Children
Councillor Viv Kendrick	Adults and Public Health
Councillor Masood Ahmed	Children
Councillor Graham Turner	Corporate (Place, Environment and Customer Contact Services)
Councillor Cathy Scott	Adults and Public Health

Agenda
Reports or Explanatory Notes Attached

Pages

1: Membership of the Committee

To receive apologies for absence of Members who are unable to attend this meeting.

2: Minutes of previous meeting — 1 - 10

To approve the Minutes of the meeting of the Committee held on 27 June and 11 July 2017.

3: Interests — 11 - 12

The Councillors will be asked to say if there are any items on the Agenda in which they have disclosable pecuniary interests, which would prevent them from participating in any discussion of the items or participating in any vote upon the items, or any other interests.

4: Admission of the Public

Most debates take place in public. This only changes when there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the Agenda which are to be discussed in private.

5: Deputations/Petitions

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10 (2), Members of the Public should provide at least 24 hours' notice of presenting a deputation.

6: Public Question Time

The Committee will hear any questions from the general public.

7: Member Question Time

To consider questions from Councillors.

8: Property Investment Fund

13 - 18

A report to consider a proposal to create a Property Investment Fund (PIF) which would allow the Council to support major development projects which produce wider economic benefits to the Council and the wider Kirklees economy.

Officer**:** Paul Kemp, Service Director Economy, Regeneration and Culture, tel: 01484 221000.

Wards**:** All

9: Options for the future of Council operated older person Residential Care Facilities

19 - 32

A report to consider options for the futures of two dementia care residential facilities (Castle Grange and Claremont House) and two Intermediate Care residential facilities (Ings Grove and Moorlands Grange) currently operated by the Council.

Contact: David Hamilton - Interim Service Director 01484 221000

Wards: Crosland Moor & Netherton, Heckmondwike, Mirfield and Newsome

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10: Freehold Asset Transfer of Birstall Community Centre and Library, Market Street, Birstall, WF17 9EN

33 - 40

This report sets out the proposal to transfer the land and buildings on a freehold transfer, which currently makes up Birstall Community Centre and Library, Market Street, Birstall, WF17 9EN to Birstall Community Holdings Ltd or CIO.

Contact: Joe Tingle **-** Corporate Landlord 01484 221000

Wards: Birstall & Birkenshaw

11: 125 Year Leasehold Asset Transfer of Honley Community Centre, Stoney Lane, Honley, HD9 6DY

41 - 48

A report seeking approval in principle to a 125 year leasehold transfer of Honley Community Centre to Netherton Community Centre CIC.

Contact: Joe Tingle – Corporate Landlord 01484 221000

Ward: Holme Valley North

12: Update on the Council Financial Outturn and Rollover Report 2016-17; deferred at Council on 11 July 2017

49 - 106

To receive an update on the Council financial outturn and rollover report deferred at Council on 11 July 2017.

Contact: Eamonn Croston 01484 221000

Wards: None

13: Investment in Transformation Update

107 - 114

A report outlining the investment required to support the Council's transformation programme.

Contact: Michelle Nuttall, Head of Transformation, Tel: 01484 221000

Wards: All

14: John Smith's Stadium Site, Huddersfield - request to restructure existing Lease Agreements

115 - 120

A report to consider a request from Kirklees Stadium Development Ltd (KSDL) to restructure the existing lease arrangements in respect of the John Smith's Stadium site to facilitate the HD One development.

Contact: Paul Kemp 01484 221000

Ward: Dalton

15: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that they involve the likely disclosure of exempt information, as defined in Part 1 of Schedule 12A of the Act.

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16. Options for the future of Council operated older person Residential Care Facilities 121 - 122

3

A private appendix relating to agenda item 9.

Appendix B of this report is recommended to be taken in private because the information contained in it is considered to be exempt information under Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that it would not be in the public interest to disclose the information contained in the report as disclosure could potentially adversely affect overall value for money and could compromise the commercial confidentiality of the bidding organisations and may disclose the contractual terms, which is considered to outweigh the public interest in disclosing information including, greater accountability, transparency in spending public money and openness in Council decision-making.

17. Investment in Transformation Update 123 - 124

3

A private appendix relating to agenda item 13.

The main part of this report is to be considered in Public. Appendix A is recommended for consideration in private because the information contained in it is exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006. It is considered the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption, which would protect the interests of the Council and third party organisations concerned, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

18. **John Smith's Stadium Site, Huddersfield Request to restructure existing lease arrangements** 125 - 126

3

A private appendix relating to agenda item 14.

Paragraph 3 of part 1 to schedule 12A of the Local Government Act 1972 as amended by the Local Government (access to Information) variation order 2006 contains information regards the financial or business affairs of any person including the Council. It is not in the public interest to disclose the information in the private appendix as disclosure could adversely affect the overall value for money and compromise the confidentiality of the bidders and the council .The public interest in maintaining the exemption outweighs the public interest in disclosure of the information in terms of accountability, transparency in spending public money and openness in council decision making.

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Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CABINET

Tuesday 27th June 2017

Present: Councillor David Sheard (Chair)
Councillor Shabir Pandor
Councillor Peter McBride
Councillor Naheed Mather
Councillor Musarrat Khan
Councillor Erin Hill
Councillor Masood Ahmed
Councillor Graham Turner
Councillor Cathy Scott

Apologies: Councillor Viv Kendrick

251 Membership of the Committee

Apologies for absence were received on behalf of Councillor Kendrick.

252 Interests

No interests were declared.

253 Admission of the Public

It was noted that Agenda Item 13 would be considered in private session (Minute No. 263 refers).

254 Deputations/Petitions

Cabinet received a petition submitted by Councillor Eric Firth, on behalf of residents of Fairfield Terrace, Dewsbury, requesting the introduction of a residential parking permit scheme for the street.

255 Public Question Time

No questions were asked.

256 Member Question Time

No questions were asked.

257 Cabinet Portfolios

Cabinet received notification of the Leader's revised Cabinet Portfolio arrangements, in accordance with Article 7.3.2 of the Constitution. The report advised that the portfolio arrangements as below, and had been submitted to, and accepted by, the Chief Executive on 14 June 2017;

Strategy, Strategic Resources, New Council and Regional Issues Portfolio – Councillor Sheard (Leader) and Councillor Pandor (Deputy Leader)

Children's Portfolio – Councillor Ahmed and Councillor Hill (Statutory Responsibility for Children)

Adults and Public Health Portfolio – Councillor Scott and Councillor Kendrick

Economy Portfolio – Councillor Mather and Councillor McBride

Corporate Portfolio – Councillor Khan and Councillor McBride

RESOLVED –
That the revised Cabinet Portfolio Arrangements, in accordance with Article 7.3.2, be noted.

258 Revised Play Strategy and Delivery

(Under the provisions of Council Procedure Rule 36(1) Cabinet received representations from Councillors Lawson, N Turner, and J Taylor)

Cabinet gave consideration to a report which sought approval of a new play strategy and to undertake a public consultation on revising play provision. The report advised that the revised play strategy had been developed to be reflective of both budget pressures and the need to redefine the play offer in the district to promote a broader concept of promoting social and personal skills, and provide a forum for social cohesion and community engagement. Cabinet noted that the play strategy was last reviewed in 2006, and that it was now necessary to review play provision in order to (i) ensure that demographic provision is appropriate (ii) consider changes in play philosophy since the 2006 review and (iii) consider ongoing budgetary pressures and identify appropriate efficiencies.

The report advised that the proposed engagement process was intended to last five months, and that it was anticipated that, by the end of October all data to determine affected sites, a priority roll out list, and a costed model, should be available. A further report was to be submitted to Cabinet during spring 2018, which would detail a costed implementation plan and provide a schedule of works to deliver the strategy. Cabinet noted that the changes would range from the removal of play equipment and re-profiling of areas into play spaces, to the provision of equipped play areas to give enhanced adventurous and multi-age play to cater for as many children, young people and adults as possible.

RESOLVED -
That authority be delegated to the Service Director (Commercial, Regulatory and Operational) to approve the detailed engagement process and subsequent delivery model on how play will be specifically delivered in the district, according to the principles held within the strategy document.

259 Proposals for use of the new monies for adult social care announced by the Chancellor in the Spring Budget 2017

Cabinet received a report which provided details of a recent announcement by national government in regards to new grant allocations for adult social care, and proposals for the approach to the use of monies in line with the Council's budget strategy. Cabinet noted that, following the Council setting its budget for 2017/2018, the Government had announced a new grant allocation for adult social care over the next three years in the spring budget. The additional grant came with a set of conditions, including the requirement to build upon the existing Better Care Fund Plan, and to provide stability and extra capacity in the local adult social care system.

The report advised that proposals were being developed for the use of the additional grant allocation that would deliver benefits to local people with care needs, the health and social care systems and local adult social care providers, and that the approach was built upon a set of principles which recognised the importance of sustaining the current market, innovation and transformation that would deliver a more sustainable and effective system. It explained that the proposed financial strategy for the new allocations sought to minimise the risk to the Council's budget strategy and focus upon pump prime key initiatives to respond to service and market pressures, supporting enabling activity to drive transformation and savings as set out in the 2017-2021 Medium Term Financial Plan.

Paragraph 2.4.3 of the considered report set out nine proposed areas of investment, totalling £2595,000. Cabinet noted that the report would be submitted to the meeting of Council on 11 July 2017 for decision, and that subject to approval, the funding would be incorporated into the Better Care Fund Section 75 pooled budget arrangements and would be subject to the same governance arrangements as the Better Care Fund.

RESOLVED -

1) That the proposed financial strategy, as detailed at paragraph 2.3 of the considered report be endorsed.

2) That the Improved Better Care Fund Principles, as detailed at paragraph 2.4.2 of the considered report, and the proposed areas for investment in 2017/2018, as detailed at paragraph 2.4.3, be endorsed.

3) That the report be submitted to the meeting of Council on 11 July 2017.

4) That further proposals be developed, taking into account the final guidance and allocations, and that a report be submitted to Cabinet and Council as part of the budget strategy update in September 2017.

260 Term Dates for the Academic Year September 2018 to July 2019

Cabinet received a report which sought approval of Term Dates for the Academic Year September 2018 to July 2019. The report indicated that statutory regulation required that 195 school days were to be identified in any academic year and that the Kirklees Policy (1993) for determining school term dates was set out at Appendix 1 of the considered report. Cabinet noted that, in the interests of pupils, families and staff, the majority of own admission authority schools also co-ordinated with those dates set by the Council.

The report recommended that the following dates be confirmed for the 2018/2019 academic year;

Autumn Term – 3 September 2018 to 21 December 2018 (half term 29 October to 2 November inclusive)
Spring Term – 7 January 2019 to 12 April 2019 (half term 18 February to 22 February inclusive)
Summer Term – 29 April 2019 to 22 July 2019 (half term 27 May to 31 May inclusive)

RESOLVED –

1) That it be noted that the term dates for the academic year 2018 to 2019 meet the required number of school days as set out within statutory regulation.

2) That it be noted that Kirklees Council's policy for school term dates generates 2018/2019 dates which reflect some variation from dates set by neighbouring authorities.

3) That it be noted that, following consultation, the Autumn half term holiday be adjusted as set out in Appendix 2 of the considered report.

4) That the term dates for the 2018/2019 academic year be agreed as detailed within the considered report (at Appendix 3).

261 Dewsbury Townscape Heritage Initiative Grant Application 7-9 Corporation Street

Cabinet gave consideration to a report which sought approval of a Dewsbury Townscape Heritage Initiative grant towards improving 7-9 Corporation Street. The report advised that the Council had been awarded £2m by the Heritage Lottery Fund, and that £1.7m had been matched by the Council, to provide a total fund of £3.7m over five years. The Dewsbury Town Heritage Initiative regeneration programme, launched in June 2018, will run until July 2018. Cabinet noted that the owner of 7-9 Corporation Street had put forward a scheme of repair, replacement and refurbishment for the property, which was complimentary to previous Town Heritage Initiative works undertaken in Corporation Street, which were eligible for grant funding. The report advised that the proposed scheme was consistent with work carried out to other properties in Corporation Street, hence delivering uniformity of high quality traditional frontages to enhance the streetscape and contribute to the economic confidence of the town.

(Cabinet gave consideration to exempt information at Agenda Item 13 (Minute No. 263 refers) prior to the consideration of this item).

RESOLVED –

1) That approval be given to the award of a Town Heritage Initiative Grant in accordance with the amounts specified in Appendix 2 of the considered report.

2) That authority be delegated to the Service Director (Economy and Infrastructure) to authorise actual payment of the grant, upon receipt of a completed application form and all necessary supporting information.

3) That authority be delegated to the Service Director (Legal, Governance and Commissioning) to enter into and seal all grant arrangements, legal charges and ancillary documents relating to the grant.

262 Exclusion of the Public

RESOLVED –
That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that they involve the likely disclosure of exempt information, as defined in Part 1 of Schedule 12A of the Act.

263 Dewsbury Townscape Heritage Initiative Grant Application 7-9 Corporation Street

(Exempt information under paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 relating to the financial or business affairs of persons (or the Authority holding that information) and specifically, information relating to the applicant's financial status and contractor tender prices. It is considered that the disclosure of the information wold adversely affect the companies concerned. The public interest in maintaining the exemption, which would protect the interests of the Council and the company, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making).

Cabinet received exempt information prior to the determination of Agenda Item 11 (Minute No. 261 refers).

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Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CABINET

Tuesday 11th July 2017

Present:	Councillor David Sheard (Chair) Councillor Shabir Pandor Councillor Peter McBride Councillor Naheed Mather Councillor Musarrat Khan Councillor Viv Kendrick Councillor Masood Ahmed Councillor Cathy Scott
Apologies:	Councillor Erin Hill Councillor Graham Turner

264 Membership of the Committee

Apologies for absence were received on behalf of Councillors Hill and G Turner.

265 Minutes of previous meeting

RESOLVED –
That the Minutes of the Meeting held on 30 May 2017 be approved as a correct record.

266 Interests

No interests were declared.

267 Admission of the Public

It was noted that all Agenda Items would be considered in public session.

268 Deputations/Petitions

No deputations or petitions were received.

269 Public Question Time

No questions were asked.

270 Member Question Time

No questions were asked.

271 Discretionary Business Rate Relief - 1st April 2017

Cabinet gave consideration to a report which set out a number of future options for the discretionary business rate relief scheme. The report made reference to the announcement of the Chancellor (March 2017) regarding funding of £300m over a four year period for discretionary relief, from 2017/18, to support businesses which faced the steepest increases in business rates as a result of the 2017 evaluation. Local Authorities would be provided with a share of the funding to support local businesses, which would be administered through discretionary relief powers of the Local Government Finance Act 1988. Cabinet noted that the grant was subject to the condition that the billing authorities consulted their major precept authorities before adopting a new scheme.

The report advised that the £300m funding had been distributed based upon two criteria relating to the size of the property and the increase in rates whereby (i) the rateable property has a rateable value for 2017/18 that is less than £220,000 and (ii) the increase in the rateable property's 2017/18 bill is more than 12.5%. Cabinet noted that a number of options had been considered and the report set out a narrative on the three options of (i) an area based approach (ii) a qualitative approach to target key sectors of the local economy and (iii) a West Yorkshire transitional scheme.

Cabinet noted that the option of a local West Yorkshire transitional relief scheme was identified as the preferred option, and should minimise risks associated with a legal challenge, as well as the possibility of sharing the costs of a legal challenge.

RESOLVED -

1) That approval be given to Option 3, as detailed at paragraph 2.11 of the considered report, and that a local West Yorkshire transitional relief scheme be the preferred option for discretionary business rate relief.

2) That the Service Director (Finance, IT and Transactional Services) be delegated responsibility to conclude the preceptor consultation exercise and, assuming a positive response from the Police consultation exercise, put in place the relevant steps to enable the Council to implement the new business rate relief scheme.

272 Corporate Plan 2017/18

Cabinet received a report, prior to its submission to Council on 11 July 2017, which sought endorsement for the approval of the Corporate Plan 2017/2018. The Plan summarised the strategic aspirations for the Council for the financial year and provided the context within which corporate service planning and performance reporting takes place. It also set out details of key themes for the year, and seven shared outcomes for Kirklees which had been developed with partners in the public, private and voluntary sectors. The report explained that the Plan had been developed within the resource availability and budget approved at Council on 15 February 2017 and that the key the themes included activities that would make a positive contribution to (i) early intervention and prevention (ii) economic resilience (iii) improving outcomes for children (iv) reducing demand of services and (v) other, e.g. legal, financial, human resources.

RESOLVED -

1) That the Corporate Plan 2017/2018 be endorsed and submitted to the meeting of Council on 11 July 2017 for approval.

2) That authority be delegated to the Chief Executive, in consultation with the Leader and Deputy Leader, to make any consequential amendments following the meeting of Council on 11 July 2017.

273 West Yorkshire Joint Services Trading Company

Cabinet received a report which set out the background to the proposed establishment of a trading company, and a business case to support the decision that had already been made in principle by the West Yorkshire Joint Services Committee and sought approval for the Council to participate in the company. The report advised that the trading company structure would allow certain activities to be sold to the private sector only where there was no power to trade through the Committee, and that work to the public sector would continue to be provided through the Joint Committee structure. The considered report provided an overview of matters relating to the detail of the proposal, future proofing the model, shareholding, reserved matters, procurement issues and finance.

Appendix 1 to the considered report detailed legal implications, and a summary of the business case, which was considered and approved by the West Yorkshire Joint Services Committee in December 2016, was attached at Appendix 2.

The report explained that once all five off the West Yorkshire Councils, who were the signatories to the West Yorkshire Services agreement have agreed to the establishment of the trading company, the Committee would make a final decision to create the company and the necessary legal processes would be completed.

RESOLVED -

1) That the legal position, as set out at Appendix 1 of the considered report be noted, specifically that the company will be a controlled company for the purposes of the Local Government and Housing Act 1989.

2) That it be noted that the Council provides an indemnity to its appointed representative under the terms of the Local Authorities (Indemnities for Members and Officers) Order 2004.

3) That approval be given to the Business Case as attached at Appendix 2 of the considered report which supports the proposal to trade through the establishment of a trading company.

4) That approval be given to the formation of a Holding Company to be limited by shares wholly owned by the founding members of the West Yorkshire Joint Services Committee, and to four subsidiary companies for Materials Testing, Calibration Services, Archaeological Services and Business Hive, to be owned by the Holding Company.

5) That approval be given to the Council being involved as shareholder in West Yorkshire Joint Services Trading Company and its subsidiaries, as detailed within the considered report.

6) That approval be given to participate as Directors of the company as detailed in the considered report.

7) That the proposed governance and funding arrangements for the company be as detailed in the considered report.

8) That approval be given to participation through a shareholders agreement on the terms drafted within the report, and that the Service Director (Legal, Governance and Commissioning) be authorised to agree final terms and execute the agreement on behalf of the Council which should be on the same basis as the contribution rates payable to West Yorkshire Joint Services.

9) That authority be delegated to the Service Director (Legal, Governance and Commissioning) to agree terms and enter into an agreement with the other four constituent authorities to indemnify Wakefield Council against any loss incurred as a result of making a working capital loan to West Yorkshire Joint Services HoldCo, on the same basis as the contribution rates payable to West Yorkshire Joint Services.

KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS

Name of Councillor

Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an “Other Interest”)	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest

Signed: ………………………………………… **Dated:** ……………………………………..

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
(a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Kirklees COUNCIL

Name of meeting: **Cabinet**
Date: **31st July 2017**
Title of report: **Property Investment Fund**

Purpose of report

To consider a proposal to create a Property Investment Fund (PIF) which would allow the Council to support major development projects which produce wider economic benefits to the Council and the wider Kirklees economy

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Yes** **Expenditure of more than £250k** .
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Yes** **Registered: 16th June 2017**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Director & name **Is it also signed off by the Service Director - Finance, IT and Transactional Services?** **Is it also signed off by the Service Director - Legal, Governance & Commissioning?**	**Naz Parkar - 17.07.17** **Debbie Hogg - 21.07.17** **Julie Muscroft - 14.07.17**
Cabinet member portfolios	**Cllr Naheed Mather:** Economy (Strategic Housing, Regeneration and Enforcement) **Cllr Peter McBride:** Economy(Strategic Planning, Regeneration and Transport)**Cllr Graham Turner:** Corporate (Place, Environment and Customer Contact Services)

Electoral wards affected: **All**

Ward councillors consulted: **N/A**

Public or private: **Public**

1. Summary

This report considers a proposal to create a Property Investment Fund (PIF) with an initial allocation of £25m from the Capital Plan. The PIF will allow the Council to offer loans to development projects which offer significant economic benefits to the Council and the wider Kirklees district. Any funding offers made will be on the basis that the loan repayments made by the recipient will cover the Council's financing costs and allow for an appropriate margin on cost of funds reflecting the level of risk involved and consistent with State Aid principles. All funding offers made will be subject to appropriate due diligence and security arrangements and each individual loan offer will be the subject of a further Cabinet report.

2. Information required to take a decision

2.1 A significant number of local authorities nationally have created similar arrangements to the proposed PIF to allow them to make returnable investments in development projects. For most authorities who have adopted such schemes the key focus has been:

- to stimulate their Economic Strategy and
- promoting development to sustain and develop a robust local economy
- growth in the Business Rate base
- allowing land and property owned by the authority to be transferred to a different ownership model reducing revenue budget exposure.

In short capital investment can be used on an 'invest to save basis' to improve local economic growth, increase income flows or remove revenue costs.

2.2 Some Councils have gone further down this route and have adopted schemes which acquire commercial property or invest in funding vehicles, both within the local authority's boundary or outside of it, on a purely commercial basis as a means of using the revenue flows generated by such schemes to fund local services.

2.3 The proposal discussed in this report does not fall into this category being a proposal to fund schemes in Kirklees only that fulfil the broad objectives set out in 2.1.

2.4 Within Kirklees there are a number of potential schemes which would meet the broad objectives of a PIF and allow the council to intervene to stimulate the local economy and increase revenue flows or reduce liabilities.

2.5 The two most advanced proposals in terms of discussions with the scheme promoters are:

- the Kingsgate Huddersfield extension where Council investment would allow the scheme to be delivered more quickly than via mainstream market funding mechanisms allowing the benefits of increased Business Rate yields and a positive impact on town centre footfall and vibrancy to be delivered earlier and;
- 103 New Street, Huddersfield (the Council owned extension to the former Co-op building)where a proposal being developed would allow the building to be brought back into use removing a significant liability to

the Council and improving the appearance of a significant and prominent gateway to Huddersfield town centre.

2.6 The above schemes are illustrative only and the PIF would give due consideration to other proposals. However in creating a PIF it would not be the intention for the Council to directly compete with existing providers of investment funding. The Council would only look to invest, at its discretion, when there was a clear and demonstrable added value case to be made in terms of local economic benefits for PIF involvement.

2.7 In many instances the Council investment would be short term to cover the construction phase of development which for is the most critical for schemes to locate finance that is timely and on reasonable terms. Once out of the development phase there is sufficient liquidity at an appropriate risk margin in the existing investment markets for schemes to be refinanced at which point the Council investment would be repaid. In terms of the two illustrative schemes referenced at 2.3 above that has been the basis on which discussions have progressed to date.

2.8 As stated above any investment from the PIF would be on terms that allowed the Council to fully cover its costs, including the costs of borrowing to fund any advance, and create an appropriate risk contingency.

2.9 Any proposals would have to comply with all relevant legislation re public sector support for commercial private sector investment and would involve a reasonable security package to be put in place. The aim of the PIF would allow the Council to invest on a shared risk basis with private sector investors to maximise the benefit to the local economy and realise the ambitions of the Kirklees Economic Strategy and the requirements of the Council’s Medium Term Financial Plan to both increase income and reduce revenue expenditure and liabilities.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

Not directly applicable although a robust and vibrant local economy with the consequent benefits for increased employment and improvements in the quality of the public infrastructure make a contribution to improving individuals resilience to avoid higher cost interventions.

3.2 Economic Resilience (ER)

Clearly the main benefits will be reflected in this ambition in terms of the difference that the interventions from the PIF can make to maintain and increasing the resilience of the local economy. Direct Council investment would be targeted at those schemes which were felt to produce significant added value in terms of an improvement over and above the outcomes that a purely market focussed solution could produce.

3.3 Improving Outcomes for Children

Not directly applicable.

3.4 Reducing demand of services

It is entirely possible that some of the interventions, e.g. 103 New Street, could reduce the cost of mainstream budgets from the Council by allowing property assets to be redeveloped thus removing existing and future maintenance and rates liabilities.

3.5 Legal/ Financial or Human Resources

No Legal implications to the concept of creating a budget for a PIF but clearly any proposals for specific interventions funded from the PIF would require suitable Legal Agreements to be prepared, these arrangements would be dealt with in subsequent reports on the individual schemes.

In terms of Financial implications it is suggested that a budget of £25m be provided in the Capital Plan for the PIF. This would be phased as follows:

- 2017/18 £5m
- 2018/19 £15m
- 2019/20 £5m

As no provision currently exists in the approved Capital Plan for this purpose this report if approved would need to be referred to Council for a decision to increase the overall Capital Plan to provide for a PIF.

In terms of revenue implications it is intended that the costs associated with providing support via the PIF would be covered by the repayments made by the recipients including any borrowing costs and costs associated with due diligence on the proposals and preparing the required Legal Agreements.

The legal powers for the Council to set up the Fund would be Sections 1&12 of the Local Government Act 2003.In respect of any individual loans from the Fund these would be under Section 1 of the Localism Act 2011.

4. Consultees and their opinions

N/A

5. Next steps

If Cabinet supports this proposal it will be necessary for this report to be referred to Council to allow the necessary increase in the overall size of the Capital Plan to be considered. Subject to that approval being given officers would continue to work with the sponsors of the two most advanced schemes to bring reports setting out proposals for the specifics of PIF support for the individual investments to a future Cabinet meeting for consideration.

6. Officer recommendations and reasons

Officers would recommend that Cabinet agrees to the setting up of a Property Investment Fund (PIF) with £25m of provision being made in the Capital Plan phased as per para 3.5.

7. Cabinet portfolio holder's recommendations

The relevant Portfolio Holders support the officer recommendation to set up a Property Investment Fund (PIF) with £25m of provision being made in the Capital Plan and would ask that Cabinet do the same.

8. Contact officer

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9. Background Papers and History of Decisions

N/A

10. Strategic Director responsible

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Kirklees COUNCIL

Name of meeting: **Cabinet**
Date: **31st July 2017**
Title of report: Options for the Future of Council Operated Older Persons Residential Care Facilities

Purpose of report
To consider options for the futures of two dementia care residential facilities (Castle Grange and Claremont House) and two Intermediate Care residential facilities (Ings Grove and Moorlands Grange) currently operated by the Council

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Yes** **If yes give the reason why** The potential savings will be in excess of £250,000 The land has a value/ lease in excess of £250,000
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Yes** **If yes also give date it was registered** **21 June 2017**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance and Transactional Services?** **Is it also signed off by the Service Director for Governance and Commissioning Support?**	**Naz Parkar - 21.07.17** **Debbie Hogg - 20.07.17** **Julie Muscroft - 21.07.17**
Cabinet member portfolio	Cllr Viv Kendrick, Adults and Public (Statutory Responsibility for Adults and Public Health) Cllr Graham Turner, Corporate(Place, Environment and Customer Contact Services)

Electoral wards affected: Crosland Moor & Netherton, Heckmondwike, Mirfield, Newsome

Ward councillors consulted: **All members for above wards**

Public or private: Public report with private Appendix B

1. Summary

The Council owns and operates four older persons residential/rehabilitation and dementia care homes all with 40 places and constructed in 2006:

- Ings Grove House, Mirfield
- Moorlands Grange, Netherton
- Claremont House, Heckmondwike
- Castle Grange, Newsome
  (the "Care Homes")

Due to reductions to the Council's overall budget it is necessary to review how the Council delivers and pays for residential care, both intermediate and long term residential. This report sets out work that has already been done to look at the potential alternative delivery models, including a consultation exercise with residents and their families.

This report also seeks approval from Cabinet to delegate authority to certain officers of the Council to make the final decision as to the disposal of the Care Homes in line with the preferred option for each as set out in this report, in consultation with the relevant Portfolio Holders. Should the preferred options not be achievable then the Cabinet will be asked to make a further decision.

The preferred options are:

1. For Ings Grove House and Moorlands Grange (the *'Intermediate Homes'*) to be transferred to a single provider;
2. For Claremont House and Castle Grange (the *'Residential Homes'*) to be transferred to one or more private or third sector providers following a competitive procurement process.

2. Information required to take a decision - Background

The Care Act 2014 places responsibility on local authorities to have an oversight of the market including, quality, viability, outcomes and have a market shaping role. The demand is forecast to grow in line with a significant number of the population over 85.

The Council directly operates the Care Homes, but the overall provision in the Kirklees boundary is 145 homes.

The four Care Homes provide a range of intermediate, rehabilitation, respite and dementia care. Other not for profit service providers operate within the rehabilitation and respite homes, these services are commissioned by the Clinical Commissioning Groups (CCG's) and Council.

The Intermediate Homes have no permanent residents as they provide intermediate, rehabilitation and respite care. The CQC has rated both homes as *'Good'*.

Claremont House provides 30 residential places and 10 respite beds. The CQC have rated the home as *'Requires Improvement'*. Castle Grange operates as a 30 place dementia care home with 10 respite beds and is rated *'Good'* by the CQC. The 20 pre-bookable respite places operate at 60% occupancy.

The Council budget approved on 15 February 2017 requires £54.2m of savings in 2017/18.

The Council made a decision in the budget to make £1.25m of efficiency savings, over the Medium Term Financial Plan, from the older persons residential care provision.

The Council wishes explore a range of alternative delivery models for the Care Homes. To ensure it continues to meet and enhance its sufficiency provision, the Council will also consider further integration, the relationship and needs of the acute hospital trusts and the wider health public health integration. Protection of the occupancy rights of older people within the Residential Homes will be a key criterion.

Nationally the older persons care sector has faced significant challenges since 2010/11 with real term gross spending power being reduced; this has impacted on local authorities (who are the biggest purchaser of placements) and the not for profit and the private sector. Some of the critical challenges have been the increase in the living wage, regional variations in self-funders from 18% to 54% nationally and the financing agreements to acquire or lease assets.

Regional data from the Care Quality Commission (CQC) for Yorkshire and Humber includes 2892 homes, with 70 homes operated by local authorities.

The Council has a number of options available to it as to how the four Care Homes operate in the future:

1. Transfer ownership of all the Care Homes to another body through a long lease with no ongoing contract for beds;
2. Transfer ownership of all the Care Homes to another body through a long lease and an ongoing contract for a number of existing placements;
3. A mixture of the two options above;
4. Closure of one or more of the Care Homes; or
5. The Council retains ownership and management responsibility for the Care Homes.

Option 5 is not seen as viable given the current and anticipated financial constraints on the Council. The Council does not wish to take forward option 4 and sees option 3 as the most viable

Appendix B of this report sets out in more detail how option 3 would be realised:

1. The Intermediate Homes would be transferred as a going concern either with or without a services contract to a single provider. The most likely scenario is that the new provider could be offered a long lease of the properties with a restrictive covenant that would require them to continue to operate the properties as care homes for a minimum number of years. Assets, including staff, would transfer under a business transfer agreement for a price yet to be agreed;

2. The Residential Homes would be transferred to one or more providers following a competitive procurement exercise. It is likely that a competitive procurement exercise will be required due to the desire of the Council to enter into a contract with the new provider(s) for the provision of a set number of beds to be at the Council's disposal for a minimum number of years. As part of the transfer of the Residential Homes the Council would look to actively encourage proposals from organisations which were looking to secure Registered Nursing Care status for the facilities.

3. Implications for the Council

3.1 Consultation

In order to assess the preferred option for each of the Care Homes an initial consultation process was required and has taken place. This is described further in section 4 of this report.

The principles below will be used for further consultation market-shaping and commissioning activity following Cabinet approval to progress to the next stage:

- focusing on outcomes and wellbeing, in line with the Council's early Intervention and Prevention strategy (EIP);
- promoting quality services, including a focus on workforce development and
- ensuring appropriately resourced care and support;
- supporting sustainability;
- ensuring choice;
- co-production with partners;

3.2 Early Intervention and Prevention (EIP)

Kirklees Council are taking EIP forward in a way that works with people, that aims to improve the independence and wellbeing of adults across our localities. The council has been working towards this ethos and wants to continue to develop in order to provide the right service at the right time to people.

- We will promote a society where we "help people to help themselves".
- We will enable people, NOT take their independence away.
- We will work with partners to promote health and wellbeing.
- We will work alongside the community and voluntary services to provide local services for local people.

We want people living in Kirklees to live longer, have a good quality of life, participate in their communities, to have choice and control, and to remain safe and secure.

3.3 Economic Resilience (ER)

The feedback from the consultation process will drive the impact on Economic Resilience, but the potential impacts could be:

- Improving the sustainability and outcomes of the care system
- Financial efficiencies for the Council and CCG's
- Opportunities for existing not for profit and private operators to grow their businesses, to meet evidence based demand
- Potential expansion of two sites and increased business rates

3.4 Improving Outcomes for Children

Not applicable.

3.5 **Reducing demand for services**

Not applicable.

3.6 **Legal/Financial or Human Resources**

3.6.1 **Human Resources**

Potential changes to the operating model could affect staff. The number of affected staff is 211 (not all full time). Any Council staff transferring to another provider who carries on the same care home activity will benefit from the protection under the Transfer of Undertakings (protection of Employees) Regulations 2006.

Affected staff and Trade Unions will be consulted with as part of the decision making process at the appropriate time.

3.6.2 **Legal**

Local authorities had a duty to provide residential accommodation for adults who were in need of care and attention not otherwise available to them under section 21 of the National Assistance Act 1948. This was repealed and replaced by a duty to meet needs for care and support (section 18 Care Act 2014). Section 19 of the Care Act 2014 gives a local authority the power to meet needs for care and support, where it is not under a duty to do so. Unlike the National Assistance Act 1948, the Care Act 2014 does not specify separate duties for the provision of residential and non-residential care. Section 8 of the Care Act instead gives examples of the different ways that a local authority may meet needs under section 18, and the list includes “accommodation in a care home or premises of some other type “(s8(1)(a)), or “care and support at home or in the community” (s.8(1)(b)).

The council has a market shaping duty under section 5 of the Care Act 2014 and must exercise its duties in accordance with the Department of Health Care and Support Statutory guidance (2016)

The Council is required to carry out a consultation process regarding proposals to reconfigure services and to carefully consider responses before reaching any decision regarding reconfiguration of care services. The consultation process should be in line with criteria laid out in R v Brent LBC Ex parte Gunning [1985] and endorsed by the Supreme Court in R (Moseley) v Haringey LBC [2014].

The criteria are:

1. The duty to act fairly.
2. The requirement of fairness is linked to the purpose of the consultation.
3. The features of the consultees are relevant in deciding the degree of specificity required in the information provided.
4. Where the proposals involve the denial of a benefit, fairness demands will be higher.
5. Where there are no statutory restrictions on the content of the consultation, fairness may require that interested stakeholders be

consulted on preferred option and also rejected options. Consultation in this case will be non-statutory.

While some consultation has already been carried out the Council is currently considering whether further consultation is required in relation to the desired options set out in section 2 above.

Article 8 of the Human Rights Act 1998 - right to a private and family life, may be engaged. Following completion of the consultation, the council will need to ensure the needs of residents have been properly assessed and individual service user reviews in line with the Care Act 2014 will be carried out.

The council must comply with its Public Sector Equality Duty in section 149 Equality Act 2010. An Equality Impact Assessment (EIA) of the proposed options is advisable. The Council when exercising its functions must have “due regard to the need to”:

(a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
(b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Section 149(7) sets out 7 protected characteristics namely: age, disability, gender reassignment; pregnancy and maternity, race, religion or belief, sex or sexual orientation. It follows that age and disability will be most relevant in taking decisions about the future of the Council’s care homes and an EIA will show how the proposals impact on people. A further EIA will be required.

Depending on the method of transfer and any associated care contracts the transfer of some or all of the Care Homes may require the Council to undertake a procurement exercise that meets the relevant parts of the Public Contracts Regulations 2015 (the “PCR 2015”). The Council has been advised that if procurement is required it will be classed as “light touch” under regulation 74 of the PCR 2015. A further detailed EIA will be required upon assessment of the preferred bidders.

3.6.3 **Financial - Asset Management**

The Care Homes are all in satisfactory condition having only been constructed in 2006, having said that the cost of maintaining the homes as they get to 25 years plus will increase. The Council benefits from having the freehold title and therefore has various options in the method of disposal. The feedback from the consultation and preferred bidders will have an influence on the method of disposal.

The Council has a duty under section 123 of the Local Government Act 1972 to obtain the best consideration possible for property that it disposes of. There are certain exemptions from this duty where the disposal of property improves the economic, social or environmental wellbeing of the area in which the Council operates. This is known as the General Disposal Consent 2003. The Council must take account of this when deciding upon the amount of consideration that it will accept for the Care Homes.

4. Initial Consultation

4.1 Consultees and their opinions

Service users, their families and carers were invited to hear about the proposed changes and discuss any concerns in face to face meetings in early 2017. This was followed by a consultation period running 8 May to 9 June 2017. Consultation invite letters were sent out to care home service users' next of kin, with the option of a paper or online questionnaire. In total, 64 responses were received.

The questionnaire asked six questions – three open questions for their concerns, ideas, and other comments, and three closed questions to help demonstrate which groups responded. A copy of the questionnaire is attached at Appendix A of this report.

4.2 Summary of results:

- 46% of respondents told us they used respite services, whilst 54% used long stay residential care. All responses related to current service users.

- Responses linked to the following homes:

  Castle Grange - 32 responses
  Claremont House - 22 responses
  Ings Grove House - 9 responses

  As expected, no responses received for Moorlands Grange as there are no permanent residents.

- All respondents stated that they had concerns with the proposal to transfer the homes to the independent sector. The Council is confident that it can address a large majority of the concerns through the proposed methods of disposal of the Care Homes.

4.3 Main areas of concern:

- **Future cost increases.** Comments recognised that the private sector needs to generate a profit and could raise prices, which some felt they would be unable to afford in the future. The future arrangements can address this in the agreement.

- **Potential for reduced quality of care**. Changes to staffing was a main concern – a belief that they would cut existing staff (felt to be a great asset providing high levels of care) and replace with staff that are inexperienced, unknown to residents and under more pressure. CQC and contracts team inspect all homes at least annually. The Council support care homes to maintain quality. The procurement process can set as one of the criteria 'a proven track history of staff retention'.

- **Loss of respite**. Some felt that respite services would be lost, causing difficulties for families, as this would not be profitable. The Council will take steps to ensure bookable respite is available.

- **Alternative providers** Concerns were raised that the proposed change could lead to greater instability; new owner could be more willing to close the home if unprofitable; profits will be prioritised over quality of care; a private owner may be more willing to move/rotate staff and residents. As above registered homes are inspected regularly and the contract arrangements can address these issues.

4.4 **Other comments:**

- **Lots of praise** was given regarding the Care Homes as they are now – particularly the staff once more. Long stay users emphasised the “peace of mind” the current situation allows them and their families.

- **Potential alternate funding options suggested** Ideas expressed by consultees included asking families for a monthly contribution; keeping respite services at the Care Homes and funding the private homes to become nursing care homes instead.

4.5 **Use of initial consultation in the decision making process**

The consultation exercise so far has highlighted areas that the Council may wish to consider when deciding how to change the operating model of the Care Homes. None of the responses to the consultation exercise have lead officers to believe that the Care Homes should not be disposed of in the manners set out in this report.

Below are some key ideas for how the Council can potentially mitigate the impact of any changes:

- **Retain stability for residents**. Most wanted key elements of the service to stay the same; mainly staff and living arrangements. Many stressed how important it was to keep the same staff and residents together and not create unfamiliar situations. Not all were opposed to new ownership, so long as standards and stability could be retained. The main driver for the Council is to ensure the homes remain in operation for continuity of residents care. Whist it is never possible to guarantee staff are retained; all staff will have a right to transfer to the new provider.

- **Ongoing communication**. People told us they want to be involved in the process, and to be kept up to date with as much information as possible. One respondent suggested the new owner hosts regular meetings with residents and carers. The Council will endeavour to support this.

5. <u>Next steps</u>

Once the officers have received the necessary delegated authority they will aim to further consider and finalise the approved proposal to transfer the homes. To finalise their decision they will consider whether further consultation is required and seek the necessary legal advice as to the route for transfer.

6. <u>Officer recommendations and reasons</u>

<u>Intermediate Homes</u>

Officers are recommending that approval be given to the alternative provision as set out in Appendix B in relation to the Intermediate Homes, and delegate the terms and timing of any further consultation to the Chief Executive or their nominee in consultation with the Portfolio Holders for Adults & Public Health and Corporate Resources.

Upon receiving and evaluating the terms of the proposals set out in Appendix B, delegate powers to agree the preferred options to the Chief Executive or their nominee in consultation with the Portfolio Holders for Adults & Public Health and Corporate Resources, to inform a final decision.

Following such a decision by the Chief Executive or their nominee delegate authority to the Service Director Legal and Governance and Commissioning to enter into and execute any agreements or instruments relating to the transfer of a business and/or disposal of assets.

Residential Homes

Officers are recommending that approval be given to market the residential homes for business transfer and delegate the terms and timing of any further consultation to the Strategic Director for Adults and Health in consultation with the Portfolio Holders for Adults & Public Health and Corporate Resources.

Upon receiving and evaluating the terms of the sale of business proposals, delegate powers to agree the preferred options to the Strategic Director for Adults and Health in consultation with the Portfolio Holders for Adults & Public Health and Corporate Resources.

Following such a decision by the Strategic Director for Adults and Health delegate authority to the Service Director Legal and Governance and Commissioning to enter into and execute any agreements or instruments relating to the transfer of a business and/or disposal of assets.

Reasons for Recommendations

The Council only provides a small amount of care provision in Kirklees, and has made a commitment to ensure the use of the homes and protection of tenure and cost increases of existing tenants while also generating significant revenue savings.

There has been a significant amount of interest from alternative provides who operate successfully in Kirklees.

Existing residents will not be affected, by either length of tenure and right of residency or cost of provision and funding for their placement.

The Council will fully consider the feedback from the consultation process, in the disposal process and will ensure that providers with a good reputation and provide high quality services are considered as part of the evaluation process.

7. Cabinet portfolio holder’s recommendations

The Portfolio Holders support the officer recommendations and would ask that Cabinet do the same.

8. Contact officer

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9. Background Papers and History of Decisions

Cabinet Budget 15 February 2017.

10. Service Director responsible

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Appendices

Appendix A – Consultation Questionnaire

Appendix B – Private Appendix on the proposals for intermediate care homes and residential/respite homes.

Appendix B of this report is recommended to be taken in private because the information contained in it is considered to be exempt information under Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that it would not be in the public interest to disclose the information contained in the report as disclosure could potentially adversely affect overall value for money and could compromise the commercial confidentiality of the bidding organisations and may disclose the contractual terms, which is considered to outweigh the public interest in disclosing information including, greater accountability, transparency in spending public money and openness in Council decision-making.

Older people's residential and respite care services – your views

Please let us know what's important for you and your family. We would like to hear from people that use residential and respite care services, and their families.

The population of Kirklees is changing, and we are better now at supporting people to stay in their own homes. There is also a good range of residential care locally. There is, however, a need to develop more support for people coming out of hospital and more nursing care – particularly for people with dementia.

A number of budget decisions have been taken which affect the amount of money available for Kirklees Council's directly delivered older people's residential and respite care services, in particular the services at:

Ings Grove House
Moorlands Grange
Castle Grange
Claremont House

Taking these changing needs into account as well as the council's financial position, **the proposal is to transfer the homes into the independent sector.** This could include the voluntary sector or the local community health provider.

This would mean the homes were no longer owned by Kirklees Council, but most day to day things would remain the same - including the quality of care you / your family receive at the homes, and the staff that work at each home.

Before we progress with this proposal we want to understand and respond to what people tell us is important for us to consider when making any changes.

Please take a few minutes to complete this questionnaire. Your responses will be treated confidentially.

You can complete the questionnaire online if you prefer (saving us time and postage costs) – visit www.kirklees.gov.uk/homessurvey

Do you or a member of your family use:

- ☐ Respite services
- ☐ Long stay residential care
- ☐ Don't use either at the moment

If you or your family uses residential care, please tell us which home:

- ☐ Ings Grove House
- ☐ Moorlands Grange
- ☐ Castle Grange
- ☐ Claremont House

Do you have any concerns about our proposal to transfer the homes into

the independent sector?

- ☐ Yes – please write your concerns below
- ☐ No

If you have concerns, please tell us what these are, so that we can take them into consideration in any changes we make:

Please tell us your ideas for how we can help make any changes as positive as possible for people using residential and respite care services:

Is there anything else you want us to know?

If you would like us to get in touch to discuss your response, please add your details:

Your name:	
Your phone number or email address:	

Thank you for taking the time to complete this survey. Please send your completed survey to:

FREEPOST KIRKLEES COUNCIL
DMT admin

Don't forget to return it by 9 June 2017.

Kirklees COUNCIL

Name of meeting: Cabinet
Date: 31st July 2017
Title of report: Freehold Asset Transfer of Birstall Community Centre and Library, Market Street, Birstall, WF17 9EN

Purpose of report: This report sets out the proposal to transfer the land and buildings on a freehold transfer, which currently makes up Birstall Community Centre and Library, Market Street, Birstall, WF17 9EN to Birstall Community Holdings Ltd or CIO. The conditions of the freehold transfer will include covenants to ensure that the Centre is a building that is not used for any other purpose than principally for community use.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Yes**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Key Decision - Yes** **Private Report/Private Appendix - No**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance, IT, and Transactional Services?** **Is it also signed off by the Service Director, Legal Governance and Commissioning?**	**Naz Parkar - 20.07.17** **Debbie Hogg - 20.07.17** **Julie Muscroft - 20.07.17**
Cabinet member portfolio	**Cllr Graham Turner - Corporate**

Electoral wards affected: Birstall and Birkenshaw

Ward councillors consulted: Cllr Robert Light, Cllr Andrew Palfreeman, Cllr Elizabeth Smaje

Public or private: Public

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1. Summary

1.1 Cabinet made the decision February 2015 to close the Public Halls due to budget reductions. Birstall Community Centre was one of the Halls listed. Local Councillors were invited to discuss the possibility of an Asset Transfer with their communities.

1.2 Cllrs Smaje and Palfreeman along with a member of the local community brought forward plans to seek an asset transfer of both the Community Centre and the Library. This paper sets out the background to their request and the Councils proposed response to the transfer.

2. Information required to take a decision

Background

2.1 Birstall Community Centre and Library is based on Market Street, Birstall. The Community Centre and Library is a venue that has been managed by Kirklees for a number of years. The Library is a vibrant space that is well used by children and families and the Community Centre has a good base of community use. Both areas of the site are self-contained.

2.2 Cllrs Smaje and Palfreeman have worked with a local resident and businessman to create Birstall Community Holdings Ltd (BCH). The Ltd Company entered into a lease of the Community Centre in April 2017 for 6 months. It's the intention then of Birstall Holdings Ltd to evolve into a Charitable Incorporated Organisation (CIO), which will have a wider community involvement. It is intended that the asset transfer of the whole building will go to the CIO if this can be completed within sufficient time to allow the transfer to complete.

2.3 BCH have successfully retained the majority of their current customers and are working with the local community to increase their customer base. BCH have undertaken one consultation and have committed to undertaking another public consultation before October 2017 to understand how the community would like to see the Community Centre and Library run, this second consultation should also assist in recruiting more community members to both the board of directors and to the management committee – which is essential in moving the transfer forward.

2.4 Once the CIO has been created the group then intend on creating a Management Committee from local community members to run the building on a daily basis. The committee members have not been finalised but will be confirmed before the completion of the freehold asset transfer.

2.5 BCH have submitted a partial but good application form and business case in line with the requirements of the 2017 Community Asset Transfer Policy, this includes the development of policies and capacity building which has been assessed by the Community and Engagement Team. It also includes financial planning and risk management which has been assessed by Locality, our third party partner who assists in supporting groups through Asset Transfer. Corporate Landlord have assessed the building related information and have in turn provided information to BCH that relates to the running of the Centre.

The application and business case is assessed using the Asset Transfer Assessment Tool which assesses 5 main areas: financial, community impact, risk, organisational strength and the asset. This has been designed in line with the Hallmarks of an Effective Charity which was written and supported by the Charity Commission.

BCH are yet to submit their financial projections for the next 3 years but have confirmed this will be in place before the legal completion of the transfer. All other aspects were confirmed as satisfactory.

2.6 BCH have submitted a 3 phase approach within their Business Case and one aspect of this is to create commercial space within the unused slipper baths on site. This commercial income will then be reinvested back into the building to allow for continued upgrades and essential works.

2.7 The site has historically been an Electoral Polling Station and the asset transfer will put in place arrangements so that the Centre can continue to be used as an Electoral Polling Station

2.8 In order to ensure the Council can continue to provide the Library Service from the building, the Council will be granted a lease back of part of the building. The lease will be for a period of 5 years but the Council will have the option to terminate the agreement at any time giving one months' notice. Although the 2017 Asset Transfer Policy does state that leaseback of space for a Council Service will be a nil rent an agreement was made with Birstall Community Holdings prior to the 2017 policy and following the 2015 Library review outlining that as this was a Town Library, under the Library Decision made by Cabinet in September 2015, it would not be exempt from a hosting fee. The hosting fee will be in the form of a Service Charge and will be agreed along with the leaseback Heads of Terms.

Asset Transfer

2.9 The Councils Community Asset Transfer Policy was revised in April 2017. The new Policy provides for additional financial support for groups requesting an Asset Transfer. The Policy continues to support groups to transfer assets from the Council at nil consideration in order to further local social, economic and environmental objectives.

2.10 The policy allows for assets to be transferred either through a long term lease or a freehold transfer, both options will normally have covenants that restricts use to community use with a possible exception of up to 30% commercial use.

The decision options for this transfer are:

2.10.1 Refuse the request for Transfer. BCH will cease to manage the Community Centre from October 2017 and the Centre will be closed to the community. The Library will continue to be managed by the Council until a decision is made on its future.

Officers are of the opinion this should not be the recommended option on the grounds that the local community and the users of Birstall Community Centre would lose a valuable community asset.

2.10.2 Transfer the asset either freehold or leasehold with restrictive covenants for community use with an exception of up to 30% commercial use in line with other Community Asset Transfers but with a requirement to lease back to the Council, at nil rent but subject to service charge, suitable and agreed space for the use of the Library and Information Centre.

Officers are of the opinion that a freehold asset transfer with restrictive **covenants for community use, with up to 30% commercial use and with a leaseback to the Council for nil rent but subject to a service charge, of suitable space for the Library and Information Centre should be the recommended option on the basis that** ***the future use of the Centre would be retained for the local community.***

2.10.3 Transfer the asset without restrictive covenants in place. Whilst this approach has not been adopted before it is recognised that, subject to approval, this option does fit within the current Community Asset Transfer Policy, however, there is a risk that the Community Centres and Libraries future use as a community venue would be lost.

Officers are of the opinion that this should not be the recommended option on the grounds that the future use of the overall site could be lost to the local community.

Costs

2.11 The building is in an acceptable state of repair, however, a 2009 Condition Survey identifies works required totalling £48,835. The areas of required investment are to the internal walls and doors which are estimated at £5009, the mechanical services which are estimated at £16,445 and the electrical services which are estimated at £26,824. As part of the business plan BCH have identified areas of investment. In transferring the asset possible Capital Repayment Costs circa. £3271 will be avoided.

2.12 The building running costs for 2016-2017 were £33,029; the transfer will therefore result in this being a revenue saving to the Council.

There will be a revenue cost to the Council for the Service Charge for the Library, if approved; this is yet to be negotiated.

2.13 BCH have requested 15% of the average of the previous 2 years running costs in line with the 2017 Community Asset Transfer Policy. This will have a one off revenue implication of £5,003.

2.14 Valuation

Unrestricted Value

The unrestricted value is the best price reasonably obtainable for the property and should be expressed in capital terms. It is the market value of the land as currently defined by the RICS Red Book (Practice Statement 3.2), except that it should take into account any additional amount which is or might reasonably be expected to be available from a purchaser with a special interest (a "special purchaser"). When assessing unrestricted value, the valuer must ignore the reduction in value caused by any voluntary condition imposed by the authority. In other words, unrestricted value is the amount that would be paid for the property if the voluntary condition were not imposed (or it is the value of the property subject to a lease without the restriction).

The unrestricted value of the Asset is: £300,000

Restricted Value

The restricted value is the market value of the property having regard to the terms of the proposed transaction. It is defined in the same way as unrestricted value except that it should take into account the effect on value of any voluntary condition(s).

The restricted value of the Asset is: £ Nil

Voluntary Conditions

A voluntary condition is any term or condition of the proposed transaction which the authority chooses to impose. It does not include any term or condition which the authority is obliged to impose, (for example, as a matter of statute), or which runs with the land. Nor does it include any term or condition relating to a matter which is a discretionary rather than a statutory duty of the authority.

The value of voluntary conditions in the proposed transaction is: £ Nil

Amount of discount given by the Council

The difference between the unrestricted value of the land to be disposed of and the consideration accepted (the restricted value plus value of any voluntary conditions).

The amount of discount in the proposed transaction is: £300,000

The Local Government Act 1972 General Disposal Consent means that specific consent of the Secretary of State is not required for the disposal of any interest in land/buildings at less than best consideration which an Authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. Following their assessment, the Council are confident that the transfer of the Birstall Community Centre and Library to Birstall Community Holdings CIO will be likely to promote social well-being in the Birstall and Birkenshaw area.

3. Implications for the Council

3.1 **Early Intervention and Prevention (EIP)**

The asset is being utilised as a community venue and library and jointly they offer and facilitate a number of different groups and services that support the local community. These include a range of activities such as – stay and play, nursery time, parent and toddler groups, senior clubs, slimming world, exercise classes and arts and craft classes.

3.2 **Economic Resilience (ER)**

The transfer of the asset will support the community and recognises the benefit of community organisations in sustaining the economic, health and wellbeing of the local community.

3.3 **Improving Outcomes for Children**

There are a number of sessions available across both the Community Centre and Library that assist in outcomes for children.

3.4 **Reducing Demand of Services**

There will be no impact.

3.5 **Legal/Financial or Human Resources**

The building running costs for 2016-2017 were £33,029; the transfer will therefore result in this being a revenue saving to the Council.

There will be a financial impact to the Council of £5003 in relation to the 15% running costs available to the group.

Transferring the asset will avoid direct future capital investment of £48,835, however if the asset was to be disposed of on the open market the Council could obtain a Capital Receipt of £300,000

There will be a revenue cost to the Council for the Service Charge for the Library, if approved; this is yet to be negotiated.

There will be no impact on Legal or Human Resources

4. Consultees and their opinions

The directors and members of Birstall Community Holdings Ltd and its Management Committee were consulted and the following comments were received:

[A member of the group] is submitting the Business case which will include the financial projections and updated declarations regarding governance, including details of two additional community directors for the CIO. As we have previously explained the only reason that two Councillors are involved is to ensure that the transfer was conducted to the satisfaction of the Council. Within 12 months at least one of the Councillors will be replaced by additional community directors.

The Polling Station is in the Library, not the actual Community Centre. We have no problem continuing that arrangement but some provision will also be needed in the lease back to the Library.

The Local Ward Councillors were consulted and the following comments were received:

Cllr Andrew Palfreeman, Cllr Robert Light, Cllr Elizabeth Smaje

All three Ward Members fully support the transfer of the Community Centre and Library building to the local community in the way that is proposed in the briefing note. However Cabinet should note the interests of Councillors Palfreeman and Smaje as current directors of Birstall Community Holdings and future directors of the CIO.

5. Next steps

5.1 Subject to the decision made by Cabinet, Officers from Physical Resources and Procurement will complete negotiations and agree terms of the transfer.

6. Officer recommendations and reasons

6.1 Members are requested to authorise in principle the freehold transfer of Birstall Community Centre and Library to Birstall Community Holdings Ltd or CIO if created in sufficient time for nil consideration and to include covenants for community use with the exception of up to 30% commercial use, subject to Birstall Community Holdings Ltd providing information relating to the ongoing CIO governance, details of the Management Committee and its members and the outcome of their second round of consultation before the legal completion of the transfer.

6.2 Members are requested to authorise a requirement within the transfer to lease back part of the asset for use of the Library and Information Centre for a period of 5 years with a 3 month break clause at nil rent but with an agreed service charge.

6.3 Members are requested to require the asset transfer to contain arrangements that enable the Council to continue to use the Property as an Electoral Poling Station as this is not outlined in the 2017 Community Asset Transfer Policy.

6.4 Members are requested to delegate authority to the Service Director of Economy, Regeneration and Culture and Service Director of Legal Governance & Commissioning to negotiate and agree the terms and red line boundary of both the freehold transfer of the Centre and the leaseback for the Library to Birstall Community Holdings Ltd or CIO if created within sufficient time to complete the transfer.

7. Cabinet portfolio holder's recommendations

The Portfolio Holder, Cllr Graham Turner recommends the freehold transfer of Birstall Community Centre and Library to Birstall Community Holdings Ltd or CIO for no premium/nil consideration subject to the restrictive covenants discussed in paragraph 2.10.2 – which states that the proposed Asset Transfer route, subject to approval, is to *Transfer the asset freehold with restrictive covenants for community use with an exception of up to 30% commercial use in line with other Community Asset Transfers but with a requirement to lease back to the Council, at nil rent but subject to service charge, suitable and agreed space for the use of the Library and Information Centre.*

Cllr Turner also recommends that the transfer contains arrangements to protect the site as a future Electoral Poling Station.

8. Contact officer

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Facilities Management Officer
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9. Background Papers and History of Decisions

10. Service Director Responsible

Paul Kemp, Service Director of Economy, Regeneration and Culture
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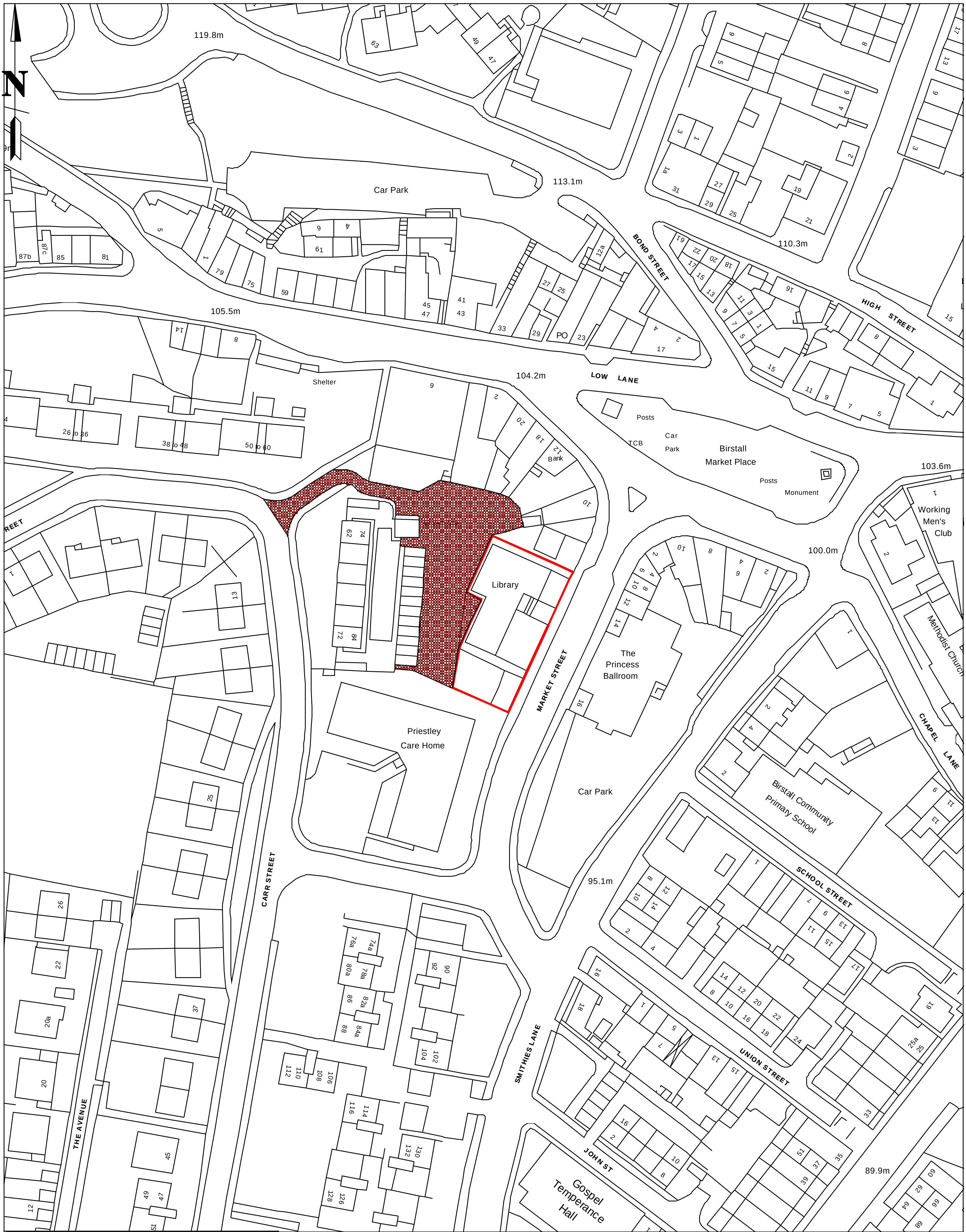

Kirklees COUNCIL

PHYSICAL RESOURCES & PROCUREMENT

Plan No: 17-0327

Scale: 1250

Required by:

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Kirklees COUNCIL

Name of meeting: Cabinet
Date: 31st July 2017
Title of report: 125 Year Leasehold Asset Transfer of Honley Community Centre, Stoney Lane, Honley, HD9 6DY

Purpose of report: This report sets out the proposal to transfer the land and buildings on a 125 year leasehold transfer, which currently makes up Honley Community Centre, Stoney Lane, Honley, HD9 6DY to Netherton Community Centre CIC. The conditions of the leasehold transfer will include covenants to ensure that the Centre is principally not used for any other purpose than community use.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**No**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	**Key Decision – No** **Private Report/Private Appendix – No**
The Decision - Is it eligible for call in by Scrutiny?	**Yes**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance, IT and Transactional Services?** **Is it also signed off by the Service Director, Legal, Governance and Commissioning?**	**Naz Parkar - 20.07.17** **Debbie Hogg - 20.07.17** **Julie Muscroft - 20.07.17**
Cabinet member portfolio	**Corporate - Cllr Graham Turner**

Electoral wards affected: Holme Valley North

Ward councillors consulted: Cllr Charles Greaves, Cllr Edgar Holroyd-Doveton, Cllr Terry Lyons

Public or private: Public

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1. Summary

1.1 Cabinet made the decision February 2015 to close the Public Halls due to budget reductions. Honley Community Centre was one of the Halls listed. Local Councillors were invited to discuss the possibility of an Asset Transfer with their communities.

1.2 Netherton Community Centre Ltd (soon to be Netherton Community Centre CIC) brought forward plans to seek an asset transfer of the building and surrounding land. This paper sets out the background to their request and the Councils proposed response to the transfer.

2. Information required to take a decision

Background

2.1 Honley Community Centre (‘the Centre’) is situated on Stoney Lane in Honley. The Centre, is a venue that has been managed by Kirklees for a number of years. The Centre is well used and the local community support the proposed asset transfer to Netherton Community Centre CIC. The Centre is attached to a KNH Retirement Living Scheme.

2.2 Netherton Community Centre Ltd (NCC) have been successfully managing Netherton Community Centre for 12 years on behalf of Kirklees Neighbourhood Housing (KNH). NCC was originally the local Tenants and Residents Association which then progressed into a Company Ltd by Guarantee. NCC will become a Community Interest Company (CIC) to allow them to move forward with the asset transfer. The transition to a CIC has not completed, however this will be finalised before completion of the leasehold transfer.

2.3 NCC currently hold a 6 month lease on Honley Community Centre, which has been in place since April 2017. NCC have full responsibility for the running of the centre. The group have successfully retained the majority of their current customers and are working with the local community to increase their customer base. There are a number of community venues in Honley and the group have clearly outlined in their proposals where the gaps in the market are and plan to work with the community in providing these services.

2.4 NCC have proposed to create Honley Management Committee, a board formed from local community members and businesses, which will be responsible for the day to day running of the Centre. The committee members have not been finalised but will be confirmed before the completion of the leasehold asset transfer

2.5 NCC have submitted a good application and business case in line with the requirements of the 2017 Community Asset Transfer Policy, this includes the development of policies and capacity building which has been assessed by the Community and Engagement Team. It also includes financial planning and risk management which has been assessed by Locality, our third party partner who assists in supporting groups through Asset Transfer. Corporate Landlord have assessed the building related information and have in turn provided information to NCC that relates to the running of the Centre.

The application and business case is assessed using the Asset Transfer Assessment Tool which assesses 5 main areas: financial, community impact, risk, organisational strength and the asset. This has been designed in line with the Hallmarks of an Effective Charity which was written and supported by the Charity Commission. All assessments were satisfactory

2.6 The Centre has historically been an Electoral Polling Station and the asset transfer will put in place arrangements so that the Centre can continue to be used as an Electoral Polling Station.

Asset Transfer

2.7 The Councils Community Asset Transfer Policy was revised in April 2017. The new Policy provides for additional financial support for groups requesting an Asset Transfer. The Policy continues to support groups to transfer assets from the Council at nil consideration in order to further local social, economic and environmental objectives.

2.8 The policy allows for assets to be transferred either through a long term lease (typically 125 years) or a freehold transfer. Both options will normally have covenants that restricts use to community use with a possible exception of up to 30% commercial use.

The decision options for this transfer are:

2.8.1 Refuse the request for Transfer. NCC will cease to manage the site from October 2017 and the site will be closed to the community.

Officers are of the opinion this should not be the recommended option on the grounds that the local community and the users of Honley Community would lose a valuable community asset.

2.8.2 Transfer the centre either freehold or 125 year leasehold with restrictive covenants for community use with an exception of up to 30% commercial use in line with previous asset transfers and as outlined in the 2017 Community Asset Transfer Policy.

Officers are of the opinion that a 125 year leasehold asset transfer with restrictive covenants for community use, with up to 30% commercial use should be the recommended option on the grounds that the site is adjoined to another Council Asset with a shared heating system and the future use of the Centre would be retained for the local community and the Council would retain the freehold ownership of a shared site.

2.8.3 Transfer the Centre without restrictive covenants in place. Whilst this approach has not been adopted before it is recognised that, subject to approval, this option does fit within the current Community Asset Transfer Policy, however, there is a risk that the Centres future use as a community centre would be lost.

Officers are of the opinion that this should not be the recommended option on the grounds that the future use of the community centre could be lost to the local community.

Costs

2.9 The Centre is in an acceptable state of repair, however, a 2006 Condition Survey identifies works required totalling £67,855. The main areas of required investment are to the roof which was estimated at £37,244, Floors and Stair work which was estimated at £17,699 and External Walls, Windows and Doors which was estimated at £11,868. NCC have identified some minor works within their business case but have been advised to see their own surveyor for advice. In transferring the Centre possible Capital Repayment Costs circa. £4548 will be avoided.

Heating for the Centre is fed from the boiler located within the Retirement Living Scheme and the transfer will provide for a service charge cost, to be agreed, which will be payable by NCC. NCC are aware of this and plan to consider a separate heating management system in the future.

2.10 The building running costs for 2016-2017 were £6723. The transfer will therefore result in this being a revenue saving to the Council.

2.11 NCC have requested 15% of the average of the previous 2 years building running costs as per the 2017 Community Asset Transfer Policy. This will have a one off revenue implication of £874.52

2.12 **Valuation**

Unrestricted Value

The unrestricted value is the best price reasonably obtainable for the property and should be expressed in capital terms. It is the market value of the land as currently defined by the RICS Red Book (Practice Statement 3.2), except that it should take into account any additional amount which is or might reasonably be expected to be available from a purchaser with a special interest (a "special purchaser"). When assessing unrestricted value, the valuer must ignore the reduction in value caused by any voluntary condition imposed by the authority. In other words, unrestricted value is the amount that would be paid for the property if the voluntary condition were not imposed (or it is the value of the property subject to a lease without the restriction).

The unrestricted value of the Centre is: £100,000

Restricted Value

The restricted value is the market value of the property having regard to the terms of the proposed transaction. It is defined in the same way as unrestricted value except that it should take into account the effect on value of any voluntary condition(s).

The restricted value of the Centre is: £ Nil

Voluntary Conditions

A voluntary condition is any term or condition of the proposed transaction which the authority chooses to impose. It does not include any term or condition which the authority is obliged to impose, (for example, as a matter of statute), or which runs with the land. Nor does it include any term or condition relating to a matter which is a discretionary rather than a statutory duty of the authority.

The value of voluntary conditions in the proposed transaction is: £ Nil

Amount of discount given by the Council

The difference between the unrestricted value of the land to be disposed of and the consideration accepted (the restricted value plus value of any voluntary conditions).

The amount of discount in the proposed transaction is: £100,000
The Local Government Act 1972 General Disposal Consent (“2003) means that specific consent of the Secretary of State is not required for the disposal of any interest in land/buildings at less than best consideration which an Authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. Following their assessment, the Council are confident that the transfer of Honley Community Centre to the Netherton Community Centre CIC will be likely to promote social well-being in the Holme Valley North Area.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

The Centre is being used as a venue to facilitate a range of different groups and services that support the local community with training, physical activities and a range of social activities which include stay and play and social activities. NCC intends to expand this usage to cover community celebrations and family parties making the Centre a community hub of activity.

3.2 Economic Resilience (ER)

The transfer of the Centre will support the community and recognises the benefit of community organisations in sustaining the economic, health and wellbeing of the local community.

3.3 Improving Outcomes for Children

NCC have outlined that Honley is utilised as a satellite centre for some Children's Centre activities but mainly stay and play sessions.

3.4 Reducing Demand of Services

There will be no impact

3.5 Legal/Financial or Human Resources

The building running costs for 2016-2017 were £6723. The transfer will therefore result in this being a revenue saving to the Council. There will be a financial impact to the Council of £874.52 in relation to the 15% running costs available to the group.

The Council will avoid future capital investment of £67,855 however if the asset was to be disposed of on the open market the Council could obtain a Capital Receipt of approx. £100,000

There will be no impact on Legal or Human Resources.

4. Consultees and their opinions

The board of Netherton Community Centre were consulted and no comments were received.

The Local Ward Councillors were consulted and the following comments were received:

Cllr Edgar Holroyd-Doveton
This is a valuable scheme and I am in full support.

Cllr Charles Greaves
I fully support it

Cllr Terry Lyons
I would endorse the Asset Transfer of Honley Community Centre. In wishing them well I hope it becomes a successful venture for the benefit of Honley residents.

Kirklees Neighbourhood Housing were consulted and no comments were received

5. Next steps

5.1 Subject to the decision made by Cabinet Committee Assets, officers from Physical Resources and Procurement will complete negotiations and agree terms of the transfer.

6. Officer recommendations and reasons

6.1 Members are requested to authorise in principle the 125 year leasehold transfer of Honley Community Centre to Netherton Community Centre CIC for nil consideration and to include covenants for community use with the exception of up to 30% commercial use subject to Netherton Community Centre CIC providing information relating to their CIC governance, an increase in Directors on its board, full details of the Management Committee and their accounts for 2016/2017 is received and assessed before legal completion of the transfer.

6.2 Members are requested to require the lease to contain arrangements that enable the Council to use the Property as an Electoral Poling Station as this is not outlined in the 2017 Community Asset Transfer Policy.

6.3 Members are requested to delegate authority to the Service Director of Economy, Regeneration and Culture and Service Director of Legal, Governance & Commissioning to negotiate and agree the terms of the lease (including the red line boundary of the 125 year leasehold transfer) that relates to the transfer of the Honley Community Centre to Netherton Community Centre CIC.

7. Cabinet portfolio holder's recommendations

The Portfolio Holder, Cllr Graham Turner recommends the leasehold transfer of Honley Community Centre to Netherton Community Centre CIC for no premium/nil considered subject to restrictive covenants discussed in paragraph 2.8.2 which states - *Transfer the centre on a 125 year leasehold with restrictive covenants for community use with an exception of up to 30% commercial use in line with previous asset transfers and as outlined in the 2017 Community Asset Transfer Policy.*

Cllr Turner also recommends that the lease contains arrangements to protect the site as a future Electoral Poling Station.

8. Contact officer

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9. Background Papers and History of Decisions
Honley Community Centre Red Line Boundary

10. Service Director Responsible

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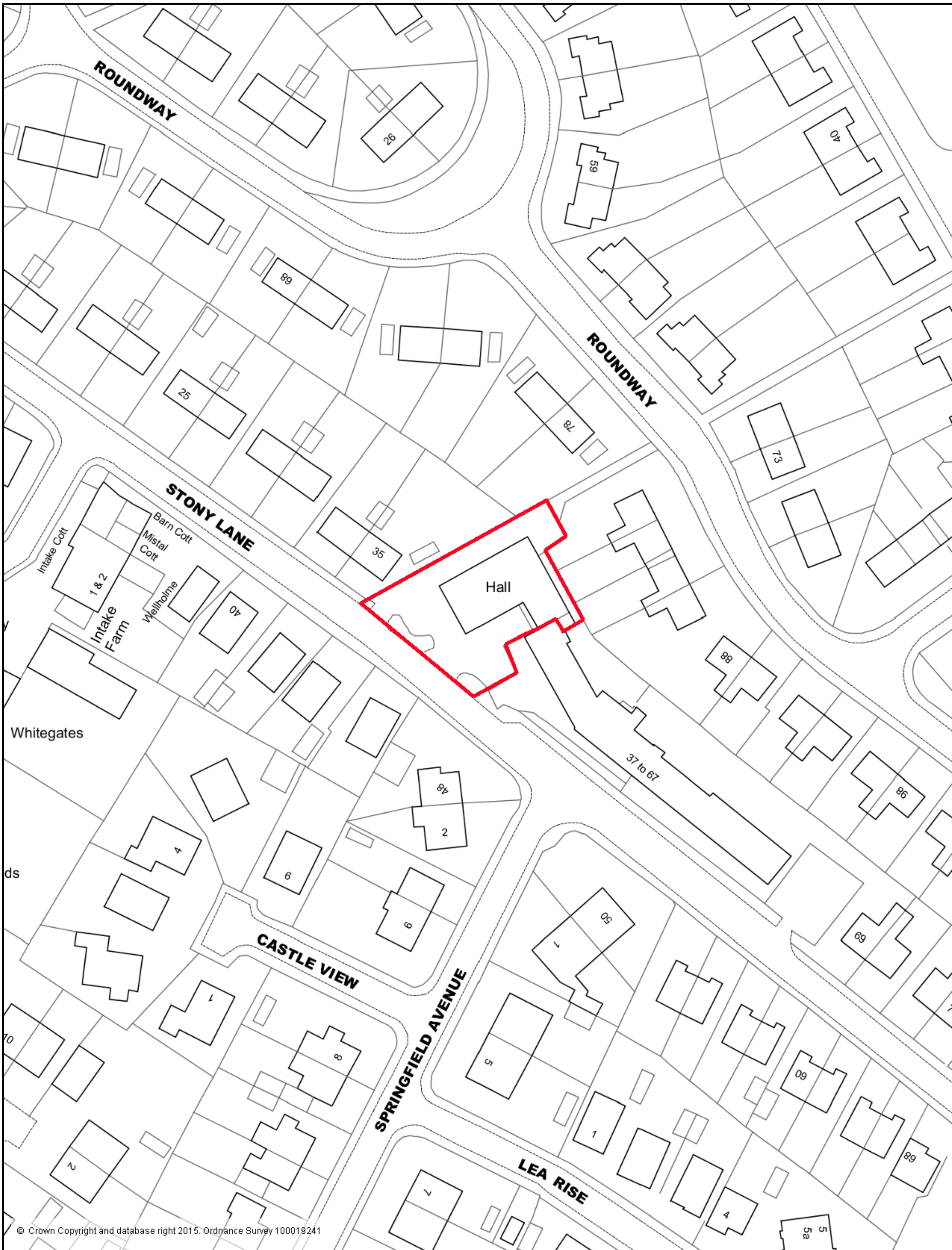

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Kirklees COUNCIL

Name of meeting: Cabinet
Date: 31 July 2017

Title of report: Update on the Council financial outturn & rollover report 2016-17deferred at Council on 11 July 2017

Purpose of report
To receive an update on the Council financial outturn and rollover report deferred at Council on 11 July 2017.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**NO** This report updates members on the report deferred at Council on 11 July
Key Decision - Is it in the [Council's Forward Plan (key decisions and private reports)?]	**No**
The Decision - Is it eligible for "call in" by Scrutiny?	**No**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Financial, IT & Transactional Services ?** **Is it also signed off by the Service Director - Governance & Commissioning Support ?**	**Jacqui Gedman** **20 July 2017** **Yes** **20 July 2017** **Yes** **20 July 2017**
Cabinet member portfolio **Corporate**	**Give name of Portfolio Holders** **Cllr Graham Turner** **Cllr Musarrat Khan**

Electoral wards affected: None
Ward councillors consulted: None

Public or private: Public

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1. Summary

1.1 The Council financial outturn & rollover report 2016-17, incorporating General Fund Revenue, Housing Revenue Account, Capital and Treasury Management, was presented to Cabinet on 31 May 2017.

1.2 The report was approved at Cabinet and subsequently presented to Council on 11 July 2017. During the Council meeting, a number of discrepancies were highlighted by members with figures presented within some of the Tables within the report.

1.3 Members agreed at the Council meeting on 11 July 2017 to defer the report, pending clarification by officers on the discrepancies highlighted, and that a revised report would be re-presented to Cabinet and Council at the earliest opportunity.

2. Information required to take a decision

2.1 The discrepancies referred to at the Council meeting on 11 July 2017 have been reviewed by officers, and mainly relate to typographical errors within the detailed Tables, plus one minor roundings issue with one of the figures. These have now been corrected as part of the re-presented report.

2.2 The discrepancies highlighted at the Council meeting on 11 July, and the corresponding corrected figures included in the re-presented report, are summarised at Appendix 1.

3. Implications for the Council

3.1 The re-presented report includes the corrections set out at Appendix 1.

3.2 The overall 2016-17 revenue and capital budget and outturn positions set out in the original report remain unaffected by the corrections noted at Appendix 1. This means that the recommendations in the re-presented 2016-17 financial outturn and rollover report remain the same as set out in the original report presented to Cabinet on 31 May and Council on 11 July 2017.

4. Consultees and their opinions

This report has been prepared by the Chief Financial Officer (Service Director, Financial, IT and Transactional Services), in consultation with the relevant Portfolio-holders.

5. Next steps

The corrections noted at Appendix 1 have been included in the re-presented 2016-17 financial outturn and rollover report 2016-17. The re-presented report is also included on this Cabinet agenda for member consideration.

6. Officer recommendations and reasons

Cabinet are asked to support the following officer recommendations :

6.1 to note the update on the report deferred at Council on 11 July;

6.2 to note that corrections set out at Appendix 1 which relate to the original discrepancies highlighted at the 11 July Council meeting; and

6.3 to note that the 2016-17 revenue and capital budget and outturn positions, end recommendations set out in the original report remain unaffected by the corrections noted at Appendix 1.

7. Cabinet portfolio holders recommendation

The Cabinet portfolio holders support the recommendations in this report.

8. Contact officer

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James Buttery Finance Manager
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9. Background Papers and History of Decisions

Annual budget report 2016-19
Annual budget report 2017-21
Early review of Closedown report 2016-17
CIPFA's code of Practice on Treasury Management in the Public Services
CIPFA's Prudential Code for Capital Finance in Local Authorities
Public Works Loan Board website

10. Service Director responsible

Debbie Hogg, Chief Financial Officer (&Service Director, Financial, IT & Transactional Services) ; debbie.hogg@kirklees.gov.uk

APPENDIX 1

Discrepancies highlighted at 11 July Council meeting and Officer amendments :

Original report reference	*Discrepancy highlighted in original report* *(figures quoted below k=£000)*	*Amended figure incorporated into re-presented report*	*Nature of the discrepancy*	*Impact of amendment on overall Council financial position*
Summary report, para 1.22; Table 2 ; strategic priorities budget	The individual budgets reported for Strategic Priorities, Baseline, Risks & Pressures, and One-Off Initiatives, total £71,051k. The sub-total in the same table is reported as £91,051k. This results in a discrepancy of £20,000k	Strategic Priorities Budget in the Table has been amended from £5,134k to £25,134k. The £91,051k sub-total is correct.	Typographical error in the original budget figure presented for Strategic Priorities	No impact. The overall capital budget, outturn and variance figures quoted in the original report remain unchanged.
Appendix B – revenue outturn; general fund Table	The individual Directorate figures for net controllable budgets, total £259,631k. The sub-total shown in the same table is reported as £253,906k. This results in a discrepancy of £5,725k.	The following individual net controllable budgets have been amended : Place from £35,738k to £33,489k and Economic Resilience from £14,405k to £10,929k. The £253,906k sub-total is correct.	Typographical error in the original net controllable budget figures presented for Place and Economic Resilience	No impact. The overall general fund revenue budget, outturn and variance figures quoted in the original report remain unchanged.
Appendix B – revenue outturn; general fund Table	The funding transfer from/to reserves figures for individual Directorates totals £12,096k. The sub-total in the same table is reported as £12,702k This results in a discrepancy of £606k	Place funding transfer figure has been amended from nil to £606k. The £12,702k sub-total is correct.	Typographical error in the original funding transfer figure presented for Place.	No impact. The overall general fund revenue budget, outturn and variance figures quoted in the original report remain unchanged

Original report reference	*Discrepancy highlighted in original report* *(figures quoted below k=£000)*	*Amended figure incorporated into re-presented report*	*Nature of the discrepancy*	*Impact of amendment on overall Council financial position*
Appendix B – HRA Summary Outturn Table	Individual revenue outturn figures for repair & management, housing management and other expenditure, total £80,404k. The sub-total in the same table is reported as £80,504k This results in a discrepancy of £100k.	The figure for repair & maintenance revenue outturn has been amended from £21,139k to £21,239k. The £80,504k sub-total is correct.	Typographical error in the original repair and maintenance figure presented for HRA	No impact. The overall HRA revenue budget, outturn and variance figures quoted in the original report remain unchanged.
Appendix C – general fund reserves and balances table	Earmarked reserves - individual figures for school balances and dedicated schools grant total (£19,899k) The sub-total in the same table is reported as (£19,900k) This results in a discrepancy of £1k.	The figure for dedicated schools grant has been amended from £6,407k to £6,408k. The (£19,900k) sub-total is correct.	Minor roundings issue with the figures as summarised for the table.	No impact. The overall revenue reserves position as reported across years in the original report, remain unchanged.

Name of meeting: Cabinet
Date: 31 July 2017

Title of report: Council financial outturn & rollover report 2016-17; incorporating General Fund Revenue, Housing Revenue Account, Capital & Treasury Management

Purpose of report
To receive information on the Council's 2016-17 financial outturn position for General Fund revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2016-17 to 2017-18. This report also includes an annual review of Council Treasury Management activity.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	**Yes** The report includes proposals to roll forward capital underspend from 2016-17 into 2017-18, to spend against specific activities.
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Yes** **29 March 2017**
The Decision - Is it eligible for "call in" by Scrutiny?	**No**
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Financial, IT & Transactional Services ?** **Is it also signed off by the Service Director - Governance & Commissioning Support ?**	**Jacqui Gedman** **18 July 2017** **Yes** **18 July 2017** **Yes** **18 July 2017**
Cabinet member portfolio **Corporate**	**Give name of Portfolio Holders** **Cllr Graham Turner** **Cllr Musarrat Khan**

Electoral wards affected: None
Ward councillors consulted: None

Public or private: Public

1. Summary

1.1 The Council's General Fund (net) revenue (or 'controllable') budget for 2016-17 was set at **£310.8m**.

1.2 There was a (net) funding transfer from reserves to general fund during the year totalling **£0.9m** in 2016-17. This resulted in a revised budget of **£311.7m**.

1.3 Council spend was **£314.4m** in 2016-17. There was a reported **overspend of £2.7m;** equivalent to 0.8% variance against revised budget. This is summarised in Table 1 below.

Table 1 – Summary 2016-17 general fund revenue outturn position :

Activity	Net Controllable Budget	Approved Funding Transfers from (+) / to (-) reserves	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
Directorates	253,906	12,702	266,608	273,118	6,510
Central Budgets	55,832	(11,848)	43,984	40,809	(3,175)
District Committees	1,098	-	1,098	454	(644)
Total	**310,836**	**854**	**311,690**	**314,381**	**2,691**

1.4 The £6.5m overspend at Directorate level includes service volume pressures in Children's services at £6.0m, and significant additional investment during the year in Children's service improvements at about £6.6m. There were service volume pressures in Adult Services at £5.4m.

1.5 The above service pressures were offset in part by other Directorate (net) underspends, including Place at (£2.8m), and Resources at (£2.9m); in part reflecting early delivery of savings required in 2017-18.

1.6 Cross-Directorate service activity relating to Early Intervention and Prevention, and Economic Resilience are currently undergoing major service re-design. In total, there was a combined underspend of £7.1m against these activities; in part reflects early delivery of savings required in 2017-18, in part reflects budgets not committed during the year pending completion of service re-design.

1.7 There were also offsetting underspends in Central Budgets totalling (£3.2m); mainly treasury management savings and inflation contingency not required.

1.8 Annual revenue rollover proposals are informed by Council Financial Procedure Rules, which state that revenue rollover proposals cannot exceed the overall net underspend position of the Council. As the Council is reporting an overall overspend position in 2016-17, there is <u>no</u> revenue rollover available.

1.9 District Committee managed budgets underspent by £644k at year end.

The governance arrangements for activity budgets managed through District Committees means there can be significant timing issues between budgets being approved at individual District committee level, and actual spend in relation to the approved budget.

1.10 The Chief Financial Officer (Service Director, Financial, IT & Transactional Services) will incorporate regular monitoring and review of overall Council reserves requirements as part of the Quarterly financial reporting cycle to Cabinet through 2017-18. This will include consideration of potential re-direct of existing earmarked reserves to support any unfunded District Committee spend commitments falling in 2017-18 due to timing issues noted in paragraph 1.9 above.

1.11 Council general fund revenue reserves and balances reduced from £113.2m at the start of the year, to **£90.1m** as at 31 March 2017.

1.12 There was a net drawdown of £23.1m during the year. This includes £19.8m to support Council budget plans in 2016-17, approved at Budget Council in February 2016.

1.13 It also includes the (net) transfer of £0.9m from Council reserves to general fund during the year, as summarised at Table 1 above.

1.14 The net drawdown also reflects the *£2.7m* overspend, which transferred to reserves at year end; effectively representing an unplanned drawdown against reserves.

1.15 Of the £90.1m reserves as at 31 March 2017, there are further approved reserves drawdowns in 2017-18; £11.1m to support Council budget plans in 2017-18, and a minimum general balances requirement of £5m; both of these approved at full Budget Council in February 2017.

1.16 This then leaves £73.9m reserves, of which £11.9m is statutorily ring-fenced for schools, and which the Council has no flexibility to apply for other purposes.

1.17 Of the remaining £62m reserves at the start of 2017-18, *£31.8m* reflects earmarked funding set aside for a range of spend commitments ; in part reflects timing issues between “one-off” external funding contributions received and expenditure incurred on a range of developmental activity. It also includes earmarked reserves set aside to support the organisation’s ongoing transformation to New Council.

1.18 The remaining ***£30.2m*** reserves at the start of 2017-18 consists of ‘risk’ reserves plus unallocated balances. This is available to support the overall ‘financial resilience’ of the Council. This amount is net of all the commitments noted in paragraphs 1.15 to 1.17 above, including the £11.1m reserves being used to support budget plans in 2017-18.

1.19 Financial resilience reserves at the start of 2017-18 are £10.1m higher than they might otherwise have been due to a number of early measures implemented as part of the 2016-17 final accounts process. These measures were, set out in an ‘Early Closedown Review’ report to Cabinet on 2 May 2017. The link to this report is included below for information (Agenda - Item 8) :

early closedown review 2016-17

1.20 The Council’s Housing Revenue Account (HRA) accounts for all Council housing related revenue expenditure and income in a separate statutory (ring-fenced) account. The HRA budgeted for a net surplus of (£2.9m), in 2016-17 but the actual net surplus was (£9.2m); a favourable variance of (£6.3m) against an annual turnover of £94.5m ; equivalent to (6.7%).

1.21 HRA reserves as at 31 March 2017 were (£52.0m); an increase of (£9.2m) in the year, entirely due to the (£9.2m) HRA surplus transferred to reserves at year end. There are no HRA revenue rollover proposals this year.

1.22 The Council’s overall capital budget for 2016-17 was £110.5m, and actual spend was £69.3m, resulting in an underspend of (£41.2m); (37.3%) variance compared to budget. This is summarised in Table 2 below.

Table 2 – Summary Capital Outturn 2016-17

Description	Budget £000	Outturn £000	Variance £000
Strategic Priorities	25,134	10,926	(14,208)
Baseline	55,416	36,724	(18,692)
Risks & Pressures	5,501	5,406	(95)
One-Off Initiatives	5,000	0	(5,000)
General Fund	**91,051**	**53,056**	**(37,995)**
Housing Revenue Account	19,478	16,210	(3,268)
Total	**110,529**	**69,266**	**(41,263)**

1.23 Of the capital underspend, the proposal is to roll-forward all existing commitments into 2017-18; £36.8m general fund and £2.4m HRA; £39.2m in total.

1.24 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management borrowing and investment activity during the financial year, and a review of treasury management activity for 2016-17 is incorporated into this report, for information.

2. Information required to take a decision

2.1 Appendix A, Sections 1-4 attached, sets out in more detail the financial outturn position of the Council in 2016-17 in relation to the Council’s general fund revenue, HRA revenue, Council capital budgets, and performance on treasury management activity.

2.2 Annual revenue rollover proposals are informed by Council Financial Procedure Rules, which set out the following principles to annual revenue rollover considerations :

i) total rollover proposals cannot exceed the overall net underspend position of the Council, and

ii) rollover proposals by Directorate should not exceed the net underspend position by Directorate

2.3 There are no revenue rollover proposals from 2016-17 to 2017-18 as the reported £2.7m overspend does not meet the Financial Procedure Rule principles for revenue rollover set out in paragraph 2.2 i) above.

2.4 The reported £2.7m general fund revenue overspend in 2016-17 is effectively offset by existing Council revenue reserves as at 31 March 2017.

2.5 The (£9.2m) HRA surplus in 2016-17 reverts to HRA reserves at year end. There are no HRA revenue rollover proposals from 2016-17 to 2017-18. HRA capital rollover proposals total £2.4m and this will be financed from the £9.2m surplus transferred to HRA reserves.

2.6 The balance of £6.8m HRA surplus transferred to HRA reserves will be considered as part of the overall resourcing available to support the re-fresh of the longer term HRA business plan through 2017-18.

2.7 Total capital rollover proposals (including HRA) total £39.2m. These are factored into the updated Capital Plan 2017-22, alongside revisions to external funding assumptions and a review of profiled spend across years. These are set out in more detail at Appendix A, section 3.

2.8 The annual re-fresh of Council's multi-year budget strategies and plans will be reported to full Council in Autumn 2017, and will include a further review of the updated capital plan as part of this annual re-fresh.

3. Implications for the Council

3.1 This report provides information on the Council's overall financial performance in 2016-17 against available resources, incorporating as well an overall updated capital plan for 2017-22. The overall activity to which the report's financial performance relates, supports the delivery of the following Council objectives and Priorities within available resources:

i) Early Intervention and Prevention (EIP)
ii) Economic Resilience (ER)
iii) Improving Outcomes for Children
iv) Reducing demand of services

3.2 The Council continues to face significant financial challenges and must ensure it can achieve a sustainable balanced budget over the medium term and beyond.

3.3 Approved revenue budget plans include a significant planned (net) saving requirement of £54m in 2017-18 and further savings of £50m over the following 3 years; £104m in total over the 2017-21 period. The planned savings requirement in 2017-18 is also net of the approved drawdown of £11.1m from available reserves to deliver an overall balanced general fund revenue budget in 2017-18.

3.4 The 'early closedown review' report to Cabinet on 2 May 2017 included a number of early measures incorporated in the 2016-17 final accounts process that released a further £10.1m revenue resources into risk reserves at year end.

3.5 While this has improved the overall financial resilience of the Council, it is anticipated that further actions will be required to ensure the Council can continue to manage within its means. This includes strengthened governance arrangements, supported by the Council's Transformation Business Partner, to monitor and review progress on the deliverability of the £54m planned savings requirement through 2017-18.

3.6 The impact on the HRA of an annual 1% rent reduction for social housing tenants over the 2016-20 period is a forecast reduction in annual rental income of £10.5m by 2020, against an annual turnover of £95m (equivalent to about 11%) The financial impact of this has previously been factored into the HRA business plan which will continue to be re-freshed and updated regularly through the year to help inform both medium and longer term HRA budget planning.

3.7 A key indicator used to ensure borrowing fulfils the criteria of being affordable, prudent and sustainable, is the actual proportion of overall revenue budget taken up with interest and debt repayments. The actual percentage was 7.91% in 2016-17. When the Capital Plan was presented to Budget Council in February 2017, the estimated percentage in 2017-18 was 8.04%, increasing to 8.96% by 2021-22.

3.8 After taking account of capital rollover, the re-phasing of schemes and changes to grant assumptions factored into the update 5 year capital plan 2017-22, the overall impact on the estimated percentages is not materially different. As revenue resources remain under considerable pressure, close scrutiny will need to continue to ensure overall Council borrowing remains Prudent and sustainable going forward.

4. Consultees and their opinions

This report has been prepared by the Chief Financial Officer (Service Director, Financial, IT and Transactional Services), in consultation with the Executive Team.

5. Next steps

Subject to member approval, capital rollover proposals and the update of the 5 year capital plan will be incorporated into in-year financial monitoring in 2017-18, and reported quarterly to Cabinet, from Quarter 2 onwards.

6. Officer recommendations and reasons

Cabinet are asked to support the following officer recommendations :

General Fund Revenue

6.1 note the revenue outturn positon for 2016-17 (Appendix A, Section 1 & Appendix B);

6.2 note the year end position on corporate reserves, including available 'financial resilience' reserves (Appendix A, Section 1, paragraphs 1.38 to 1.51, & Appendix C);

6.3 note the regular monitoring & review of corporate reserves in 2017-18 to be reported to Cabinet as part of the Quarterly financial monitoring cycle; including consideration of the potential re-direct of earmarked reserves to support deferred District Committee spend commitments (Appendix A, Section 1, paragraphs 1.28 to 1.29);

Housing Revenue Account (HRA)

6.4 note the revenue outturn positon for 2016-17 (Appendix A - Section 2 and Appendix B);

6.5 note the year end position on HRA reserves (Appendix A, Section 2 paragraph 2.12, Table 1) ;

Capital

6.6 note the Council capital outturn position for 2016-17 (Appendix E)

6.7 approve £39.2m capital rollover from 2016-17 to 2017-18 (Appendix A, section 3, paragraphs 3.5 to 3.7);

6.8 approve the revised Capital Plan for the 5 year period 2017-22, after taking into account rollover, the re-phasing of schemes and changes to grant assumptions (Appendix A, section 3, paragraphs 3.9 to 3.17, & Appendix G);

6.9 note the further review of the updated capital plan to inform the annual re-fresh of Council multi-year budget strategies and plans to be reported to full Council in Autumn 2017 (Appendix A, Section 3, paragraph 3.8);

Treasury Management

6.10 note the review of treasury management activity for 2016-17 (Appendix A, Section 4);

7. Cabinet portfolio holders recommendation

The Cabinet portfolio holders support the recommendations in this report.

8. Contact officer

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9. Background Papers and History of Decisions

Annual budget report 2016-19
Annual budget report 2017-21
Early review of Closedown report 2016-17
CIPFA's code of Practice on Treasury Management in the Public Services
CIPFA's Prudential Code for Capital Finance in Local Authorities
Public Works Loan Board website

10. Service Director responsible

Debbie Hogg, Chief Financial Officer (&Service Director, Financial, IT & Transactional Services) ; debbie.hogg@kirklees.gov.uk

SECTION 1 – GENERAL FUND REVENUE OUTTURN 2016-17

1. Summary revenue outturn position

1.1 The Council's general fund net revenue (controllable) budget for 2016-17 was set at **£310.8million (m)**.

1.2 Any reported variance against net revenue budget also takes into account approved (net) funding transfers between reserves and general fund during the year.

1.3 There was a (net) funding transfer from reserves to general fund totalling **£854k** in 2016-17. This resulted in a revised budget of **£311.7m**.

1.4 Council spend was **£314.4m** in 2016-17.

1.5 There was a reported **overspend of £2.7m**; equivalent to 0.8% against the revised budget of **£311.7m**.

1.6 The revenue outturn position is summarised by Directorate at Appendix B, the reserves position summarised at Appendix C and the more significant variances against Directorate activity, reported at Appendix D.

Service Directorates

1.7 Overall, Directorates overspent by £6.5m against a revised budget of £266.6m; equivalent to 2.4% variance.

1.8 There was significant investment during the year totalling £6m on measures to support a number of key service improvements in Children's Services. These include additional capacity to support interim management arrangements and additional volumes of work. Some of these measures are "one-off" investment, some recurrent (see also paragraph 1.9 below)

1.9 These service improvements are ongoing and have been supported by the Government appointment of an Independent Children's Commissioner to oversee these improvements. This follows the OFSTED inspection of the Council's Family & Safeguarding Service, which was reported to Cabinet on 28 November with an assessed rating of 'inadequate'.

1.10 In addition, there were volume pressures totalling £6.7m in relation to numbers of looked after children and associated placement or placement equivalent support. This includes pressures on External residential placements £2.0m; internal/external fostering at £2.8m; leaving care supported accommodation £946k and special guardianship/child arrangement orders at £785k.

1.11 The annual budget report to full Council on 15 February 2017 included additional resources allocated to Children's activity totalling £11.1m from 2017-18 onwards; £7.4m relating to volume pressure relating to numbers of looked after children, and £3.7m relating to ongoing service improvement capacity requirement across all levels of the service.

1.12 There were also significant Adult Social Care demand led pressures at £5.4m; mainly Learning Disabilities at £4.2m, Mental Health at £0.9m and Physical Disabilities at £0.7m. These service pressures have been reported regularly through the year through quarterly monitoring reports presented to Cabinet, including a separate report on learning disabilities overspend, which was reported to Cabinet on 12 December 2016.

1.13 The annual budget report to full Council on 15 February 2017 included additional resources totalling £3m allocated across Adult Social Care demand led activity, specifically in acknowledgement of the extent of current and forecast future service pressures. This is in addition to a £4m base budget uplift previously allocated to service budget from 2017-18 onwards, as part of the budget strategy update report 2017-21, presented to full Council on 12 October 2016.

1.14 There was an overall underspend of (£2.7m) against Place Directorate activity. The most significant underspends include additional income from the Driver Training Contract at (£866k). Schools Facilities Management had a surplus of (£1.5m); mainly increased efficiencies on food and labour costs in relation to the provision of universal free school meals. Corporate Landlord also underspent by (£1.4m); in part reflects reduced overall asset portfolio, in part lower facilities management costs. The cost offsets noted here were all factored into Directorate budget plans in 2017-18 as planned savings.

1.15 There were a number of cost offsets against the above, including exceptional costs incurred of £1.1m to deal with environmental contamination at a site in Huddersfield. There were also volume pressures on Waste management totalling £151k, and volume pressures on home to school transport of £1.1m. Additional revenue resources totalling £1m were added to Waste Management budget allocation from 2017-18 onwards to reflect both current year and anticipated volume pressures going forward.

1.16 There was an overall underspend of (£2.9m) against Resources Directorate activity. This includes (£1.9m early delivery of 2017-18 savings on the following; (£1.1m) Library & Information Centre activity, (£505k) on IT and (£257k) savings on corporate subscriptions and annual audit fee.

Cross-Directorate

1.17 There was an overall (£7.1m) underspend on Cross-Directorate theme activity. This includes Economic Resilience at (£3.4m); mainly reflects deferred implementation of service re-design resulting in certain budgets not being committed during the year.

1.18 Early Intervention and Prevention theme activity underspent by (£3.7m). This includes (£3.1m) early delivery of savings required in 2017-18, and in part, (£2.5m) due to the deferred implementation of service re-design , again resulting in certain budgets not being committed during the year. Also pending completion of service re-design, vacancies held across service activity totalled (£958k).This was in-part offset by an overspend on Supporting People activity totalling £2.9m.

Central Budgets

1.19 Central Budgets underspent by (£3.2m) in 2016-17, against a revised budget of £44.0m. The treasury management underspend was (£1.9m). The treasury management underspend is net of two approved transfers to risk reserves at year end.

1.20 The first of these relates to a specific treasury management underspend of (£8.0m) in 2016-17 resultant from a change to Council treasury management policy approved as part of the overall annual report approval at Budget Council on 15 February 2017.

1.21 The policy change relates to a re-profiling of the amount set aside from revenue resources annually for repayment of debt; also referred to as the Council's minimum revenue provision or MRP. The policy change was implemented in 2016-17, resulting in an immediate cash benefit to the Council of (£8.0m) in 2016-17, in addition to future year cash benefits from MRP re-profiling factored into annual treasury management budgets over the 2017-21 period.

1.22 The annual budget report approved the transfer of the 2016-17 (£8.0m) underspend to Council risk reserves at year end; one of the Council's early measures to increase financial resilience reserves at the start of 2017-18, in light of the unprecedented scale of the financial challenges and risks facing the Council, in particular over the forthcoming 12 months.

1.23 The other approved transfer to risk reserves at year end relates to direct revenue funded capital expenditure. Approved revenue budget funding totalling £1.8m are normally transferred from service budgets to treasury management in the first instance. These budgets would then have been applied to fund capital expenditure. The early closedown review report to Cabinet on 2 May 2017, included the recommendation to use borrowing, thereby freeing up an equivalent (£1.8m) revenue resources, for transfer to risk reserves at year end.

1.24 Net of the approved transfers set out at paragraphs 1.22 and 1.23 above, the reported year end treasury management underspend at (£1.9m) largely reflects lower borrowing requirement than anticipated due to slippage in the capital plan. This underspend has also been factored into the approved 2017-21 budget plans.

1.25 There were also savings in contingency budgets relating to inflation at (£1.1m); energy and inflation contingency not required. Approved budget plans for 2017-21 include significant inflation savings over the period; effectively cash limited (zero inflation) on a range of non-employee budgets over the next 4 years.

1.26 Other contingency underspends include insurance fund surplus at (£1.7m) and carbon reduction commitment budget not required at (£0.5m). Again, these underspends had been anticipated in 2017-21 budget plans.

1.27 As part of the Chief Financial Officer's year-end review of year end earmarked reserves requirements, there was an offsetting transfer from contingency budgets to earmarked reserves, totalling £1.9m. This is in respect of the Council's share of potential future payments due to Municipal Mutual Insurance (MMI) under a scheme of arrangement between MMI and its creditors.

District Committee Managed Budgets

1.28 District Committee managed budgets underspent by £644k in 2016-17 against a revised budget provision of £1.1m. This underspend relates to timing issues between approvals to spend at an individual District Committee level, and when actual spend is incurred.

1.29 The Chief Financial Officer will incorporate regular monitoring and review of overall Council reserves requirements as part of the Quarterly financial reporting cycle to Cabinet through 2017-18. This will include consideration of the re-direct of existing earmarked reserves to support any unfunded District Committee spend commitments falling in 2017-18 due to timing issues noted in paragraph 1.28 above.

Collection Fund

1.30 The Collection Fund is a ring-fenced revenue account. It is administered by the Council (the billing authority).

1.31 Responsibilities include council tax and business rates annual billing, income collection, and annual planned payments from the Collection Fund to the billing authority's own general fund, relevant precepting bodies (fire, police and parishes), and central government.

1.32 Planned payments to the relevant bodies are set in advance of each financial year as part of the formal budget approval process, based on estimated income. Actual income collected during the year can vary from estimated, and any such differences are retained within the Collection Fund as surpluses or deficits.

1.33 The intention is that any (surpluses)/deficits built up are 'smoothed out' over time, through adjusting annual re-payments to/from the Council's general fund. Due to timing issues and emerging income trends, it often takes a number of financial years to achieve smoothing out of surpluses/deficits accumulated, in practice.

1.34 Table 1 below reflects the change in the Council share of the Collection Fund (surplus)/deficit, between 2015-16 and 2016-17, including income performance in-year:

Table 1- Collection fund (Council share); 2016-17 outturn

Collection Fund	Council Tax	Business Rates
	£000	£000
Actual (surplus) / deficit at 1 April 2016	(4,660)	5,032
Transfer to (+) /from (-) general fund in 2016-17	3,921	(4,214)
Balance of (surplus) / deficit carried forward In-year income performance (surplus)/deficit	(739) (2,283)	818 493
Actual (surplus)/deficit at 1 April 2017	**(3,022)**	**1,311**
Transfer to (+) /from (-) general fund in 2017-18	2,000	(1,900)
Balance of (surplus) carried forward	**(1,022)**	**(589)**

1.35 In-year income performance on council tax reflects a surplus of (£2.3m); equivalent to (1.5%) against planned income of (£149.4m), and is mainly due to council tax income collection performance in excess of targeted.

1.36 In-year income performance on business rates reflects a deficit of £493k ; equivalent to 0.1% against planned income of £51.4m, and is due mainly to continued volatility on outstanding backdated rating valuation appeals.

1.37 Council approved budget plans for 2017-21 had largely anticipated the in-year Collection fund income performance trends noted above, in setting 2017-18 council tax base and business rates estimates. However, the position with regard to rating valuation appeals remains volatile.

Council Reserves

1.38 Reserves here means accumulated "one-off" resources built up over time. These are categorised under a number of broad categories, and summarised at Table 2 below:

Table 2 – Current Reserves position

General Fund Reserves	31st March 2016	Transfers in (-) /out (+)	31st March 2017	Budget Approved Movements 2017-18	Remaining reserves
	£000	£000	£000	£000	£000
Schools (statutory)	**(19,900)**	**8,048**	**(11,852)**	**-**	**(11,852)**
Earmarked (excluding Risk)	**(57,316)**	**17,822**	**(39,494)**	**7,700**	**(31,794)**
Earmarked - Risk Reserves	(9,968)	(18,078)	(28,046)	-	(28,046)
Unallocated Balances	(25,972)	15,254	(10,718)	8,485	(2,233)
Total Finance Resilience Reserves	**(35,940)**	**(2,824)**	**(38,764)**	**8,485**	**(30,279)**
Grand Total	**(113,156)**	**23,046**	**(90,110)**	**16,185**	**(73,925)**

1.39 Overall, Council general fund reserves have reduced from (£113.2m) as at April 2016, to (£90.1m) as at 31 March 2017; equivalent to a 20% (net) reduction in revenue reserves over the 12 month period.

1.40 There was a net drawdown of £23.1m reserves during 2016-17. Appendix C attached includes a more detailed review of the Council's general fund reserves movements between years.

1.41 The £23.1m net drawdown includes £19.8m drawn down as part of Council approved 2016-17 budget plans to deliver an overall balanced budget.

1.42 Risk reserves movements in-year includes the 'transfer-in' of a specific 2016-17 (£8.0m) treasury management underspend;; change in treasury management policy on minimum revenue provision for debt repayment (see also, paragraphs 1.21 to 1.22 earlier).

1.43 It also included the transfer-in of (£1.8m) revenue resources released from Treasury Management budgets; substitute fund approved revenue funded capital expenditure from borrowing (see also, paragraph 1.23 earlier).

1.44 The 'early review of closedown' report also included funding of £5.4m Council wide voluntary severance costs from 'in-year' generated capital receipts; allowable under Government flexible capital receipts funding guidelines. These costs would otherwise have been met from existing earmarked (workforce restructure) reserves. The equivalent (£5.4m) reserves 'saving' was re-directed from earmarked to risk reserves.

1.45 The same report also noted that the Chief Financial Officer would be undertaking a year-end review of earmarked reserves requirements, and subsequently identified (£2.9m) existing earmarked reserves that were no longer required for the original purposes that they had been set aside for. This was also transferred to risk reserves at year end.

1.46 As part of the same exercise, (£1.9m) was also transferred from central budgets to earmarked reserves at year end for the Council's share of potential future payments due to Municipal & Mutual Insurance (see also paragraph 1.27 earlier).

1.47 Budget Council in February 2017, approved a further drawdown from reserves, totalling £11.1m in 2017-18, to support the Council's budget plans in 2017-18 in the delivery of a balanced budget. There was also approval for a minimum £5m 'balances' requirement.

1.48 Adjusting for the above, remaining reserves at the start of 2017-18 total £73.9m. Excluding £11.9m statutory (school) reserves, which cannot be re-directed by the Council for any other purpose, remaining earmarked reserves at the start of 2017-18, totals £62.0m.

1.49 The £62m includes the following :

i) *£31.8m* earmarked reserves (excluding risk). This is non-recurrent funding set aside in part due to timing issues between "one-off" external funding contributions received and expenditure incurred on a range of developmental activity. It also includes earmarked reserves set aside to support the organisation's ongoing transformation to New Council

ii) *£30.2m* 'risk' reserves, inclusive of £2.2m unallocated balances; effectively reflects the extent of the 'financial resilience' reserves available to the Council at the start of 2017-18.

1.50 Early measures included in the early closedown report to Cabinet on 2 May 2017 effectively increased the level of financial resilience reserves by £10.1m than they would otherwise have been at the start of 2017-18.

1.51 It is recommended that Council reserves should be retained for their agreed purposes as set out above, and that further assessments of reserves requirements will be undertaken through the year, and reported to Cabinet as part of established quarterly corporate revenue monitoring reporting processes.

Future developments

1.52 The annual Budget Report 2017-21 approved at Budget Council on 15 February 2017, includes a planned savings of £54m in 2017-18 alone, to deliver a balanced budget, and further planned savings of £50m over the following 3 years; £104m planned savings requirement in total over the 2017-21 period.

1.53 To ensure that the longer financial position of the Council is affordable and sustainable within approved budget plans over the 2017-21 period, the Council will need to deliver in line with the Medium Term Financial Plan. This means working at pace, with support from the Council's external Transformation Business Partner. This includes strengthened corporate financial and programme governance arrangements, to monitor and review progress on the deliverability of the £54m planned savings requirement through 2017-18.

1.54 While early measures set out in the early closedown report to Cabinet on 2 May 2017 have improved the overall level of financial resilience reserves available to the Council, it is anticipated that further actions will be required during the year to ensure the Council can continue to manage within its means.

SECTION 2 – HOUSING REVENUE ACCOUNT OUTTURN 2016-17

2. Key Points

2.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account. All income streams and costs relating to the provision of landlord services to about 23,000 Council tenancies, are wholly accounted for in a separate statutory, ring-fenced account.

2.3 The HRA is wholly self-financing, and as with the general fund, has to live within its means.

2.4 The HRA budgeted for a (£2.9m) surplus in 2016-17. The actual surplus was (£9.2m);a favourable variance of (£6.3m) against an annual turnover of (£94.5m); equivalent to (6.7%). This is summarised at Appendix B. The surplus transferred to HRA reserves at year end.

2.5 The most significant variance was an underspend of (£3.1m) on revenue contribution to capital expenditure. This was due to slippage on the HRA capital plan in 2016-17 which underspent by (£3.3m) overall (see also, Appendix E).

2.6 Other highlight variances include repair & maintenance at (£1.1m) and Other Expenditure; reduction in bad debt provision requirement at (£1.3m). Highlight variances across a range of HRA activity headings are summarised at Appendix D.

2.7 HRA rollover proposals from 2016-17 to 2017-18 total £2.4m and are all capital related (see also, Appendix A, Section3, paragraph 3.6). This will be funded from the £9.2m surplus transferred to HRA reserves at year end. This then leaves a balance of uncommitted HRA surplus at £6.8m which will carry forward in HRA reserves.

2.8 The HRA faces a number of significant financial challenges over the medium term. In particular, the Government national social housing rent policy, now enacted through the Welfare & Work Reform Act, has meant an absolute 1% annual rent reduction from April 2016; each year for the next 4 years, for social housing rents.

2.9 The financial impact has been a forecast rental income loss of £10.5m per annum by 2020. Rental income accounts for 90% of total HRA income. The modelled financial impact of this has been factored into Council approved HRA budget plans over the 2017-21 period, and longer term HRA business plan forecasts.

2.10 The HRA business plan will be re-freshed through 2017-18, and will include consideration of the £6.8m uncommitted surplus (as per paragraph 2.7 above) ,as part of the overall resourcing available to fund HRA business plan medium and longer term requirements.

HRA Reserves

2.11 The HRA statutory ring-fence applies equally to HRA reserves. In-year surpluses or deficits at each year end transfer to HRA general reserves, which build up over time and can be drawn down to support both HRA revenue and capital resourcing requirements.

2.12 In addition, there is also a major repairs reserve. This is funded from the annual depreciation charge to HRA . This reserve can only be statutorily used for capital debt repayment or capital investment. The year-end HRA reserves position is summarised in Table 1 below:

Table 1 - HRA Reserves at April 2017 :

HRA Reserves	**Balance as at 31 march 2016**	**Surplus transfer from HRA**	**Reserves used to repay capital debt**	**Reserves used to fund capital expenditure**	**Balance as at 31 March 2017**
	£000	£000	£000	£000	£000
General Reserves	(37,304)	(9,209)	0	0	(46,513)
Working balance	(1,500)	0	0	0	(1,500)
Risk reserves	(4,000)	0	0	0	(4,000)
Major Repairs	0	(17,224)	6,259	10,965	0
Total	**(42,804)**	**(26,433)**	**6,259**	**10,965**	**(52,013)**

2.13 Net movement in HRA general reserves during 2016-17 reflects the £9.2m year-end surplus transfer to HRA reserves.

2.14 HRA reserves commitments over the medium term include £4.0m set aside for business risks; in particular, with regard to a number of welfare reform changes such as universal credit, and potential transitional impact on HRA rent arrears. There is also a set aside £1.5m working balance.

2.15 As noted at paragraph 2.7 earlier, in total £2.4m of the £9.2m surplus transferred to reserves at year end will be used to fund HRA capital rollover proposals from 2016-17 to 2017-18. This would then leave a balance of £44.1m general reserves available to support future HRA business plan requirements.

2.16 Current HRA reserves strategy is largely driven by long term HRA business plan requirements; in particular the planned build-up of capital resources in earlier years, rolled forward through general reserves. This funding will then be released over the longer term in line with capital investment needs to maintain housing stock decency over the 30 year lifetime of the HRA business plan.

2.17 The recently enacted Housing & Planning Act 2016 includes government policy intent with regard to high value council housing assets; namely an annual levy or charge to Council HRA's, which will then be re-directed to private registered providers to compensate them for loss of housing stock through the introduction of right to buys in this sector.

2.18 The indicative levy calculation for individual Councils and accompanying consultation has not been released yet by government. The current timescale is uncertain. It is anticipated that short-term, existing HRA general reserves would have to absorb any short-term cash-flow impact at the point of implementation of the levy.

2.19 Subject to further Government clarification on the detail and timeline of any implementation, this is acknowledged to represent a significant future budget budget pressure on the HRA which would need to be modelled through the HRA business plan, and the resource implications incorporated accordingly into future budget rounds.

HRA borrowing 'cap'

2.20 As part of HRA self-financing implementation, Government set different borrowing limits for Councils with HRA's. This Council's HRA borrowing limit was set at £247.6m as at April 2012.

2.21 In practice, actual HRA debt outstanding at the time was £215.6m. The difference between HRA debt outstanding and the borrowing limit is also referred to as 'borrowing headroom'; £32m in this case. Since April 2012, the Council has continued to re-pay HRA debt annually, in line with current Council treasury management policy, and as at 31 March 2017, HRA debt outstanding was **£186.2m** (see also, Appendix F), effectively increasing the HRA borrowing headroom to £61.4m.

2.22 While there is borrowing headroom, as with the general fund, the Council has to ascertain whether or not the HRA can "afford" to take on new borrowing, in view of the additional financing costs that HRA would have to incur. Consideration of any scope to review the current approach will be taken as part of the regular re-fresh of the HRA business plan.

Future developments

2.23 The annual 1% rent reduction each year for the next 4 years presents a significant financial risk to the HRA. There are also a number of other business risks potentially impacting on HRA, including the impact of universal credit on income collection, and the levy proposal noted earlier in paras 2.15 to 2.17 above. These business risks will continue to be reviewed in conjunction with the regular re-fresh of the HRA business plan in-year, to inform future budget rounds.

2.24 This also includes the planned delivery of significant efficiency savings over the medium term; in particular sustainable medium term savings following the merger between Building Services & the Council's Arms Length Management Organisation partner, Kirklees Neighbourhood Housing (KNH), implemented in October 2016.

SECTION 3 – CAPITAL OUTTURN 2016-17

3. Capital Outturn Summary Position

3.1 The Capital Plan for 2016-17 (inclusive of rolled over funds from 2015-16) was approved by Council on 29th June 2016 and totalled £102.0m. Following adjustments reported as part of Quarter 3 monitoring to Cabinet, the Capital Plan stood at £103.2m.

3.2 Subsequent adjustments increased the Capital Plan total to **£110.5m** by the end of the financial year. The increase in budget of £7.3m is mainly due to the £5.4m staff capitalisation with matched funding from in-year capital receipts (see also, Appendix A, Section 1, paragraph 1.44). A breakdown of budget changes can be found in Appendix E iii).

3.3 Actual spend at year end was £69.3m. There is a headline outturn **underspend of £41.3m** (37.3% variance compared to budget).

3.4 The outturn position across headline activities and highlight variances are explained at Appendix E i) and ii), along with explanations of the principal variations.

Capital Rollover Proposals

3.5 The General Fund underspend is £38m. Of this, £36.8m relates to slippage rather than anticipated scheme underspends. The proposal is to roll-forward this into future years. The remaining £1.2m underspend has been identified with no existing commitments. This will not be rolled forward into 2017-18.

3.6 The Housing Revenue Account (HRA) underspend is £3.3m. Of this, £2.4m relates to slippage and it is proposed that this also be rolled forward into future years. This includes baseline works of £500k, Estate Environmental of £1m and Strategic Priorities of £900k.

3.7 At this stage there is no recommendation for extra investment over and above the recommended plan for 2017-18 to 2021-22 noting that Cabinet will be updated on the Council's exposure to capital risks and pressures during the upcoming financial year.

3.8 The annual re-fresh of Council's multi-year budget strategies and plans will be reported to full Council in Autumn 2017, and will include a further review of the updated capital plan as part of this annual re-fresh.

Updated Capital Investment Plan 2017-22

3.9 The Capital Plan approved at Budget Council on 15 February for the period 2017-22 totalled £346.3m. This has been now been updated to take account capital rollover proposals totalling £38.5m. The plan has also been updated to reflect minor changes in the estimated levels of external grant funding/contributions available over the 2017-22 period. Services have also taken the opportunity to review progress on programmes and schemes with a view to achieving a more realistic capital budget profile over the 5 year Plan period, including an appropriate profiling of capital rollover proposals over the period.

3.10 The revised Capital Investment Plan for the period 2017-22 totals £362.1m. The Plan is summarised at Table 1 below (see Appendix G i) – G iii)) for detail, including capital resourcing detail).

Table 1 - Overall Expenditure Summary 2017-18 to 2021-22

	17-18 £000	18-19 £000	19-20 £000	20-21 £000	21-22 £000	Total £000
Strategic Priorities	33,343	25,987	22,409	5,343	545	87,627
Baseline	53,935	28,422	26,125	25,398	22,060	155,940
One-Off Initiatives	95	0	0	0	0	95
Risks & Pressures	2,500	2,500	2,500	2,500	2,500	12,500
Total General Fund	**89,873**	**56,909**	**51,034**	**33,241**	**25,105**	**256,162**
HRA	20,022	23,020	18,172	17,646	27,105	105,965
Council Total	**109,895**	**79,929**	**69,206**	**50,887**	**52,210**	**362,127**

3.11 In addition to capital rollover, other key revisions to the 5 year Plan include the proposed reduction by £1m of uncommitted borrowing from Risks & Pressures from 2017-18 onwards, the reduction of £165k from the Powerhouse scheme within Strategic Priorities in 2017-18, and the reduction of £662k in relation to Huddersfield Leisure Centre, which is no longer required in 2017-18. Also, £1m rollover is not required for the Councils short term loan facility to Kirklees College, since the maximum £6m loan facility (approved by Cabinet 23rd August 2016) was already built into the February Budget Capital Plan.

3.12 The above proposals total £2.8m and were all funded by borrowing. Their removal from the capital plan would generate additional treasury management revenue savings of £189k per annum from 2017-18 onwards.

3.13 Cabinet approval was given on 20 September 2016 to fund a further £4m loan advance to Kirklees Stadium Development Ltd from the Risks and Pressures line, in addition to the £9m loan previously approved. The plan for the HD-One scheme within Strategic Priorities has been updated to £13m overall to fund the loan on a commercial basis which is secured against specific developments.

3.14 The main Strategic Priority schemes funded by borrowing (Huddersfield Town Centre Action Plan, Dewsbury Town Centre Action Plan, European Grant Funding Opportunities and Spenborough Sports Facility) have been reviewed to ensure the capital budget profiles across years remain realistic. Overall borrowing requirements (including rollover) remain unchanged.

3.15 Strategic Priorities Programme includes funding allocated (mandated) from the Combined Authority to the Council, to fund early feasibility work on West Yorkshire Transport Fund (WYTF) strategic priorities. The updated plan reflects existing mandates rolled forward from 2016-17. No further mandates have yet been agreed for 2017-18, however the plan will be updated to reflect new mandates throughout the new financial year.

3.16 The Department for Education has confirmed the education basic need grant allocations for the 2017-20 period. Years 4 and 5 assume a continuation of the new year 3 allocation. Overall there has been a significant funding reduction over the 5 years from £30.4m to £17.5m; an overall reduction of £12.9m over the period compared to previous estimates. This reduction has entirely fallen on the New Pupil Places Programme within Strategic Priorities.

3.17 Other changes incorporated into the Plan, affecting Baseline plans, relate to:

i) The Disabled Facilities Fund which is part of the Better Care Fund can only be used for the specific purpose of providing adaptations for disabled people who qualify under the scheme. A grant allocation of £2.7m, an increase of £0.2m, for 2017-18 was announced on 20th April 2017 and is built into the Housing Private capital plan.

ii) Cabinet approval (20 September 2016) was given for £150k of Better Care Fund grant to be allocated to the Adults Capital Plan pending the firming up of capital spend proposals from the service.

iii) Government announced on 4th March 2017 an un-ringfenced grant "to support local authorities to make capital investments in provision for pupils with special educational needs and disabilities. Local authorities can invest in new places and improvements to facilities for pupils with education, health and care (EHC) plans in mainstream and special schools, nurseries, colleges and other provision." Kirklees allocation is £352k each year for the next 3 years and has been included within the Children and Young Peoples Baseline capital plan.

iv) The Department for Education announced in March 2017 that the level of Capital Maintenance grant for 2017-18 will be £3.7m (a reduction of £57k compared to the previous assumption of £3.6m).

v) a net increase in external grant funding (£905k) for Highways in 2017-18.

Prudential Indicators

3.18 The overall capital resourcing of the updated 2017-22 capital plan is set out in more detail at Appendix G iii). This includes borrowing over the 2017-22 period totalling £115.4m; equivalent to 31.2% of total capital funding of £362.1m over the period.

3.19 The Council is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. This requires prudential indicators (indicators/limits which help manage the Council's borrowing and treasury management activities) to be set as part of the budgeting process, monitored through the year and reported at outturn.

3.20 Appendix F provides a schedule of the prudential indicators applicable to affordability and prudence which have been reported as part of capital monitoring in 2016-17. Indicators applicable to treasury management are reported in the Annual Report on Treasury Management.

3.21 The impact on the prudential indicators from the adoption of the proposed updated 5 Year Capital Plan 2017-22 including rollover has a minimal impact due to actively using short term borrowing which has low interest rates. This therefore has a low impact on debt charges.

3.22 The proportion of the revenue budget absorbed by repaying debt and interest is a matter of local decision. However, as borrowing grows as a proportion of the revenue budget, the Council's ability to provide day to day services is restricted as repayment of debt is a first call on the Council's finances.

APPENDIX A

SECTION 4 – TREASURY MANAGEMENT

4. Borrowing and Investment Strategy 2016/17

4.1 With the continuation of instabilities in the financial markets and fragility of economic activity, the over-riding policy was one of ensuring the security of the Council's balances. The Council chose to invest externally balances of around £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements. The investment strategy was designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds.

4.2 It was expected that the Council's external borrowing would increase by up to £30 million, arising mainly from the need to replace balances used. With short-term rates forecast to stay low over the next three years, it is proposed that new borrowing be kept to relatively short periods (up to 10 years).

The economy and interest rates

4.3 Politically, 2016/17 was an extraordinary twelve months which defied expectations when the UK voted to leave the EU and Donald Trump became President of the USA. Uncertainty arising from these outcomes and the slowdown of the Chinese economy in early 2016 all resulted in significant market volatility during the year.

4.4 The referendum result caused a sharp fall in the Sterling exchange rate and initial falls in interest rates and equity prices. Higher import prices, together with higher energy prices, resulted in CPI rising to 2.3% year/year in March 2017. Repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt a cut in Base Rate to 0.25% in August and embark on further gilt and corporate bond purchases. Despite growth forecasts being downgraded, economic activity was fairly buoyant and the labour market also proved resilient. The UK's sovereignty rating was downgraded to AA by two of credit rating agency.

4.5 At the beginning of each quarter, interest rates for the UK were as follows:

		Base rate	50 year PWLB (maturity)*
2016	Apr	0.50%	2.95%
	Jul	0.50%	2.17%
	Oct	0.25%	2.17%
	Jan	0.25%	2.50%
2017	Apr	0.25%	2.34%

*Includes the 0.20% discount that the Council can access as part of the "certainty rate" scheme.

Investment activity

4.6 The Council's treasury management investments totalled £31.3 million as at 31 March 2017 (£38.3 million 31 March 2016). The Council invested an average balance of £41.8 million externally during the year (£59.0 million 2015/16). Income of £0.153 million was generated through these investments (£0.264 million 2015/16). Appendix H shows where investments were held at the beginning of April, the end of September and the end of March, by counterparty, by sector and by country. The Council's average lending rate for the year was 0.37% (0.45% 2015/16), being above the weighted average 7 day London Interbank borrowing rate of 0.33%. The fall in rates between the years reflects the Base Rate cut in August.

4.7 The majority of investments were placed in instant access bank deposit accounts/Money Market Funds (MMFs). MMFs offer greater diversification of counterparties and thus lower risk, as well as instant access and relatively good returns.

4.8 At the end of November, the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies (Barclays, HSBC, Lloyds/Bank of Scotland, Santander UK, HSBC, RBS/NatWest and Nationwide BS). The 2016 stress tests were more challenging and designed under a new Bank of England framework, which tested the banks' resilience. No banks failed the test, but Royal Bank of Scotland, Barclays and Standard Chartered Bank were found to be the weakest performers. It should be noted that the tests were based on banks financials as at 31 December 2015 (11 months out of date), but our advisors, Arlingclose, regularly undertake analysis of relevant ratios in order to keep its clients informed of current bank creditworthiness.

Borrowing requirement and debt management

4.9 In terms of borrowing, long-term loans at the end of the year totalled £400.5 million and short-term loans (excluding interest accrued) £37.7 million (£408.4 million and £16.0 million 31 March 2016), an overall increase of £13.8 million. The only new long-term borrowing in the year was an interest free loan for £109k from West York Combined Authority, linked to a housing development scheme being undertaken by the Council. Appendix I details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2017.

	Actual £m
Decrease in Capital Financing Requirement excluding PFI	-4.7
Decrease in net balances	17.8
Increase in external borrowing and deferred liabilities	13.1

The Capital Financing Requirement (CFR) is the authority's underlying need to borrow for a capital purpose.

4.10 Fixed rate loans account for 82.5% of total long-term debt giving the Council stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix J and shows that no more than 11% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

4.11 The primary source of the Council's borrowing is from the Government ie Public Works Loan Board (PWLB). In January 2015, DCLG announced that the PWLB would be abolished. It is likely that Treasury will take over the PWLB's responsibilities and lending arrangements will remain unaffected.

4.12 In June 2016, the Council received deed polls from Barclays Bank stating that it would not exercise its options to increase interest rates on £30 million of LOBO (Lender's Option, Borrower's Option) loans held by the Council. This effectively makes the loans fixed rate maturity loans. The interest rates on these loans range from 3.81% to 4.10%. This effectively brings the total of LOBO loans down to £76.6 million which represents 17.5% of total external borrowing. LOBO loans are when the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No options were exercised during the year.

4.13 The Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative source of local authority finance. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. It has yet to issue any loans but officers will continue to monitor developments of this potential new funding source.

4.14 In terms of debt rescheduling, the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity.

4.15 The average borrowing rate for 2016/17 was 4.78% (4.95% 2015/16).

Trends in treasury management activity

4.16 Appendix K shows the Council's borrowing and investment trends over the last 9 years. The analysis shows that at the onset of the "Credit Crunch" (2008), the Council was externally investing over £100 million, with average investment rates over 5%. From 2009/10 onwards as the banking crisis grew worse and investment rates fell, the Council adopted a policy of holding external investments for cash flow purposes only, initially at around £50 million and then further reduced to £30 million. Any further balances have effectively been "invested internally" to offset new borrowing requirements. For the first time in six years, the net debt position increased as the Council began to use its balances to support budget pressures.

4.17 The Capital Financing Requirement (CFR) for General Fund and HRA is currently £412.8 million and £186.2 million respectively. It is funded by external borrowing and balances internally invested.

Revenue Budget Monitoring

4.18 The outturn showed an under-spend of £11.6 million on a net spend of £23.6 million. The under-spend arose largely from the policy on debt repayment being modified (£8.0 million) and the decision to replace service revenue contributions to fund capital with borrowing (£1.8 million). There was member approval to transfer the cash benefit from these 2 measures, to strengthen available risk reserves at year end (see also, Appendix A Section 1, paragraphs 1.22 to 1.23).

Risk and Compliance Issues

4.19 The Council can confirm that it has complied with its prudential indicators for 2016/17, which were approved as part of the Treasury Management Strategy. Details can be found in Appendix L. Indicators relating to affordability and prudence are reported at Appendix A, Section 3 ,paragraphs 3.18 to 3.22).

4.20 On two occasions (June and September 2016) when the Council has received unexpected monies late in the day, officers have had no alternative but to put the monies into the Barclays Business Reserve Account overnight. This led to a marginal breach of the investment limit on Barclays on each occasion (£553k and £733k), mainly because the Council was also investing with Barclays at the time, taking advantage of a preferential rate offered as a new current account customer. The offer ended in October and the Council has not invested with Barclays since then.

4.21 In addition at the end of April 2016, a Barclays' software problem prevented the Council from transmitting funds to other counterparty deposit accounts. This caused the Council to have £11 million in excess of its own investment limit with Barclays over the weekend. The Council was compensated by Barclays for any loss of interest and the problem has not re-occurred.

4.22 In line with the strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.

4.23 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.

4.24 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2016/17. Training was provided to Members in March 2015 and consideration should be given to requesting Arlingclose to provide a refresh in the summer.

General Fund	Net Controllable Budget	Funding transfer from (+) / to (-) reserves	Total Resources available	Revenue Outturn	Variance	Variance
	£000s	£000	£000	£000s	£000s	%
Children & Young People	57,959	9,540	67,499	80,984	13,485	20.0%
Commissioning, Public Health & Adults	84,217	648	84,865	91,193	6,328	7.5%
Place	33,489	606	34,095	31,375	(2,720)	(8.0%)
Resources	36,631	518	37,149	34,211	(2,938)	(7.9%)
Communities, Transformation & Change	5,299	272	5,571	5,101	(470)	(8.4%)
Economic Resilience	10,929	1,118	12,047	8,627	(3,420)	(28.4%)
Early Intervention & Prevention	25,382	-	25,382	21,627	(3,755)	(14.8%)
Directorate Totals	**253,906**	**12,702**	**266,608**	**273,118**	**6,510**	**2.4%**
Central Budgets	55,832	(11,848)	43,984	40,809	(3,175)	(7.2%)
District Committee managed budgets	1,098	-	1,098	454	(644)	(58.7%)
Grand Total	**310,836**	**854**	**311,690**	**314,381**	**2,691**	**0.8%**

APPENDIX B (continued)

Housing Revenue Account	Net Controllable Budget	Revenue Outturn	Variance	Variance
	£000s	£000s	£000s	%
Repair & Maintenance	22,377	21,239	(1,138)	(5.1)
Housing Management	32,474	31,785	(689)	(2.1)
Other Expenditure	28,856	27,480	(1,376)	(4.8)
Total operating expenditure	**83,707**	**80,504**	**(3,203)**	**(3.8)**
Rent Income	(82,639)	(82,791)	(152)	0.2
Other income	(11,839)	(11,745)	94	-0.8
Total operating income	**(94,478)**	**(94,536)**	**(58)**	**nil**
Revenue contribution to capital expenditure	7,919	4,823	(3,096)	(39.0)
Net surplus (-) /deficit (+)	**(2,852)**	**(9,209)**	**(6,357)**	**(30.2)**
Planned Transfer to HRA Reserves	2,852	9,209	6,357	-
Net Surplus (-) / deficit (+)	**0**	**0**	**0**	**-**

GENERAL FUND RESERVES & BALANCES	Reserves at 1 April 2016	Reserves supporting 2016-17 MTFP	in-year movements (Council approval Feb/July 2017)	Planned use of reserves in-year	Early closedown review - Cabinet Report May 2017	Year end transfer to General Reserves - Council overpsend	Reserves at 1 April 2017	Reserves supporting 2017-18 MTFP	Remaining reserves at April 2017
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
STATUTORY (SCHOOL) RESERVES									
Earmarked Reserves - School Balances	(13,492)	-	-	3,960	-	-	(9,532)	-	(9,532)
Earmarked Reserves - Dedicated Schools Grant	(6,408)	-	-	4,088	-	-	(2,320)	-	(2,320)
Statutory (School) Reserves Total	**(19,900)**	**-**	**-**	***8,048***	**-**	**-**	**(11,852)**	**-**	**(11,852)**
EARMARKED (OTHER)									
Prepayments (PFI)	(3,148)	-	-	(167)	-	-	(3,315)	-	(3,315)
Joint Adults Social Care / Health	(7,964)	-	-	227	34		(7,703)	7,700	(3)
Workforce Restructure	(10,910)	-	300	119	5,400	-	(5,091)	-	(5,091)
Insurance (Municipal Mutual Insurance)	-	-	-	-	(1,900)	-	(1,900)	-	(1,900)
Revenue Grants / Contributions	(15,038)	1,221	-	1,825	1,155	-	(10,837)	-	(10,837)
Revenue Rollover	(9,752)	397	3,307	1,543	499	-	(4,006)	-	(4,006)
Business Rates Reserve	(3,714)	3,145	-	56	512	-	(1)	-	(1)
New Council Transformation	(4,000)	-	(1,433)	489		-	(4,944)	-	(4,944)
Other Earmarked Reserves	(2,790)			401	692	-	(1,697)	-	(1,697)
Earmarked Reserves (Other) Total	**(57,316)**	**4,763**	**2,174**	**4,493**	**6,392**	**-**	**(39,494)**	**7,700**	**(31,794)**
EARMARKED - RISK	(9,968)	-	(8,000)	-	(10,078)	-	(28,046)	-	(28,046)
UNALLOCATED BALANCES	(25,972)	15,037	(2,174)	-	(300)	2,691	(10,718)	8,485	(2,233) *
Financial Resilience Reserves Total	**(35,940)**	***15,037***	***(10,174)***	**-**	***(10,378)***	***2,691***	**(38,764)**	**8,485**	**(30,279)**
All Reserves & Balances	**(113,156)**	**19,800**	**(8,000)**	**12,541**	**(3,986)**	**2,691**	**(90,110)**	**16,185**	**(73,925)**

includes £5m minimum balances requirement

General Fund Outturn highlight variances **APPENDIX D**

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
Children & Young People	Safeguarding & family support; demand led activity	+6,745	(Underlying overspend +3,570k in 2015-16). Includes internal/external fostering +2,827k, external placements +2,026k, leaving care supported accommodation +946k, Special guardianship/child arrangement orders +785k
	Safeguarding & family support	+5,982	Mainly net cost of additional agency staffing costs at + 5,243k due to Interim Service Management arrangements
	Safeguarding Assurance	+1,085	Mainly due to Medium Term Financial Plan savings not achieved +£195k , Agency costs +£786k, and unfunded posts +£134k.
	Learning & Skills	(577)	Includes specialist learning support -£223k, savings on employee budgets; savings across a range of support services provided to Partnership Service activity at -£290k
	Disabled Children's Service	+200	Mainly pressure on direct payments +£342k & +£158k Agency staffing, offset by drawdown from Kirklees Integrated Community Equipment Store pooled reserves (£327k)
	Child Sexual Exploitation Team	+369	Additional costs arising from Child Sexual Exploitation unfunded to be met from reserves

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
	Safeguarding & family support; Legal Costs	+474	Pressure on legal disbursements
Commissioning, Public Health & Adults	Placement equivalent demand	+5,453	(Underlying overspend £1,700k in 2015-16) ; Older People (£0.3m), Physical disabilities +£0.7m, Learning disabilities +£4.2m and Mental health +£0.9m,. In addition there has been £2m Better Care Funding already allocated to placement equivalents from 16/17 monies for supporting social care.
	(Older People) In-house residential	+538	Net employee overspends ; largely agency costs arising from sickness/vacancy cover.
	Best Partnering	+953	Deferral of assumed budget savings from joint review of commissioned activity currently directly provided by Adults.
	Re-ablement	+304	Budget savings not made in full
	Commissioning	(800)	Includes Contracted Services including extra care housing (£172k),savings in other contracted services (£414k), reduced Kirklees Integrated Community Equipment Store contribution (£361k); part offset by Deprivation of Liberty Safeguarding - External Assessors to meet demand +£366k

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
	Public Health	+224	Mainly savings on Substance Misuse, Smoking and Sexual Health (£778k), Healthy Child programme (£146k), Weight Management Resources +£34k, Health Checks (£208k), Health Protection (£109k), staff savings (£347k) and other PH savings (£238k) to offset the public health grant reduction of £2,016k in 2016-17.
Place	Waste Services	+1,176	Exceptional costs relating to site environmental clean-up (Hunters) at +£1,129k, Waste disposal volumes (tonnages) at +£151k . Delayed implementation of budget savings at +£501k ;partly offset by other savings in- year across a range of activity at (£605k)
	Driver Training	(866)	Higher than anticipated referral numbers across the region for driver training
	Policy, Strategy & Commissioning	(471)	Early delivery of 2017-18 planned savings.
	Transport	(233)	Mainly sales (£247k) favourable
	Strategic Housing	(219)	Includes underspends on employees (£46k), reduced costs on stair-lift requirement at (£41k) and minor underspends across a range of other activity totalling (£80k)
	Markets	+200	Income target shortfall +£332k partly offset by savings across various cost headings (£132k)

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
	Schools Transport	+1,148	Mainly relates to volume pressures on Home to School Transport at (£1,067k)
	Schools Facilities Management	(1,544)	In the main, relates to Catering surplus (£1,193k) due to increased efficiency on labour and food costs of supplying Universal Free School Meals; Cleaning surplus of (£330k)
	Corporate Landlord	(1,354)	Capacity created to fund transformational type works e.g. asset transfers, reduced number of buildings and lower facilities management spend
Resources	Customer & Exchequer services	(1,758)	Mainly due to Library & Information Centres savings in advance (£1,071k), Welfare &Complimentary Benefits employee savings (£327k), and additional Benefit Subsidy Grant of -£454k
	Support for Council as Democratic Org	(356)	Includes Councillor allowances at -177k and Governance services -80k;
	Looking Local	+248	Operates as a traded activity; reflects ne t income shortfall in-year against traded activity
	Corporate & Democratic Core	(257)	Mainly savings on annual Council subscriptions /external audit fees.

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
	Information Technology	(505)	Release of budgets set aside for Transformation projects to help mitigate other Council pressures.
Communities, Transformation & Change	All Service activity	-	No key variances at Outturn
Cross-Directorate Themes	Economic Resilience	(3,420)	Mainly (£3,593k) underspend on add back budgets partially offset by slippage in delivery of achieving current year budget savings in the Integrated Community Safety Hub model
	Early Intervention & Prevention	(3,755)	Includes underspend on add-back budgets at (£2,475k), plus Early Intervention & Targeted Support savings made early at (£2,285k) and other vacancy management totalling (£958k) pending wider service review, plus Community grants budget savings in advance (£756k) ; partly offset by overspend on Supporting People activity of +2,922k
Central Budgets	Treasury Management	(1,876)	Mainly due to reduced borrowing cost; capital rollover from 2015-16 to 2016-17 being less than had been anticipated when budgets were set.
	Contingencies	(1,389)	Includes Contingency and energy inflation not required at (£1,104k), savings on carbon reduction commitment budget at (£500k), and insurance fund surplus of (£1.7m). The variance here takes account of the year end transfer of £1.9m to Council earmarked reserves in respect of the Council's share of

Directorate	Activity	Highlight Variances £000	Additional comments on highlight variances
			potential future payments due to Municipal Mutual Insurance (MMI) under a scheme of arrangement between MMI and its creditors
	Joint Committees	(213)	Mainly relates to saving on the annual Integrated Transport Authority levy payment to the Combined Authority
Ring-fenced Corporate Budgets	District Committee managed budgets	(644)	Largely reflects deferred spend commitments against budgeted Activity

Housing Revenue Account (HRA) revenue outturn 2016-17 ; highlight variances

Directorate	Activity	Variance £000	Additional comments on variances
HRA	Repairs & Maintenance	(1,138)	Mainly reflects year end trading surplus transfer from building services to HRA at (£888k), contingency budget not required (£300k), empty homes theme at (£80k) , re-chargeable repairs reduced costs at (£280k), and unplanned works at (£191k) ; partly offset by Responsive theme +£458k and Planned works +138k
	Housing Management	(689)	Includes reduced costs for Excellent Homes for Life PFI at (£290k), deferred development costs on new build at (£221k) and reduced cost of communal lighting at (£131k)
	Other Expenditure	(1,376)	Mainly due to reduced bad debt provision - delayed implementation of Universal credit (£1,337k)
	Income	(58)	Includes dwellings rent Income at (£152k), Service charges at (£135k); part offset by ;part offset by reduced rechargeable repairs income at £280k
	Revenue Contribution to capital expenditure	(3,096)	Reduced funding requirement due slippage on capital plan expenditure in-year

CAPITAL PLAN 2016/17 OUTTURN – SUMMARY

APPENDIX E i)

Capital Plan	Revised Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Strategic PrioritiesTotal	**25,134**	**10,926**	**(14,208)**	**(56.5)**
Baseline				
Childrens & Young People	10,706	5,946	(4,760)	(44.4)
Adults	500	20	(480)	(96.0)
Place	39,279	27,774	(11,505)	(29.3)
Communities, Transformation & Change	1,424	176	(1,248)	(87.6)
Resources	1,633	1,484	(149)	(9.1)
Leeds City Region Revolving Fund	1,874	1,324	(550)	(29.3)
Baseline Total	**55,416**	**36,724**	**(18,692)**	**(33.7)**
One-Off Initiatives	**5,501**	**5,406**	**(95)**	**(1.7)**
Risks & Pressures	**5,000**	**0**	**(5,000)**	**(100.0)**
General Fund Total	**91,051**	**53,056**	**(37,995)**	**(41.7)**
HRA	**19,478**	**16,210**	**(3,268)**	**(16.8)**
Overall Total	**110,529**	**69,266**	**(41,263)**	**(37.3)**

Strategic Priorities Capital Plan	Highlight Variance	Comments on Highlight Variances
	£'000	
New Pupil Places in Primary Schools	(8,140)	Slippage to the start on site date at Beaumont Academy has meant that only enabling works will go ahead this financial year and the New North primary school will not start on site until 2017/18. Any underspend in funding on Strategic Priorities will be required to rollover to 2017-18 to enable the rolling programme on schools to be delivered as part of the Schools Investment Needs Strategy.
Spenborough Sport Facility	(619)	Expenditure in 2016/17 was for feasibility only.
Huddersfield Sport Centre	(712)	Final retention payment agreed was less than the estimated figure after the gain share was was determined on the contract. £50k rollover required for outstanding commitments & fee element
Kirklees College Loan	(1,000)	The College has not fully utilised the short term loan facility this year
Local Growth Fund	(644)	There have been some delays encountered compared to the original timetable, as is common with large and complicated housing developments. However, as the project is now due to start delivery, all the resource identified is still required, and should be rolled forward to allow for successful implementation.
Pioneer House	(1,070)	The project has not spent/committed expenditure at the rate anticipated during 2016/17 but will progress fairly quickly in 2017/18 and th4e expenditure is required to continue with these project.
Strategic Priorities Total	**(12,185)**	

Baseline Capital Plan	Highlight Variance	Comments on Highlight Variances
	£'000	
Childrens		
Basic Need	(842)	The 2016-17 Basic Need Programme was appproved at the 8th March 2016 Cabinet. Any underspend in funding will be required to rollover to 2017-18 to enable the rolling programme to be delivered and borrowing on DCYP Strategic Priorities to be reduced
Capital Maintenance	(1,137)	The underspend on 16/17 budget is largely due to the masterplan for essential works at Woodley School being determined. Underspends in other areas will help mitigate against the reduction in grant funding for 2017/18.
One-off Initiatives	(2,536)	Some contributions not received from developers. Majority of funds remain unallocated either whilst discussions occur to identify schools to benefit or funds held pending emergence of new Investment Need Strategy. Contingency amounts for outstanding commitments on disputed final accounts and internal charges not accrued for. Any potential underspend will be used to mitigate against the reduction in Basic Need funding in future years. Required for match funding on Early Years Capital successful bid for '30 hours free childcare' Scheme will be committed by year end
Childrens Total	**(4,515)**	
Place		
Housing (Private)	(1,493)	Includes Section 106 budget of £969k for which there are no schemes ongoing, Demolition at Wakefield Road budget of £176k awaiting a CPO and Capital Allowances budget of £193k which is to be spent on future Large Housing Schemes work
Highways	(2,413)	There are four causes of underspend in the Higways Capital Plan: (i) Works ongoing and not complete at the financial year end £650k which include road surfacing at Town Street and Whitehead Lane, Streetlighting programme, VMS signs and the flood management programme (ii) Specific funded works programmes re-profiled for construction in 17/18 £480k which include retaining walls through the Challenge Fund and car parks through RCCO (iii) Scheme delays through external influences £740k which include permissions for unadopted road works, Springwood car park approvals, Scrutiny review of Hudds Town Centre Access and Connectivity Project to influence completion of Hudds TC works and Hudds TC Cycle Infrastructure through CCAG2 (iv) Safer Roads £540k.
		The projects have not spent/committed expenditure at the rate anticipated during 2016/17 but the projects will continue in

Economic Delivery	(2,184)	2017/18 and the expenditure is required to continue with these projects.
Corporate Landlord Asset Investment	(998)	Includes £377k schemes slipped in year and/or late additions but not yet committed, responding to changing priorities and £586k schemes on site and/or committed but not yet complete.
Asset Strategy	(2,505)	In the late 2016 the Strategic Assets programme was re-profiled to reflect a number of strategic corporate priorities and the changing pace for moves toward New Council. This took into account a number of logistical issues in the availability of sites and resources to acheive the original programme. Accordingly, a number of schemes were revised to start in 2017/18. These decisions had an impact on the subsequent programming of 6 larger schemes(circa£2.1m) and RCCO contributions (£450k) to the Strategic Assets programme which were added late in the year. The majority are schemes which have been carried forward as work in progress and are due to complete on May and June 2017
Place Total	**(9,593)**	
KAL Self-Funded	(899)	KAL have underspend in 2016/17 while developing business plans for schemes at two sites. Total cost of the two schemes will be around £3m; KAL have requested that rollover is carried forward to enable these schemes to progress.
CTC Total	**(899)**	
Baseline Total	**(15,007)**	
Risks & Pressures Total	**(5,000)**	Cabinet Approval given on 20.9.16 to fund the loan advance to Kirklees Stadium Development Ltd from the Risks & Pressures line. The commitment against these resources is anticipated to fall into future years.

HRA Capital Plan	**Highlight Variance**	**Comments on Highlight Variances**
	£'000	
Baseline	(1,012)	Member led budget
Strategic Priorities	(1,800)	This variance is the sum of two projects individual variances. One project was delayed, with further options to be considered during 17/18, this resulted in a variance of (£800K). With regards to the other project, the rollover was not required, resulting in a variance of (£1,000K)
HRA Total	**(2,812)**	

BREAKDOWN OF CAPITAL BUDGET CHANGES
(SINCE QUARTER 3 MONITORING)

	£'000	**£'000**
Quarter 3 Budget		103,175
Revenue contributions to Capital**		
Asset Utilisation – Headlands Depot	200	
Asset Utilisation - Depot Rationalisation	250	
Highways – Multi Storey works	100	
Children's Social Care IT system	133	
Individual schemes less than £100k (Director delegated authority)	<u>257</u>	940
Additional External Funding :		
Highways – West Yorkshire transport Fund	380	
Highways – Environment Agency Flood Mngt	269	
Economic Delivery – Dewsbury THI	110	
East Brierley Loan	175	
Individual schemes Less than £100k (director delegated authority)	<u>81</u>	1,015
Revised Budget		<u>105,130</u>
Capitalisation of staff voluntary severance (funded by "in-year" generated capital receipts)		5,400
FINAL REVISED BUDGET		**<u>110,530</u>**

***borrowing subsequently used to fund capital instead of revenue contributions, as per member approval; early closedown report 2016-17 to Cabinet on 2 May*

APPENDIX F

PRUDENTIAL INDICATORS ACTUALS 2016/17

Capital Expenditure, Capital Financing Requirement and External Debt

The table below draws together the main elements of Capital Plan expenditure and financing arrangements. The table also shows the Capital Financing Requirement (CFR), which is the Council's underlying external indebtedness for a capital purpose, compared with the expected borrowing position.

	2015/16	2016/17	
	Actual £000s	Estimate* £000s	Actual £000s
Capital Expenditure			
General Fund	50,796	72,141	53,056
HRA	22,655	19,478	16,210
Sub-total (excl. PFI)	73,451	91,619	69,266
General Fund - PFI	1,539	0	1,392
HRA – PFI	151	173	174
Total	75,141	91,792	70,832
Financed by -			
Borrowing	11,264	26,697	17,092
PFI	1,690	173	1,566
Other	62,187	64,922	52,174
Total	75,141	91,792	70,832
CFR as at 31 March			
General Fund excl PFI	411,332	413,930	412,844
General Fund PFI	58,058	55,473	55,474
HRA excl PFI	192,440	186,181	186,181
HRA PFI	58,910	56,824	56,824
Total CFR	720,740	712,408	711,323
External debt as at 31 March			
Borrowing (excl interest accrued)	424,418	451,216	438,208
Other LT Liabilities	121,360	116,718	116,553
Total debt	545,778	567,934	554,761

*The PI estimates include an allowance for anticipated slippage of capital expenditure during the year.

The difference between the CFR and total debt reflects the amount of internal balances that are being "borrowed" to finance capital indebtedness.

Limits to Borrowing Activity

The first key control over the Council's borrowing activity is a Prudential Indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total CFR. This allows some flexibility for limited early borrowing for future years. As can be seen from the table above, the Council kept its total debt within the CFR and this has also been the case in previous years.

A further two Prudential Indicators control overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

	2015/16	2016/17	
	Actual (max) £m	Limits/ Boundary £m	Actual (max) £m
Authorised limit for external debt			
Borrowing	443.7	554.6	438.2
Other Long Term Liabilities	126.3	121.4	121.4
Total	570.0	676.0	559.6
Operational boundary for external debt			
Borrowing	443.7	505.2	438.2
Other Long Term Liabilities	126.3	121.4	121.4
Total	570.0	626.6	559.6

The Council was well within its Authorised limit and Operational Boundary for the year.

There is also a limit on HRA indebtedness set by the Department for Communities and Local Government under the recent HRA self-financing reform. The limit is set at £247.6 million for the HRA CFR, excluding PFI liabilities. The actual HRA CFR excluding PFI liabilities as at 31 March 2016 is £186.2 million which is well within the limit.

Affordability Prudential Indicators

Ratio of financing costs to net revenue stream

This indicator identifies the cost of capital (borrowing costs net of investment income) against the net revenue stream. The net revenue stream for General Fund is defined as the amount to be met from unringfenced government grants and local taxpayers, and for HRA it refers to the total HRA income (rent, other income and grant).

	2015/16	2016/17	
	Actual	Estimate	Actual
Ratio of financing costs to net revenue stream			
General Fund	12.65%	12.70%	10.00%
General Fund excl PFI	10.61%	10.70%	7.91%
HRA	30.89%	30.22%	32.07%
HRA excl PFI	28.51%	27.93%	30.07%

The actual for General Fund for 2016/17 was less than estimated largely due to the Council's decision to change its policy for the repayment of debt (MRP), thus resulting in a much lower charge for 2016/17. The PIs have increased for HRA because of an increased depreciation charge for council dwellings.

CAPITAL INVESTMENT PLAN 2017-18 TO 2021-22 (inclusive of 2016-17 Capital Rollover)

APPENDIX G i)

BASELINE CAPITAL PLAN	Funding	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
Learning & Early Support							
Basic Need	G	1,742	500	500	500	500	3,742
Capital Maintenance	G	4,880	3,600	3,400	3,200	3,000	18,080
Devolved Formula Capital	G	1,246	950	900	850	800	4,746
One-Off Initiatives	S106	2,322	352	352	352	0	3,378
Learning & Early Support Total		**10,190**	**5,402**	**5,152**	**4,902**	**4,300**	**29,946**
Adults Social Care Operation	G	**1,190**	**0**	**0**	**0**	**0**	**1,190**
Economy Regeneration & Culture							
Housing Private Sector							
Disabled Facilities Grants	B/G/R	2,877	2,600	2,600	2,600	2,600	13,277
Discretionary Assistance	R	183	100	100	100	100	583
Minor Adaptations	R	326	290	290	290	290	1,486
Other	G/R	2,100	0	0	428	0	2,528
		5,486	2,990	2,990	3,418	2,990	17,874
Economic Resilience	B	3,084	900	900	900	900	6,684
KAL - Self Funded	B*	2,266	1,059	617	617	617	5,176
Economy Regeneration & Culture Total		**10,836**	**4,949**	**4,507**	**4,935**	**4,507**	**29,734**
Commercial Regulatory & Operational Services							
Highways							
Maintenance :							
Principal Roads	G	2,613	2,600	2,600	2,600	2,600	13,013
Roads Connecting Communities	G	2,100	1,574	1,369	1,164	856	7,063
Local Community Roads	B/G	2,814	2,247	2,247	2,247	2,247	11,802
Structures	G	1,888	1,200	1,200	1,200	1,200	6,688
Street Lighting Replacement Strategy	B*	2,605	3,000	3,000	3,000	1,000	12,605
Unadopted Roads	B	189	50	50	50	50	389
Integrated Transport :							
Integrated Public Transport	G	342	450	0	0	0	792
Network Management	B/G	800	400	100	100	100	1,500
Cycling & Walking	B/G	1,491	20	20	20	20	1,571
Safer Roads	B/G	1,556	750	650	650	650	4,256
Town Centre Car Parking	B	229	100	100	100	100	629
Flood Management and Drainage Improvements	B/G	918	680	680	680	680	3,638
		17,545	13,071	12,016	11,811	9,503	63,946
Corporate Landlord Asset Investment	B	3,597	2,000	2,000	1,300	1,300	10,197
Strategic Asset Utilisation/Rationalisation	B	3,615	300	0	0	0	3,915
Transport	B	2,614	1,500	1,250	1,250	1,250	7,864
Environment & Strategic Waste	B	147	100	100	100	100	547
School Catering	B	253	200	200	200	200	1,053
Commercial Reg & Operational Total		**27,771**	**17,171**	**15,566**	**14,661**	**12,353**	**87,522**
Services Solutions, Transformation & Change							
District Committees	B	349	0	0	0	0	349
Services Solutions, Transf & Change Total		**349**	**0**	**0**	**0**	**0**	**349**
Finance & Transactional Services							
Information Technology	B*	1,049	900	900	900	900	4,649
Finance & Transactional Services Total		**1,049**	**900**	**900**	**900**	**900**	**4,649**
Leeds City Region Revolving Fund	B	**2,550**	**0**	**0**	**0**	**0**	**2,550**
TOTAL BASELINE		**53,935**	**28,422**	**26,125**	**25,398**	**22,060**	**155,940**

KEY :	B = Borrowing	G = Grant	R = Capital Receipts
	B* = These programmes were previously categorised as **service funded**. Work is ongoing to remove this category and have one system of prudential borrowing.		

CAPITAL INVESTMENT PLAN 2017-18 TO 2021-22 (inclusive of 2016-17 Capital Rollover)

APPENDIX G ii)

STRATEGIC PRIORITIES	Funding	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
A62 Leeds Road Corridor (Cooper Bridge)	G	111	0	0	0	0	111
A653 Dewsbury to Leeds Corridor (Mirfield to Dews	G	71	0	0	0	0	71
A629 Huddersfield to Halifax Corridor	G	-95	0	0	0	0	-95
M62 Junction 24a	G	32	0	0	0	0	32
Highways Non-Core Schemes	G	149	0	0	0	0	149
Dewsbury Learning Quarter	B/G	2,445	0	2,000	0	0	4,445
Huddersfield Town Centre Action Plan	B	500	3,172	5,672	1,637	0	10,981
Dewsbury Town Centre Action Plan	B	150	1,850	2,000	1,000	0	5,000
European Grant Funding Opportunities	B	1,750	1,250	0	0	0	3,000
Town & Village Centres	B	10	0	0	0	0	10
Empty Clusters	G	177	0	0	0	0	177
New Huddersfield Sports Centre	B	50	0	0	0	0	50
Sports Facility (Spenborough area)	B	619	4,000	8,000	2,000	0	14,619
New Pupil Places in Primary Schools	G	11,083	11,251	4,737	706	545	28,322
Reprovision of Lydgate Special School	B	838	214	0	0	0	1,052
HD-One (KSDL)	B	8,750	4,250	0	0	0	13,000
Kirklees College Loan	B	6,000	0	0	0	0	6,000
Contingencies	B	39	0	0	0	0	39
Local Growth Fund	B	664	0	0	0	0	664
STRATEGIC PRIORITIES TOTAL		**33,343**	**25,987**	**22,409**	**5,343**	**545**	**87,627**

RISKS & PRESSURES TOTAL	**B**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**12,500**

ONE-OFF INITIATIVES TOTAL	**B**	**95**	**0**	**0**	**0**	**0**	**95**

HOUSING REVENUE ACCOUNT PLAN

	Funding	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
HRA STRATEGIC PRIORITIES							
Miscellaneous Properties-Conversions/Back into Stock		817	703	680	694	708	3,602
New Build Phase 1 - Ashbrow Extra Care		500	6,000	694	0	0	7,194
New Build Phase 2 - Soothill Extra Care		0	0	3,631	3,703	0	7,334
New Build Phase 3		0	0	0	0	7,555	7,555
New Build Phase 4 - Environmentally Friendly Housing		2,036	2,075	0	0	0	4,111
New Build - KNH/Building Services Pilot		800	0	0	0	0	800
Strategic Priorities		0	0	0	0	5,504	5,504
		4,153	**8,778**	**5,005**	**4,397**	**13,767**	**36,100**
HRA BASELINE							
Heating Programmes(Boilers)		1,583	1,555	1,477	1,481	1,480	7,576
Maintaining Decency		8,530	8,248	7,216	7,205	7,204	38,403
Batched works		268	265	255	260	265	1,313
Fire Safety Works		295	47	47	48	50	487
Tenant Allowances		255	259	265	270	275	1,324
Fuel poverty		781	662	638	650	663	3,394
Major Adaptations		2,443	2,490	2,539	2,590	2,642	12,704
Minor Adaptations		244	249	254	259	264	1,270
Estate & Environmental Works (Managed through District		1,470	467	476	486	495	3,394
		15,869	**14,242**	**13,167**	**13,249**	**13,338**	**69,865**
TOTAL		**20,022**	**23,020**	**18,172**	**17,646**	**27,105**	**105,965**

CAPITAL FUNDING SUMMARY 2017-18 TO 2021-22 (inclusive of 2016-17 Capital Rollover)

FUNDING SUMMARY	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
TOTAL FUNDING REQUIREMENT	**109,895**	**79,929**	**69,206**	**50,887**	**52,210**	**362,127**
Funded by…						
Direct/Earmarked Contributions to Schemes						
Capital Grants / Contributions						
- In year	24,687	23,277	15,041	14,586	13,676	91,267
- Funding brought forward from previous year	16,142	1,708	1,656	1,656	1,228	22,390
- Funding carried down to following year	(1,708)	(1,656)	(1,656)	(1,228)	(1,228)	(7,476)
Earmarked Capital Receipts	4,768	3,141	2,011	1,826	4,637	16,383
Revenue Contributions (HRA)	5,640	6,980	4,506	4,589	12,073	33,788
Reserves (HRA)	13,162	13,162	11,917	11,493	10,658	60,392
Pooled resources						
Non Earmarked Capital Receipts	6,000	6,000	6,000	6,000	6,000	30,000
Corporate Prudential Borrowing	41,204	27,317	29,731	11,965	5,166	115,383
TOTAL FUNDING REQUIREMENT	**109,895**	**79,929**	**69,206**	**50,887**	**52,210**	**362,127**

FUNDING SUMMARY INCLUDING ASSUMED SLIPPAGE

For revenue budget planning and associated Prudential Indicators it is appropriate to make overall assumptions about slippage. This table shows the corporate assumptions made for that purpose and assumes a level profile of spend over the five years. This is considered a realistic assumption based on historical information on slippage on major capital programmes of this level.

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
Assumed Slippage b/f	0	21,936	14,612	13,678	8,344	58,570
General Fund Maximum Authorised Spend	89,873	56,909	51,034	33,241	25,105	256,162
Assumed Slippage c/f	(21,936)	(14,612)	(13,678)	(8,344)	(6,036)	(64,606)
	67,937	64,233	51,968	38,575	27,413	250,126
HRA Planning Allocation	20,022	23,020	18,172	17,646	27,105	105,965
TOTAL FUNDING REQUIREMENT	**87,959**	**87,253**	**70,140**	**56,221**	**54,518**	**356,091**
Funded by…						
Direct/Earmarked Contributions to Schemes						
Capital Grants / Contributions						
- In year	24,687	23,277	15,041	14,586	13,676	91,267
- Funding brought forward from previous year	16,142	9,483	6,273	4,615	4,182	40,695
- Funding carried down to following year	-9,483	-6,273	-4,615	-4,182	-3,914	-28,467
Earmarked Capital Receipts	4,768	3,141	2,011	1,826	4,637	16,383
Revenue Contributions (HRA)	5,640	6,980	4,506	4,589	12,073	33,788
Reserves (HRA)	13,162	13,162	11,917	11,493	10,658	60,392
Pooled resources						
Non Earmarked Capital Receipts	6,000	6,000	6,000	6,000	6,000	30,000
Corporate Prudential Borrowing	27,043	31,483	29,007	17,294	7,206	112,033
TOTAL	**87,959**	**87,253**	**70,140**	**56,221**	**54,518**	**356,091**

APPENDIX H

Kirklees Council Investments 2016-17											
		Credit	**1 April 2016**			**30 September 2016**			**31 March 2017**		
Counterparty		**Rating Mar 2017***	**£m**	**Interest Rate**	**Type of Investment**	**£m**	**Interest Rate**	**Type of Investment**	**£m**	**Interest Rate**	**Type of Investment**
Specified Investments											
Bank of Scotland	Bank	F1/A+				6.0	0.40%	Instant Access	1.3	0.20%	Instant Access
Svenka Handelsbanken	Bank	F1+/AA	2.9	0.45%	Instant Access					0.20%	Instant Access
Std Life	MMF**	AAAmmf	7.5	0.49%	Instant Access	7.5	0.37%	Instant Access	8.7	0.28%	Instant Access
Aviva	MMF**	Aaa-mf	7.3	0.48%	Instant Access	8.6	0.31%	Instant Access	7.3	0.22%	Instant Access
Aviva - Govt	MMF**	Aaa-mf				1.5	0.17%	Instant Access			
Deutsche	MMF**	AAAmmf	6.7	0.46%	Instant Access	6.2	0.32%	Instant Access	6.9	0.20%	Instant Access
Goldman Sachs	MMF**	AAAmmf	6.0	0.44%	Instant Access	7.7	0.30%	Instant Access	7.1	0.20%	Instant Access
Santander UK	Bank	F1/A	5.0	0.65%	31 day notice	3.0	0.40%	31 day notice			
Non-specified investments											
Barclays***	Bank	F1/A	2.9	0.10%+0.40%	Instant Access	2.9	0.10%+0.40%	Instant Access			
			38.3			**46.5**			**31.3**		
Sector analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
Bank			10.8	28%		10.3	22%		1.3	4%	
Building Society											
MMF**			27.5	72%		36.2	78%		30.0	96%	
Local Authorities/Cent Govt											
			38.3	100%		**46.5**	100%		**31.3**	100%	
Country analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
UK			7.9	21%		7.9	17%		1.3	4%	
Sweden			2.9	7%		2.4	5%				
MMF**			27.5	72%		36.2	78%		30.0	96%	
			38.3	100%		**46.5**	100%		**31.3**	100%	

*Fitch short/long term ratings, except Aviva MMF (highest Moody rating). See next page for key. ** MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

Key – Fitch's credit ratings:

		Long	Short
Investment Grade	Extremely Strong	AAA	
	Very Strong	AA+	
		AA	F1+
		AA-	
	Strong	A+	
		A	F1
		A-	
	Adequate	BBB+	F2
		BBB	
		BBB-	F3
Speculative Grade	Speculative	BB+	
		BB	
		BB-	
	Very Speculative	B+	B
		B	
		B-	
	Vulnerable	CCC+	
		CCC	
		CCC-	C
		CC	
		C	
	Defaulting	D	D

Appendix I

Long-term loans repaid and short-term loans outstanding 31 March 2017

Long-term loans repaid during 2016/17

	Amount £000s	Rate %	Date repaid
Repayments on maturity			
PWLB (468634)	9,225	11.0	1 Jul 16
PWLB (498418)	4,613	3.84	15 Mar 17
Repayments on annuity loans			
PWLB (496956)*	308	4.58	29 Sep 16
PWLB (496956)*	315	4.58	29 Mar 17
Total	14,461		

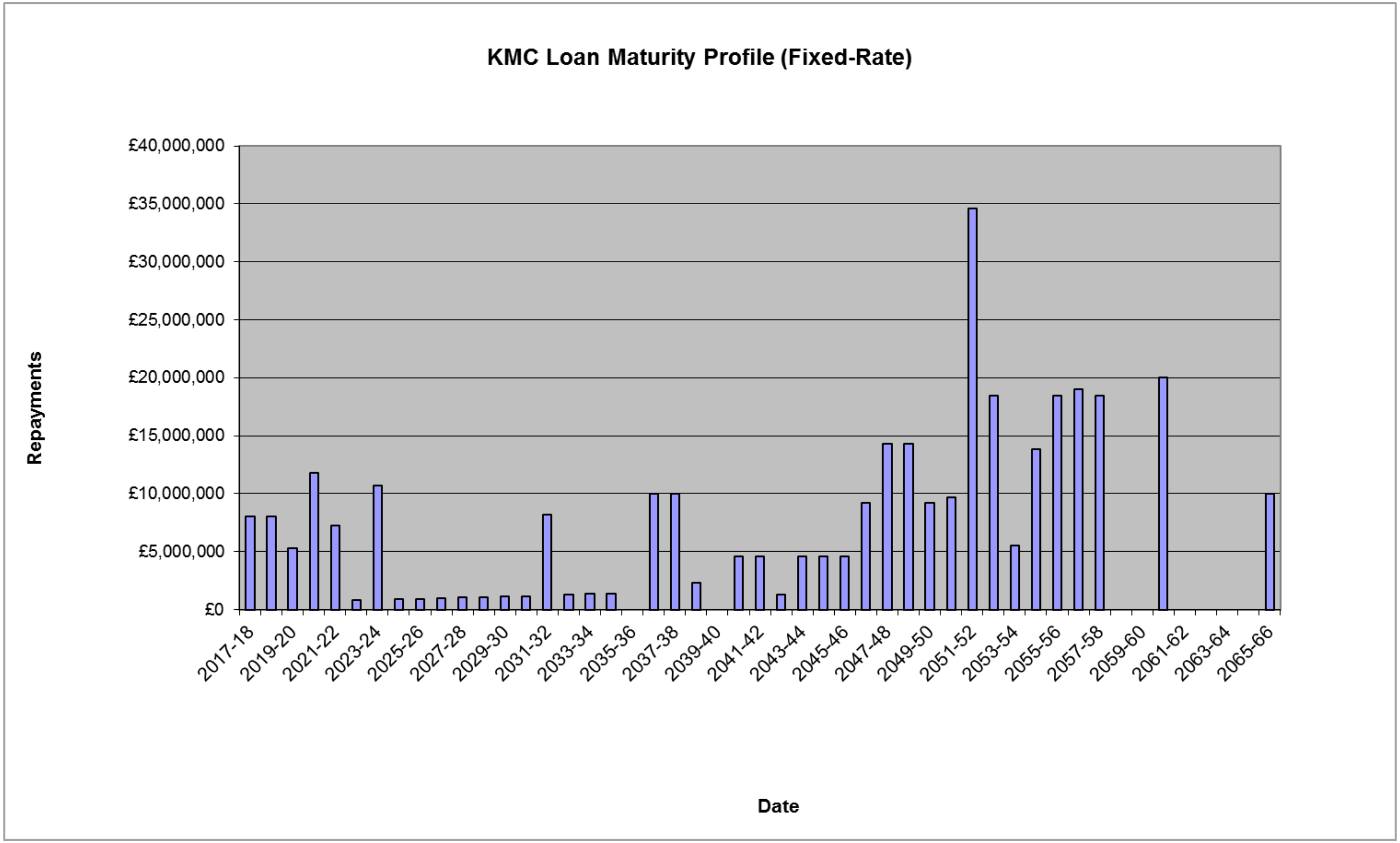
* represents loan extended to Kirklees College, for which the College is making similar repayments to the Council

Short-term loans outstanding 31 March 2017

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
Police and Crime Commissioner Warwickshire	1,000	0.25	35
Leicester City Council	5,000	0.35	18
Halton Borough Council	10,000	0.25	14
Neath Port Talbot Council	5,000	0.25	10
Middlesbrough Council	7,500	0.30	11
Local lenders/Trust Funds	1,196		
Long-term loans due to mature in the next twelve months	8,032		
Total*	37,728		

* excludes interest accrued

Appendix J


KMC Loan Maturity Profile (Fixed-Rate)
Repayments
£40,000,000
£35,000,000
£30,000,000
£25,000,000
£20,000,000
£15,000,000
£10,000,000
£5,000,000
£0
2017-18
2019-20
2021-22
2023-24
2025-26
2027-28
2029-30
2031-32
2033-34
2035-36
2037-38
2039-40
2041-42
2043-44
2045-46
2047-48
2049-50
2051-52
2053-54
2055-56
2057-58
2059-60
2061-62
2063-64
2065-66
Date

Appendix K

Kirklees Council - Borrowing and Investment Trends

At 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009
Investments	31.3m	38.3m	38.7m	33.1m	30.2m	19.3m	42.7m	38.7m	102.1m
ST Borrowing (excl interest accrued)	37.7m	16.0m	21.1m	29.6m	27.3m	30.6m	33.2m	18.6m	9.1m
LT Borrowing	400.5m	408.4m	422.6m	432.4m	452.1m	471.5m	527.1m	525.1m	528.4m
Total Borrowing	438.2m	424.4m	443.7m	462.0m	479.4m	502.1m	560.3m	543.7m	537.5m
Deferred liabilities (non PFI)	4.1m	4.3m	4.4m	4.5m	4.7m	4.8m	5.0m	5.1m	5.2m
Net debt position	**411.0m**	**390.4m**	**409.4m**	**433.4m**	**453.9m**	**487.6m**	**522.6m**	**510.1m**	**440.6m**
Capital Financing Requirement (excl PFI)									
General Fund	412.8m	411.3m	422.2m	447.5m	448.5m	458.6m	458.9m	435.9m	369.5m
HRA	186.2m	192.4m	196.6m	203.3m	209.3m	215.6m	242.4m	241.0m	241.0m
Total CFR	**599.0m**	**603.7m**	**618.8m**	**650.8m**	**657.8m**	**674.2m**	**701.3m**	**676.9m**	**610.5m**
Balances “internally invested”	156.7m	175.0m	170.7m	184.3m	173.7m	167.3m	136.0m	128.7m	67.8m
Ave Kirklees’ investment rate for financial year	0.4%	0.5%	0.4%	0.4%	0.5%	0.6%	0.8%	1.5%	5.2%
Ave Base rate	0.3%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Ave LT Borrowing rate	2.5%	3.2%	3.7%	4.3%	4.1%	4.4%	5.3%	4.7%	4.6%

APPENDIX L

Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2016-17	Actual 2016-17
Interest at fixed rates as a percentage of net interest payments	60% - 100%	83%
Interest at variable rates as a percentage of net interest payments	0% - 40%	17%

The interest payments were within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2016-17	Actual Levels 2016-17
Under 12 months	0% - 20%	0% - 5%
12 months to 2 years	0% - 20%	2% - 3%
2 years to 5 years	0% - 60%	5% - 8%
5 years to 10 years	0% - 80%	5% - 7%
More than 10 years	20% - 100%	80% - 84%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council has not invested any sums longer than 364 days.

Name of meeting: **Cabinet**
Date: **31st July 2017**
Title of report: **Investment in Transformation Update**

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes Both the expenditure and potential savings are above £250k
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Key Decision – Yes Private Report/Private Appendix – Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Director & name **Is it also signed off by the Service Director of Finance, IT and Transactional Services?** **Is it also signed off by the Service Director of Legal, Governance and Commissioning?**	Naz Parkar, Strategic Director Economy and Infrastructure – 21/07/2017. Debbie Hogg - Yes Julie Muscroft - Yes
Cabinet member portfolio	Leader and Deputy Leader

Electoral wards affected: **All**

Ward councillors consulted: **None**

Public or private: The main part of this report is to be considered in Public. Appendix A is recommended for consideration in private because the information contained in it is exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006. It is considered the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption, which would protect the interests of the Council and third party organisations concerned, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

1. Summary

1.1 On 17th January 2017, Cabinet received a paper outlining investment required to support the Council's transformation programme. This included an update to Cabinet on the appointment of Deloitte as the Council's Business Transformation Partner using the New Council Development Reserve.

1.2 This report provides Cabinet with a further update on the scope of work that has been agreed with Deloitte for the 2017/18 financial year and asks Cabinet to approve the funding that will be drawn down from the New Council Development Reserve to support this.

1.3 The report also notifies Cabinet that the Chief Executive, as Chair of the Transformation Portfolio Board, has given approval for funds to be drawn down from the New Council Development Reserve to support this activity to date, in accordance with the delegation agreed by Cabinet for this reserve in July and August 2015.

1.4 It also seeks approval to change the delegated responsibility for making decisions about using the New Council Development Reserve.

2. Information required to make a decision

2.1 In October 2016, the Council's Executive Team identified the need for an external partner to support the delivery of substantial budget savings.

The Council is required to deliver £54m in savings during 2017/18 and £104m by 2019/20. However, the Executive Team recognised that the Council does not have the capacity and capability needed to quickly identify savings opportunities and implement changes at the pace needed.

Specific gaps have been highlighted around the Council's ability to:

- move from 'ideas' to 'implementation' and make change happen quickly
- redesign services and implement new ways of working – this is especially important to achieve savings in Adult Social Care.
- have full visibility of council spend on procurement across all directorates.
- manage a large and very complex programme of transformation activity.

To respond to this challenge, the council ran a competitive procurement process and identified Deloitte as its Transformation Business Partner. Work began with Deloitte in January 2017.

Working with Deloitte is:

- Supporting the Council to identify and lead the acceleration of changes. This is crucial to making changes that will deliver £54m in 2017/18.
- Supporting the Council to manage a larger number of change projects at the same time, including more complex and difficult changes.
- Giving the Council quick access to competent and experienced staff who are hard to recruit on temporary contracts or available for short bursts as and when needed

- Developing the council’s own staff and internal capacity by working in joint teams.
- Reducing risk, by learning from what Deloitte have already done in other Councils.
- Giving the Council access to the tools and methodologies needed to quickly effect change
- Challenging the Council to be more ambitious about the savings that can be made.
- Giving Councillors, the Chief Executive and Directors confidence that changes are being delivered, so that they can focus on other important issues for the Council.

2.2. Following the initial diagnostic phase, opportunities for further savings were identified and project plans have been developed. The Council has now reached an agreement with Deloitte for priority support to be provided and the Council’s work with Deloitte in 2017/18 will focus on:

- Adult Social Care
- All Age Disability
- Children’s Services Improvement and Transformation,
- Procurement
- Sufficiency and Commissioning.

2.3 Delegated authority for the New Council Development Reserve

2.3.1 Cabinet on 28th July 2015 gave approval to delegate responsibility for spend against the New Council Developments Reserve to the Director of Resources, to support the effective management of the Council’s capacity risks associated with the delivery of a New Council.

2.3.2 Council Financial Procedure Rules allow for the Director of Resources to delegate budget management responsibility for cross-directorate activity to a particular Director. In August 2015, Cabinet noted that the Director of Resources had delegated this responsibility to the Chair of the New Council Programme Board and they would have delegated overall budget management responsibility for approved budgets. At that time, this was Jacqui Gedman, who was the Director of Economy and Skills.

2.3.3 In August 2015, it was also agreed that resources from the uncommitted reserve would be allocated against the following broad categories of spend, identified as critical to the overall success of the Council transformation programme over the 2015-18 medium term financial plan:

i. ***Procurement and provision*** of external support for activity within specific areas of the work to achieve New Council. For example, support for work on the ‘Economic Resilience’ and ‘Early Intervention and Prevention’ themed programmes. This support could be for a range of activity including programme management capacity, transformation/change activity or programme assurance.

ii. ‘***Back-filling’ of officer roles*** where senior staff have been asked to dedicate a significant proportion of their working time to New Council activities and their further day-to-day duties must be delivered.

iii. ***Support for other areas of the New Council change programme***, for example, business process re-engineering, research capacity, behavioural change, etc.

2.3.4 The programme of work agreed with Deloitte to support the next phase of the Council's transformation is in line with these agreed categories of spend and in accordance with the delegated authorities agreed for this reserve.

2.3.5 Cabinet will continue to receive regular reports in-year, as part of the normal quarterly revenue monitoring report cycle on the use of the New Council Developments reserve and the overall programme of work on New Council.

2.3.6 Changes to governance of the New Council Programme

2.3.7 There have been some refinements to the governance structure for the New Council programme to reflect changes in senior management, and to support the next phase of implementation. There are now three levels of governance as set out in the table below.

2.3.8 Given Jacqui Gedman's new role as Chief Executive, it is now proposed that the Chair of the Redesign Board be given delegated overall budget management responsibility for the New Council Development Reserve. This is currently the Strategic Director, Economy and Infrastructure (Naz Parkar as interim Strategic Director).

Transformation Portfolio Board Chair: Jacqui Gedman, Chief Executive	Provides the Programme's strategy and vision and has the highest level of risk, issue and decision making authority. This Board provides a link to Cabinet, broader governance and partnerships.
Redesign Board Chair: Naz Parkar, Strategic Director Economy and Infrastructure	Oversees all initiatives, projects and programmes to make sure they align to the strategic vision. Provides assurance to the executives that robust plans are in place to deliver and track all activities within the portfolio and escalate key risks and issues where necessary, to ensure financial savings will be met on time.
Programme Boards Chaired by various Service Directors	Service Directors and Programme Managers are responsible for the delivery of projects across the programme; on time, within cost and to quality standards in order to realise the benefit of the respective projects.

2.4 Supporting information

2.4.1 The table below provides an outline of the work that Deloitte will support, and the associated savings targets. As a result of findings and recommendations from the Deloitte diagnostic, these savings targets are greater than current targets set out for each service in the Medium Term Financial Plan.

	Overview of Work that Deloitte will support in each area:	**Savings target over 3 years (estimates)**
All Age Disability	1. Embed independence-led assessments for adults and children with a disability 2. Establish review taskforce to review service users with a disability, including review of DP take-up 3. Develop a sustainable model for Early Years Special Educational Needs (EYSEN) 4. Increase the provision of appropriate support and accommodation options for Adults and Children 5. Review service providing activities for Short Breaks These objectives for All Age Disability aim to: • Reduce cost of service • Improve service efficiency • Improve outcomes	£5.9m
Adult Social Care Offer	1. Establish a systematic review taskforce to ensure existing care packages are proportionate to customer needs 2. Use a strengths based approach to drive service user independence and encourage communities and family support 3. Reduce hand-offs and blockages throughout the customer journey to improve workforce productivity and customer experience 4. Complete redesign of Supporting People provision to reduce costs Collectively these will improve service efficiency, reduce costs and improve outcomes	£4.6m
Procurement	1. Establish better visibility of third party spend, suppliers and contracts across the Council and implement initiatives to bring these under greater control 2. Complete rapid data analysis to develop a clear baseline of addressable spend 3. Identify key categories where there is potential for savings and work with Council owners to deliver these savings opportunities 4. Work with the Council to develop a more integrated future approach to procurement in the longer term, including more robust controls and processes and greater integration with commissioning and other departments This will deliver an estimated £6.5m of benefits in third party spend over three years and improve controls and ways of working to enable further efficiencies.	£6.5m

Children's Services Improvement	A small piece of work will be supported by Deloitte on the development of the next phase of the Children's Services Improvement Programme. This will ensure delivery against the Ofsted recommendations and DFE Improvement Plan, but also scope the Council's ambitious plans for long term and wholesale transformation of Kirklees Children's Services. Further work is required to fully scope the programme, but this is expected to include: 1. Children's Early Help 2. The establishment of a systematic review taskforce to ensure existing care packages are delivering target outcomes for children in an affordable way. 3. Children's Front Door (i.e. how children, young people and families contact the council). 4. Children's Sufficiency and Commissioning	TBC
Programme support and management of the Deloitte team	1. Support the development of a Portfolio Management Office (PMO) capable of overseeing a large and complex programme of transformation activity that delivers £54m of cashable savings in 2017/18, and up to £104m of savings by 2019/20.	N/A

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

The work done with Deloitte in both Adults and Children's Services will contribute to the Council's Early Intervention and Prevention priorities, particularly in relation to All Age Disability, Children's Early Help and Adult Social Care. For example, assessments in adult social care will be revised to maximise independence and utilise the strengths of individuals, their families and carers.

3.2 Economic Resilience (ER)

Projects focusing on procurement, sufficiency and commissioning could impact on the Council's existing suppliers as the Council looks at how it can deliver the best possible outcomes in the most efficient and cost effective way.

3.3 Improving Outcomes for Children

Supporting Children's Services Improvement is a key part of this work programme. Work will be focussed on delivery against the Ofsted recommendations and DFE Improvement Plan, but will also scope the Council's ambitious plans for long term and wholesale transformation of Kirklees Children's Services. The All Age Disability project is also intended to improve outcomes for disabled children and their families by designing policies and services which support individuals appropriately at each point of their lives.

3.4 Reducing demand of services

In both Children's and Adults services a key part of the work programme will focus on how residents contact the Council for support. By getting the first point of contact right, it is anticipated that unnecessary referrals will be reduced, allowing services to better manage demand and focus support on those who most need it.

3.5 Equality Impact Assessment

Equality Impact Assessments will be carried out in accordance with the Council's policies and statutory guidance.

3.6 Financial, Legal and Other Implications

The Financial implications are set out in Appendix A.

There are no specific Legal implications.

To maximise value for money, the contract has been structured using a risk and reward approach, whereby payments are attached to the achievement of savings. This includes in-year savings in 2017/18.

4. Consultees and their opinions

4.1 The Leader's Management Team, Portfolio Holders, Leading Members and political groups have also been briefed on the Council's work with Deloitte and progress over the last few months.

4.2 A large number of Council staff have been involved in developing this scope of work, specifically:

- The Executive Team
- Service Directors and Heads of Service for Adult Social Care and Commissioning
- The Service Director for Legal, Governance and Commissioning
- The Head of Audit and Risk
- Procurement Strategy and Advice Manager
- The Service Director for Finance, IT and Transactional Services
- The Service Director for Commercial, Regulatory and Operational Services
- Strategic Finance Leads and Service Accountants
- The Head of Transformation and Transformation Team.

5. Next steps

Continue to work with Deloitte in accordance with the work programme set out in this paper.

6. Officer recommendations and reasons

Having read this report and the accompanying Appendices, Cabinet are asked to:

- Note that the Chief Executive, as Chair of the Transformation Portfolio Board, has given approval for funds to be drawn down from the New Council Development Reserve to support this activity to date, in accordance with the delegation agreed by Cabinet for this reserve in July and August 2015.
- Agree that the New Council Development Reserve will be utilised to support the next phase of the Council's transformation programme in line with the proposals set out in this paper.
- Agree that overall budget management responsibility for the New Council Development Reserve will be delegated to the Chair of the Redesign Board.

7. Cabinet portfolio holder's recommendations

The Leader and Deputy Leader request that Cabinet gives approval for the recommended approach and allocation of resources.

8. Contact officer

Michelle Nuttall, Head of Transformation

9. Background Papers and History of Decisions

Appendix A: Detailed cost and benefits profile (Private and Commercial in Confidence).

10. Director responsible

Naz Parkar, Strategic Director, Economy and Infrastructure

Kirklees COUNCIL

Name of meeting: Cabinet
Date: 31 July 2017
Title of report: John Smith's Stadium site Huddersfield. Request to restructure existing lease arrangements

Purpose of report

To consider a request from Kirklees Stadium Development Ltd (KSDL) to restructure the existing lease arrangements in respect of the John Smith's Stadium site to facilitate The HD One development

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes. Income of more than £250k
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic Director & name Is it also signed off by the Service Director for Finance, IT, and Transactional Services? Is it also signed off by the Service Director - Legal Governance and Commissioning?	Naz Parkar - 20.07.17 Debbie Hogg - 19.07.17 Julie Muscroft - 18.07.17
Cabinet member portfolio	Cllr Graham Turner - Corporate

Electoral wards affected: Dalton

Ward councillors consulted: Yes

Public or private: Public report with Private Appendix

Paragraph 3 of part 1 to schedule 12A of the Local Government Act 1972 as amended by the Local Government (access to Information) variation order 2006 contains information regards the financial or business affairs of any person including the Council. It is not in the public interest to disclose the information in the private appendix as disclosure could adversely affect the overall value for money and compromise the confidentiality of the bidders and the council .The public interest in maintaining the exemption outweighs the public interest in disclosure of the information in terms of accountability, transparency in spending public money and openness in council decision making.

1. Summary

KSDL currently have a long lease, with a balance of over 100 years outstanding, from the Council on the site off Bradley Mills Rd that was developed in the 1990's to provide the Stadium, the leisure facilities at the north end of the site and the ancillary infrastructure e.g. car parks. The HD One is a major project to develop the wider Stadium site to provide a regional leisure destination. As part of the preparation work for the development, KSDL have requested that the Council restructures the existing leases to provide three new leases to cover the discrete areas of the site planned as part of the HD One development and for the new leases to be for a period of 250 years to meet funder expectations.

2. Information required to take a decision

2.1 KSDL currently have a long lease on the site of the John Smith's Stadium and associated facilities. The lease was granted in 1993 and is for a 150 year term. The lease allowed the Stadium and the other current facilities on site to be developed over a period of time in the 1990's. KSDL is a partnership between Huddersfield Town Association Football Club (HTAFC), Huddersfield Giants Rugby League Football Club (HRLFC) and the Council, all of which hold an equity stake in KSDL.

2.2 For the last ten years or so KSDL have been developing a plan for further development of the site around the existing facilities at the Stadium site. The motivation being a desire to utilise the site more intensively to both increase the income streams available to KSDL, thus allowing the infrastructure of the Stadium which is now over 20 years old to be renewed and potentially reducing the rental charges to the two clubs.

2.3 The development proposals are now branded as The HD One and aim to create a regional leisure destination, with the anchor attraction of an outdoor Snowsports Centre (SSC) and associated restaurants and leisure facilities. The development also includes a 3/4star hotel to serve both the Stadium site and to meet the wider need for a Business Class hotel in the Huddersfield area. Cabinet will be aware that the Council has agreed in principle, subject to appropriate due diligence, to provide loan facilities for both the SSC and the hotel developments.

2.4 The overall proposals for The HD One have now progressed to a point at which discussions with prospective occupiers, investment partners and commercial funders are close to being finalised. As part of these discussions, it has become clear that the potential funders will require an extended term for the leases that KSDL is able to provide to them over and beyond that provided by the existing lease. The consensus appears to be, that a term of 250 years would allow the optimal funding terms to be secured by KSDL.

2.5 KSDL have therefore requested that the Council consents to granting three new 250 year leases for the following areas of the site. These are set out in the Plan attached at Appendix 1.

i. The site occupied by the existing Stadium and the existing developments at the north end of the site i.e. North Stand leisure facilities and cinema referenced A in Appendix 1. The intention is that the lease for this part of the site would be retained by KSDL.

ii. The site of the proposed hotel referenced B in Appendix 1.The intention is that this lease will transfer at some point, to the development vehicle, a joint venture between KSDL and a specialist hotel development company that will deliver the hotel scheme.

iii. The remainder of the site subject to the existing lease and a parcel of existing Council owned land which did not form part of the existing lease, referenced C and D respectively at Appendix 1. This part of the site is essentially the footprint for The HD One development and would transfer to another development vehicle, a joint venture between KSDL and a private sector investor, which will deliver the scheme.

2.6 Clearly given the benefits that the planned developments at the Stadium site would bring to the local economy and the ongoing financial security of KSDL, officers are of the view that the Council should agree to the request by KSDL to restructure the leases as described above.

2.7 As part of the transaction there will be payments to be made by KSDL to reflect the amendments to the existing lease structure that have been requested. In summary these would be;

i. a payment to reflect the consideration payable due to the fact that the new leases are for a much longer term than the existing and will facilitate commercial development of the wider Stadium site.

ii. a payment for the additional parcel of Council land which will be included in the revised lease.

iii. payment of the balance outstanding on the existing lease payments and the associated interest

Further detail re the above is set out in Appendix 2 to this report.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

N/A

3.2 Economic Resilience (ER)

The HD One scheme will make a significant contribution to the economy of Kirklees both in terms of the additional Business Rate income that will be generated and the wider impact on the economy of creating a regional leisure destination and business class hotel with the resultant impact on visitor spend and the creation of employment opportunities.

3.3 Improving Outcomes for Children

N/A

3.4 Reducing demand of services

N/A

3.5 Legal/Financial or Human Resources

If Cabinet is minded to support the request from KSDL, Legal resources will be required to progress the revised lease arrangements.

The payments due to the Council from the various transactions are set out at 2.7 above and in Appendix 2.

4. Consultees and their opinions

Cllr Mather queried the need to extend the terms of the existing lease which is explained at 2.4 above and the approach to the respective valuations which is covered at 2.6 of the Private Appendix to the report.

5. Next steps

The detailed terms of the restructured leases will be agreed with KSDL.

6. Officer recommendations and reasons

6.1 That the proposal from KSDL to restructure the existing property leases at the Stadium site and dispose of the additional Council land as set out at 2.5 above be accepted.

6.2 That the Strategic Director, Economy and Infrastructure and the Service Director Legal, Governance and Commissioning be authorised to negotiate and agree the terms of the new leases.

6.3 That the Service Director, Legal, Governance and Commissioning be authorised to enter in to and complete all documentation necessary to implement the requested lease restructure.

6.4 The reasons for this are that without the lease restructure, KSDL and their partners would be unlikely to be able to secure funding for the HD One development, meaning it may never happen. By supporting the lease restructure, the HD One development becomes much more a certainty with the associated benefits of becoming a regional leisure destination complimenting the recent promotion of Huddersfield Town AFC to the Premiership League. The development will also bring in additional business rates and contribute to the wider economy, whilst also generating employment opportunities through the development stages and more permanently, as and when the development is completed.

7. Cabinet portfolio holder's recommendations

The portfolio holder, Cllr Graham Turner supports the officer recommendations and would ask that Cabinet do the same.

8. Contact officer

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(01484) 221000

9. Background Papers and History of Decisions

N/A

10. Service Director responsible

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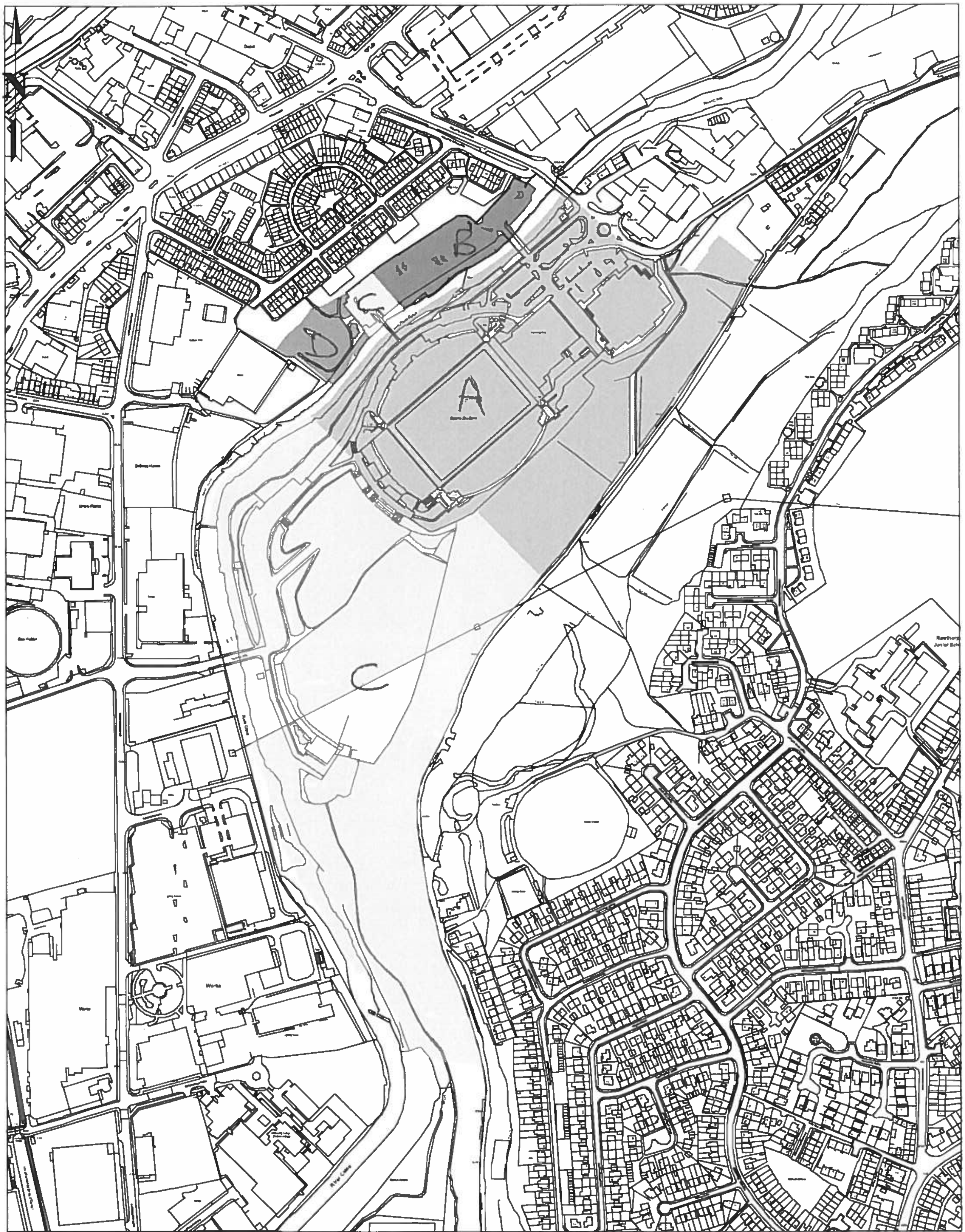

PHYSICAL RESOURCES & PROCUREMENT

Kirklees COUNCIL

Plan No: 17-0306

Scale: 5000

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Agenda Item 17:

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