

Public Document Pack



**Service Director – Legal, Governance and
Commissioning**

Julie Muscroft

The Democracy Service
Civic Centre 3
High Street
Huddersfield
HD1 2TG

Tel: 01484 221000

Please ask for: Andrea Woodside

Email: andrea.woodside@kirklees.gov.uk

Monday 21 January 2019

Notice of Meeting

Dear Member

Cabinet

The **Cabinet** will meet in the **Council Chamber - Town Hall, Huddersfield** at **4.00 pm** on **Tuesday 29 January 2019**.

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.

A handwritten signature in black ink, appearing to read "Julie Muscroft".

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

Councillor Shabir Pandor
Councillor David Sheard

Councillor Masood Ahmed
Councillor Viv Kendrick

Councillor Musarrat Khan
Councillor Naheed Mather
Councillor Peter McBride
Councillor Cathy Scott
Councillor Graham Turner

Responsible For:

Leader of the Council
Deputy Leader of the Council and holder of the
Deputy Leaders Cabinet Portfolio
Cabinet Member - Learning and Aspiration
Cabinet Member - Children (Statutory
responsibility for Children)
Cabinet Member - Health and Social Care
Cabinet Member - Communities and Environment
Cabinet Member - Economy
Cabinet Member - Housing and Democracy
Cabinet Member - Corporate

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: Interests

1 - 2

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.

3: 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.

4: 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.

5: Public Question Time

The Committee will hear any questions from the general public.

6: Member Question Time

To consider questions from Councillors.

7: Council Annual Budget Report incorporating Capital, Treasury Management, General Fund, Revenue and Housing Revenue Account 3 - 264

The purpose of this report is for Cabinet to receive information to enable them to recommend a budget to Council for Capital, General Fund revenue and Housing Revenue Account (HRA), and approve the Council Treasury Management strategy.

Ward: All

Officer: Eamonn Croston, Service Director Finance, Tel: 01484 221000

8: Housing Revenue Account (HRA) rent and service charge setting report and key housing challenges 265 - 274

A report seeking Cabinet approval of the proposed dwelling rent, garage rent and other charges to be effective from 1st April 2019 onwards.

Ward: All

Officer: Helen Geldart, Head of Housing Services and Jacqui Fieldhouse, Head of Finance KNH Tel: 01484 221000

9: Report seeking approval for Kirklees' School Funding arrangements for financial year 2019-20 275 - 292

To request that Cabinet approve the outline details of the Kirklees school funding formula for 2019-20.

Ward: All

Officer: Eamonn Croston, Service Director Finance and Martin Wilby, Senior Strategic Manager, Education Places and Access Tel: 01484 221000

10: Consolidation of Kirklees Council Delivered Early Support Services 293 - 296

To request a decision from cabinet to end the current commissioned contracts delivering early support services and bring the services in house.

Ward: All

Officer: Michelle Wheatcroft - Head of Early Support and Martin Green - Head of Localities Offer - Children and Families, Tel: 01484 221000

11: 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.

12. Consolidation of Kirklees Council Delivered Early Support Services 297 - 304

Private appendix in relation to agenda item 10.

This page is intentionally left blank

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.



Name of meeting: Cabinet
Date: 29 January 2019

Title of report: Council Budget Report 2019-22; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

Purpose of the report

The purpose of this report is for Cabinet to receive information to enable them to recommend a budget to Council for Capital, General Fund revenue and Housing Revenue Account (HRA), and approve the Council Treasury Management strategy.

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 forward reports) ?	Yes
Is it eligible for "call in" by Scrutiny?	No
Date signed off by Strategic Director and name	Jacqui Gedman – 21 Jan 19
Is it also signed off by the Service Director for Finance?	Eamonn Croston - 21 Jan 19
Is it also signed off by the Service Director – Legal, Governance & Commissioning?	Julie Muscroft – 21 Jan 19
Cabinet member portfolio - Corporate	Cllr Graham Turner

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

RESTRICTIONS ON VOTING

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where –

- (a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
- (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

1. Summary

1.1 The structure of this report begins with an executive summary followed by a range of appendices. The reader will need to review these in conjunction with the Appendices in order to be informed of the overall consequences and implications.

The Appendices are as follows:

A	General Fund & HRA Medium Term Financial Plan 2019-22 - revenue and capital budget book
B	Supplementary Tables – Revenue
C	Financial Resilience Test Index – CIPFA Summary Commentary
D	General Fund Revenue Sensitivity Analysis
E	Treasury Management Strategy 2019-20 (appended report)
F	Flexible Capital Receipts Strategy
G	Capital Strategy including Prudential Indicators
H	Corporate Risk Matrix Summary
I	Motion to Council
J	Budget Consultation exercise – summary
K	Business Rates Pool – new arrangements for 2019-20

Equality Impact Assessments

- 1.2 Key revenue budget proposals make explicit reference to accompanying evidence available to members; namely officer led equality impact assessments (EIA's) which have been undertaken on a range of budget proposals. This is to ensure that decision makers have due regard to the Council's equalities duties on key decisions taken through the budget process.

Members' attention is drawn to the information and advice in paragraph 3.3.25 of this report which makes reference to the Council's Public Sector Equality Duty.

1.3 The report will:-

- (i) review the general fund revenue budget strategies over the medium term financial plan (MTFP), and budget proposals to achieve a balanced general fund revenue budget in 2019-20, and indicative revenue budget forecasts for the following two years;
- (ii) incorporate the Government's announcement on the Local Government Finance Settlement for 2019-20, and consider the level of general fund revenue budget needed for Treasury Management and Central Contingencies;
- (iii) review the current levels of general fund revenue reserves and balances and make recommendations on the level of reserves;
- (iv) incorporate Housing Revenue Account (HRA) budget proposals to achieve a balanced HRA in 2019-20, and indicative revenue budget plan for the following two years, informed by the HRA 30 year business plan;
- (v) review the current levels of Housing Revenue Account reserves, and make recommendations on the level of reserves;
- (vi) review the multi-year plan for Capital Investment. The Cabinet is required under Financial Procedure Rules to recommend to the Council a multi-year Plan for Capital Investment;
- (vii) review and approve the 2019-20 Treasury Management Strategy, Investment Strategy and Capital Strategy, which the Council must consider before the start of the financial year to comply both with the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code, and with the Ministry of Housing & Local Government (MHCLG) statutory guidance;
- (viii) make recommendations on the Council tax requirement for 2019-20; and
- (ix) incorporate a statement of assurance from the Council's statutory s151 officer in relation to the robustness of budget estimates and adequacy of General fund and HRA reserves.

2. Information required to make a decision

2.1 SUMMARY GENERAL FUND BUDGET PLANS

2.1.1 The overarching context for the Council in determining its annual resource allocations has been national government policy over successive Parliaments from 2010 onwards, resulting in significant reductions in Government funding over the period. The Local Government Association (LGA) estimate that between 2010 and 2020, councils including Kirklees will have lost almost 60p in every £1 of central government funding.

2.1.2 At the same time, Councils, in particular those with statutory social services responsibilities like Kirklees, have also faced significant and increasing service pressures; in particular in Children's and Adult Services, and these pressures are set to increase over future years. The LGA has predicted that the scale of the funding gap across English Councils just to 'stand still' is estimated to be just under £8 billion by 2025.

2.1.3 Broader concerns about the financial sustainability and resilience of Local Government have been highlighted extensively in the national press, including the well reported financial difficulties at Northamptonshire County Council. The National Audit Office (NAO), who scrutinise public spending on behalf of Parliament, set out its own concerns through the publication of its 2018 local government financial sustainability report; link to the report provided below.

[NAO - Financial Sustainability of Local Authorities 2018](#)

2.1.4 This Council remains one of the lowest funded Councils; second lowest of the 36 metropolitan authorities and in the lower quartile nationally. This statistic takes the Government's own spending power benchmark calculation, based on most current data available (2019-20), and expresses it as spend per head of the population.

2.1.5 The combined impact of national funding reductions and service pressures on the Council has resulted in a cumulative revenue savings requirement of £199m over the 2010-2019 period, with upto a further £35m forecast savings required by 2022.

2.1.6 The Council's current Corporate Plan 2018-20 acknowledges the scale of financial challenges to date, and the tough decisions that have had to be taken to balance the books while protecting frontline services and our most vulnerable residents. It also recognises that to support this approach, it has also required the development of a different type of organisation with new and innovative ways of doing things, changing the way that we work with communities, keeping vulnerable people safe and in control of their own lives, and focusing on the things that only the Council can do.

2.1.7 The Corporate Plan also makes reference to Councillors' changing roles, and that in representing and serving the people and places of Kirklees, Councillors'

roles are growing – they are community leaders and at the heart of democratically elected local government.

The link to the Council's current Corporate Plan is shown below:

[2018-20 Council Corporate Plan \(Agenda Item 9\)](#)

- 2.1.8 The Corporate Plan sets out a vision; *“a district which combines a strong, sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.”* The current Corporate Plan is being updated and will be reported to full Council in March 2019. It is anticipated that it will build on the level of ambition already set out in the current Plan across the 7 key outcomes.
- 2.1.9 To deliver the Council's vision, the intention is to move into the next phase of developing the Council to be one that focuses on achieving the seven key outcomes for the District's residents set out in the Corporate Plan, by working with people rather than doing to them, working with partners, and recognising the importance of local identity and how needs differ in different places.
- 2.1.10 The Council's updated revenue budget plans for 2019-22 and updated capital plans 2019-24, include significant new investment in particular in supporting the District's most vulnerable children and adults, investment in regeneration and economic growth, clean and green, and achievement agendas, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the District's residents.
- 2.1.11 At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the foreseeable future.
- 2.1.12 Budget risks include further potential pressures on High Needs pupils, Social Care pressures, current lack of national funding certainty from Government post-2020, and potential impacts of the UK's withdrawal from the European Union, scheduled for 29 March 2019. These are also incorporated into the Council's updated summary corporate risk register set out at Appendix H.
- 2.1.13 Table 1 below sets out the updated summary general fund revenue budget plans for 2019-22, which incorporate key funding and spending changes, existing savings proposals rolled forward, and new savings proposals:

Table 1 – Summary General Fund budget plans 2019-22:

Summary General fund revenue position	MTFP 2019-20 £000	MTFP 2021-21 £000	MTFP 2021-22 £000
Funding Available (2018-20 MTFP)	(284.3)	(309.5)	(309.5)
Funding changes	(10.4)	(4.4)	(6.6)
Funding Available (2019-22 MTFP)	(294.7)	(313.9)	(316.1)
Spending Plans (2018-20 MTFP)	299.3	324.7	324.7
Central Adjustments	(10.2)	0.5	6.0
Service Pressures	7.5	15.8	20.8
Service Investment	1.4	1.4	2.2
Existing Planned savings	(8.5)	(12.1)	(14.7)
New Planned Savings 2019-20	(2.4)	(2.4)	(2.4)
Spending Plans (2019-22 MTFP)	287.1	327.9	336.6
Transfer to Reserves	7.6	-	-
Balanced Budget (2019-20) / Budget Gap years 2 & 3	-	14.0	20.5

2.1.14 The updated budget plans summarised above build on the financial planning framework set out in the Council Budget Strategy Update report 2019-22, which was reported to Council on 10 October 2018. The link to this report is set out below.

[Budget Strategy Update Report 2019-22 to Council, 10 October 2018 \(Item 8\)](#)

2.1.15 Service pressures in particular reflect demand pressures, net of any service specific external funding allocations; in particular in Children Services with regard to Special Educational Needs & Disabilities (SEND) pupil requirements, and vulnerable Adults demand pressures.

2.1.16 Service investments to support Council reflect additional corporate capacity and capability to support the wider organisation, acknowledging that updated plans will continue to develop and re-shape over the medium term to better align with the Council's ambitions set out in the Council's Corporate Plan.

2.1.17 A reconciliation of funding changes, service pressures, service investment and central adjustments, as summarised in Table 1 above, is also included at Appendix B i) for information.

2.1.18 Planned savings set out at Table 1 above total £10.9m in 2019-20. These include existing planned savings totalling £8.5m rolled forward from 2018-20 approved budget plans, plus a further £2.4m new savings in 2019-20. The balance of planned savings of £6.2m over the 2020-22 period also reflect existing planned savings from 2018-20 approved budget plans re-profiled over the 2020-22 period.

2.1.19 Planned savings over the 2019-22 period are set out in more detail at Appendix A, including risks and impacts. Appendix A also sets out overall proposed revenue

resource allocations in 2019-20, and indicative resource allocations over the following 2 years across Strategic Director Portfolios and Central Budgets.

- 2.1.20 The net effect of the changes set out at Table 1 above is a general fund revenue balanced budget in 2019-20 without the requirement to drawdown from reserves. The proposals in fact allow for the planned transfer to general fund revenue reserves of £7.6m in 2019-20, to support further Council developments and also Council financial resilience over the medium term (see also Reserves Strategy - Section 2.15).
- 2.1.21 Updated budget forecasts for the following 2 years reflect an updated budget gap of **£14.0m** in 2020-21 and **£6.5m** in 2021-22 (cumulative £20.5m over the 2020-22 period) which would need to be addressed to deliver a balanced budget in these years. However, as noted earlier at paragraphs 2.1.2 - 2.1.3, there remain concerns expressed at a national level regarding the financial sustainability of local government post-2020; most marked in relation to the 150 Councils with statutory Education and Social Care responsibilities, including Kirklees.
- 2.1.22 To illustrate the current level of budget risk post-2020, the budget sensitivity analysis included in Section 2.16 later in this report highlights the range of potential budget forecast variations and risks relative to Council baseline forecast assumptions underpinning 2019-22 budget plans; in particular over the 2020-22 period.
- 2.1.23 Budget forecasts beyond 2019-20 are heavily dependent on Government clarity; including the 2019 Spending Review which will set out the extent of the continuation of austerity measures on local government, the impact of UK's withdrawal from the European Union, and the impact of Government proposals for a more transparent and 'fair' re-set of baseline Council funding, 'fiscally neutral' at a national level, from 2020 onwards.
- 2.1.24 Key baseline funding and spend assumptions underpinning Council 2019-20 budget proposals to deliver a balanced budget, and indicative budget forecasts for the following 2 years, are described in more detail in the following sections in this report.

FUNDING ASSUMPTIONS

2.2 Local Government Funding Landscape post-2020

- 2.2.1 While the 2018 Autumn Budget and subsequent provisional finance settlement confirmed national funding allocations for the 2019-20 period (year 4 of the 2016-20 multi-year settlement), there is no current Government indication regarding the national funding landscape for Local Government beyond 2020, nor is there likely to be before the next Spending Review, due sometime in 2019. In light of current national funding uncertainties beyond 2019-20, years 2 and 3 at this stage prudently assume some continued further national funding reductions in the region of £3.2m per annum (equivalent to 2.5%) over the 2020-22 period.

2.2.2 Government remains committed to reform in the local government finance system from 2020-21 including a more robust and transparent distribution methodology to re-set baseline Council funding levels. As such, two separate consultations were released alongside the provisional finance settlement; 'Review of local authorities' relative needs and resources', and 'Business rates retention reform'. The closing date for responses for both consultations is 21 February 2019.

Consultation - 'Review of local authorities' relative needs and resources'

2.2.3 Government is committed to a Fair Funding Review of Local Government Funding. As part of the national implementation of the 50% business rates retention scheme in April 2013, Government calculated Council baseline funding allocations at the point of implementation. The data underpinning Government assumptions on baseline Council funding, at that time, was informed by existing and complex Government formula calculations on Councils' relative needs and resources.

2.2.4 These calculations have not been reviewed since, and Government acknowledges that the baseline funding assumptions set in 2013 do not appropriately reflect the changing characteristics of Councils over subsequent years e.g. with regard to population changes and demographic trends. The consultation seeks views on the approach to measuring the relative needs and resources of local authorities and may result in a re-distribution of existing funding between Councils. Under Government principles of fiscal neutrality at an overall national level, there would be 'winners and losers' and, most likely, extended transitional protection arrangements.

Consultation - 'Business Rates retention reform'

2.2.5 This consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

2.2.6 It is the Government's aim to introduce 75% business rate retention in 2020 in a way that is fiscally neutral. This is allowable within existing legislation. To compensate for the additional business rates income to be retained locally, it is anticipated that this will also involve a transfer of current Government funding responsibilities for Public Health at the same time.

2.2.7 This means that Council spending plans will increase by about £25m from 2020-21 onwards, because the Public Health specific grant contribution from Government will cease at this point. There will instead be a corresponding increase in business rates income retained locally, to compensate; 'net nil' overall budget impact. The consultation does not indicate if current Public Health specific grant conditions setting out eligible spend against the grant, and monitored by Public Health England, will continue in some guise, from 2020-21 onwards.

2.2.8 Following the release of the above consultations, the intention is for officers to report back to members through the year, as the technical detail behind both proposals become more fully developed and modelled, in preparation for April 2020 implementation.

2.3 Council Tax

- 2.3.1 Funding adjustments factored into Council budget plans for 2019-20 incorporate the 2019-20 Council Tax Base (CTB) which was approved at full Council on 16 January 2019.
- 2.3.2 The CTB reflects assumed growth of 700 properties in 2019-20 and a further 1,000 properties per annum thereafter (Band D equivalent). The latter targets reflect net housing growth indicative forecasts over the period, and assume the timely adoption of the Council Local Plan in 2019, and rollout of the longer term Council ambition for housing growth.
- 2.3.3 Future year CTB forecasts will be subject to regular review, acknowledging as well the potential for external factors such as the UK's intended withdrawal from the EU and consequential impact on the UK economy, including the housing construction and house buying markets. The assumed CTB bad debt provision requirement is 1.48% based on current year forecast collection rates.
- 2.3.4 The local Council Tax Reduction (CTR) scheme is means tested and works so that those not "protected" are required to pay at least 20% of their full council tax liability. The local scheme only applies to those of working age. The national pension age scheme means there is no such minimum payment and many pensioners are assessed as having to pay nothing. CTB forecasts reflect the continuation of the current local CTR based on 20% for those not protected in 2019-20 and future years.
- 2.3.5 Government has made provision to allow Councils local discretion to implement 100% empty property premium charge after 12 months, increasing to 200% after 24 months and 300% after 36 months. There is currently a 50% premium charged on properties still empty after 24 months. The updated CTB for 2019-20 takes account of increases relating to the Council implementing the above property premium rates, anticipated to generate approximately £360k additional income in 2019-20.
- 2.3.6 It is acknowledged that this national policy change is intended to incentivise occupancy in currently empty properties over time, and at this stage a prudent view has been taken with regard to any further income gain beyond 2019-20. This will be reviewed in due course following an officer assessment of the local impact of the empty property premium changes, which were approved at full Council on 16 January 2019.

Council Tax Referendum Principles

- 2.3.7 Government's Council tax referendum principles are set out in the 2019-20 provisional finance settlement, and allow for a 3% council tax uplift in 2019-20, consistent with the referendum limit set in 2018-19. Council updated budget plans reflect a proposed 2.99% Council Tax uplift in 2019-20 (excluding precepts); equivalent to £5.2m additional funding. It is assumed at this stage that Government Council tax referendum principles will revert to 2% from 2020-21 onwards, and

that the Council tax uplift would therefore be 1.99% in 2020-21 and 1.99% in 2021-22.

- 2.3.8 In addition to allowable council tax uplifts within Government's referendum principles, Government also allowed Councils with Social Care responsibilities local discretion to uplift Council tax over the 2017-20 period upto a maximum of a further 6% (no more than 3% allowable in any one year).
- 2.3.9 This was allowable through a specific adult social care precept, and the funding raised from the precept had to be used entirely to fund additional adult social care spend over the period. This Council chose to implement the maximum precept uplift of 6% over the 2017-19 period (3% uplift per annum), and as a result, there will be no further adult social care precept increase in 2019-20.
- 2.3.10 At Band A level, 2.99% Council Tax uplift in 2019-20 is equivalent to an increase of £29.21; from £977.18 in 2018-19 to £1,006.39 in 2019-20 (before fire, police and parish council precepts). Government has confirmed that the referendum principles will not apply to Parish Councils in 2019-20, but will continue to keep this area under active review.
- 2.3.11 Charges to the general fund each year from the Council (the billing authority) for council tax and business rates, and to the major precepting authorities (Fire & Rescue Authority, Office of Police & Crime Commissioner) are based on estimates of CTB. Actual income collected year on year will vary. These timing differences result in actual surpluses or deficits which are rolled forward year on year through the collection fund, and 'settled' over following years, through relevant payment adjustments to the general fund/major precepting authorities.
- 2.3.12 Due to timing issues set out at paragraph 2.3.9 above, there is an overall planned repayment of £1.2m from the general fund to the collection fund in 2019-20.

2.4 Business Rates

- 2.4.1 Officers have reviewed the impact of the new appeals system implemented from April 2017 onward, which is designed to be more stringent than the previous appeals system. The new appeals system relates to appeals against the 2015 Rating List, and volumes of new appeals are significantly less than the volume of appeals against the 2010 and 2005 rating lists.
- 2.4.2 As a result, the annual appeals bad debt provision requirement has been reduced by £1.3m, effectively adding an equivalent amount back into business rates baseline from 2019-20 onwards. Other than the above adjustment, no other net growth assumptions have been built into future year business rates income projections, in light of continuing challenging economic conditions. This is considered to be a prudent approach at this stage.
- 2.4.3 The Council holds a current prudent £11.5m bad debt provision for historical appeals valuations outstanding (largely relating to the 2010 rating list). A recent officer assessment suggests that this requirement can now be revised downwards

in-year. This mainly reflects the impact of many long standing appeals being either withdrawn or settled. This includes the recent withdrawal of a national appeal by Virgin Media which if successful would have cost the Council £2m in backdated rates adjustments to 2010.

- 2.4.4 Also, the number of appeals emerging with respect to the current year has not been at the level anticipated for reasons set out at paragraph 2.4.1 -2.4.2 above. The overall impact is a repayment of £6.9m to the general fund from the collection fund in 2019-20 which has also been factored into updated budget plans (see also Appendix B iv).

North & West Yorkshire Business Rates Pool: 2019-20

- 2.4.5 Leeds City Region (LCR), of which Kirklees is a member, made a joint bid with North Yorkshire for a 75% business rates pilot for 2019-20. The finance settlement 2019-20 confirmed the success of this bid. The financial model underpinning the North & West Yorkshire 75% business rates Pool estimated a potential overall gain to the combined Pool in the region of £24m. The current 2018-19 LCR Pool will be dissolved at 31 March 2018.
- 2.4.6 Pool income will be shared out so that member authorities receive two thirds of the additional income generated through the 75% pilot, with the remaining third of additional income being retained by the pool. This retained funding will be redistributed to projects that meet the pool's strategic aims; Reducing Digital Isolation, Inclusive Growth, Culture, Sport and Major Events, Business Support, Trade and Investment and Enabling Housing Growth.
- 2.4.7 A "one-off" gain of £2m in 2019-20 has been built into Council budget plans to reflect our individual share of the growth. Governance of the 2019-20 Pool will be similar to the existing 2018-19 LCR Pooled arrangement, through a Joint Committee, but with an expanded membership to ensure all member authorities are properly represented.
- 2.4.8 A report prepared by Leeds City Council Chief Officer – Financial Services, to its Executive Board on 13 February 2019 recommends their member approval for the City Solicitor to be given delegated authority to seek the formal agreement of the other 13 members to the new Pool arrangements for 2019-20. Appendix K attached sets out the new arrangements for the North & West Yorkshire Pool for 2019-20, including terms of reference for the Pool's Joint Committee. This report asks Cabinet to formally agree the new arrangements in principal for the 2019-20 Pool as set out at Appendix K, and to delegate authority to the Council's Monitoring Officer in conjunction with the Councils Service Director – Finance, to finalise the new arrangements with Leeds City Council's City solicitor.

2.5 Un-ringfenced grants

- 2.5.1 While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. Budget plans for 2019-22 reflect

annual allocations set out in the Government provisional 2019-20 finance settlement. These are set out in more detail at Appendix Biii).

- 2.5.2 The main funding change in 2019-20 relates to Business Rates (section 31) grants, with an anticipated £2m one off gain anticipated as a result of the successful Leeds City Region and North Yorkshire 75% pilot bid.
- 2.5.3 Elsewhere, the New Homes Bonus (NHB) Grant allocation for 2019-20 has been confirmed, based on updated national net housing growth data used by Government to calculate individual Council grant allocations. The £3.9m 2019-20 NHB grant allocation is broadly in line with previous budgetary estimates.

2.6 Adult Social Care Funding

- 2.6.1 Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years.
- 2.6.2 These pressures have largely been contained over the 2016-20 period through a combination of Adult Social Care precept uplifts and additional Better Care Funding (BCF) allocations; albeit about half the 'additional' BCF has been funded from a national top-slice of pre-existing Council resources (New Homes Bonus), re-directed to BCF. Updated budget plans reflect the cumulative impact of the above funding measures, which has added £27.9m funding to Adults annual base budget by 2019-20 compared to 2015-16, such has been the scale of increasing service pressures over the period.
- 2.6.3 In 2018-19, Government confirmed a national in-year £240m package of social care funding to ease pressure on the NHS over the winter months. Kirklees' share of this additional in-year funding was £1.86m. The funding must be spent on providing adult social care services, and be in addition to existing planned spending.
- 2.6.4 The Autumn Budget announcement on 29 October 2018 and subsequent 2019-20 finance settlement confirmed the continuation of this funding in 2019-20, alongside a further £410m national funding allocation for adults and children's social care. This new Social Care Support Grant equates to £3.2m for Kirklees in 2019-20 and it is at the discretion of individual local authorities as to how they intend to allocate it between Children's and Adults elements.
- 2.6.5 The £3.2m allocation to Kirklees includes the continuing provision for the £1.2m adult social care grant originally announced late by Government in March 2018 as a one-off grant for 2018-19. The balance of £2m additional funding has been applied in 2019-20 to offset high need pupil service pressures at £1.3m, and other Children's pressures at £0.7m.
- 2.6.6 Government has made no formal announcement about continuing the Winter Pressures and Social Care Support Grant into future years, but in light of continuing and significant pressures on Adult and Children's Social care budgets,

updated budget forecasts assume that Government will maintain these funding allocations post-2020.

- 2.6.7 Updated budget plans from 2020-21 factor in further Government grant funding to support Councils with social care responsibilities; an additional £3.6m grant funding in 2020-21, increasing to £7.2m by 2021-22. These funding assumptions are considered relatively prudent at this stage, in the absence of any more detailed proposals from Government post-2020.
- 2.6.8 There is national Government acknowledgement that beyond 2020, increasing adult social care pressures will be beyond the means of existing Council budgets to be able to contain over the longer term, and that a national funding solution is required. Government has committed to a Green Paper on the future of adult social care.
- 2.6.9 There have been recent national announcements about proposals for £20.5 billion additional baseline funding for the NHS by 2024, and a subsequent further Government release of an NHS 10 year plan. These announcements clearly have implications for the continuing social care/health integration agenda that has been a feature of national Government policy since 2016. However, the expected release of the adult social care green paper alongside these NHS announcements, has been delayed by Government.

2.7 Schools Funding

- 2.7.1 Government introduced a revised National Funding Formula (NFF) for schools from April 2018. The NFF determines the amount of core revenue funding that goes directly to mainstream schools. However, because the current funding arrangements for each local authority are the result of a complex combination of historical national and local funding decisions, the move to a National Funding Formula has produced significantly different outcomes for local schools and academies.
- 2.7.2 The NFF for Kirklees maintained schools and academies is less generous than the previous system but the NFF contains protections to mitigate most of the reductions delivered by the pure application of the new formula. This includes a Government minimum uplift of 0.5% in both 2018-19 and 2019-20 for the funding allocation per pupil within the overall Schools Block allocation.
- 2.7.3 The NFF for schools is being introduced in a 'soft' format across funding years 2018-19 to 2020-21. The NFF will be used to calculate the bottom-line Schools Block allocation to local authorities with local discretion over its distribution then to be agreed following consultation via the local Schools Forum. Government intention is to implement a 'hard' format from funding year 2021-22, which will mean that Schools block funding allocations from that point will be calculated directly by the Education & Skills Funding Agency.

- 2.7.4 The other three funding blocks within the Dedicated Schools Grant or DSG (High Needs, Central School Services and Early Years) will continue to be the responsibility of the Council to manage and allocate as appropriate.
- 2.7.5 The Council's baseline Schools Block funding in 2019-20 is £295.3m, and represents an increase of 2.4% from 2018-19. The High Needs block is £37.0m; an increase of 6.35% from 2018-19. The Early Years block £28.1m; a decrease of 2.1% from 2018-19, and the Central School Services block £2.3m; a decrease of 1.7% from 2018-19.
- 2.7.6 The High Needs block calculation under the new NFF acknowledges the level of previous under-funding, and Government intention is to increase the annual allocation by £7m from pre-existing £34m to £41m; the second largest increase calculated nationally under the revised NFF. However, due to transitional arrangements, this will be phased over a seven year period, at £1m per annum. The 2019-20 allocation reflects the incremental uplift of £1m.
- 2.7.7 The forecast budget pressure against High Needs pupil activity is anticipated to be just over £8m in 2019-20 in excess of available DSG (high needs) funding. Government transitional funding arrangements will not be able to address this current service pressure in a timely manner.
- 2.7.8 The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. The 2019-20 finance settlement includes a supplementary national high needs funding allocation totalling £125m to offset current year pressures. Government has confirmed a similar allocation in 2019-20.
- 2.7.9 The Council's share of this is £1.04m in each year. This funding will help offset service high needs pressures in 2018-19 and 2019-20. Budget forecasts assume the continuation of this additional annual funding post-2020.
- 2.7.10 There is a separate report on this Cabinet agenda which sets out in more detail, Kirklees School Funding arrangements for 2019-20.

Key revenue spending assumptions 2019-22

2.8 Current year financial performance

- 2.8.1 Organisational intelligence informing 2019-22 budget plans includes consideration of current year financial performance. The most recent quarter 2 financial monitoring report was presented to Cabinet on 13 November 2018. The link to this report is shown below.

[Corporate Financial Monitoring Report Quarter 2, 2018-19](#) (Item 10)

- 2.8.2 Quarter 2 monitoring indicated significant overall progress towards the delivery of £16.2m net savings requirement in-year. Forecast planned savings were projected to be £12.6m; equivalent to 78% delivery. Elsewhere, there were other

unplanned overspends but with largely compensating underspends, with an overall forecast overspend of £4.8m; equivalent to 1.7% against a revised budget of £290.8m.

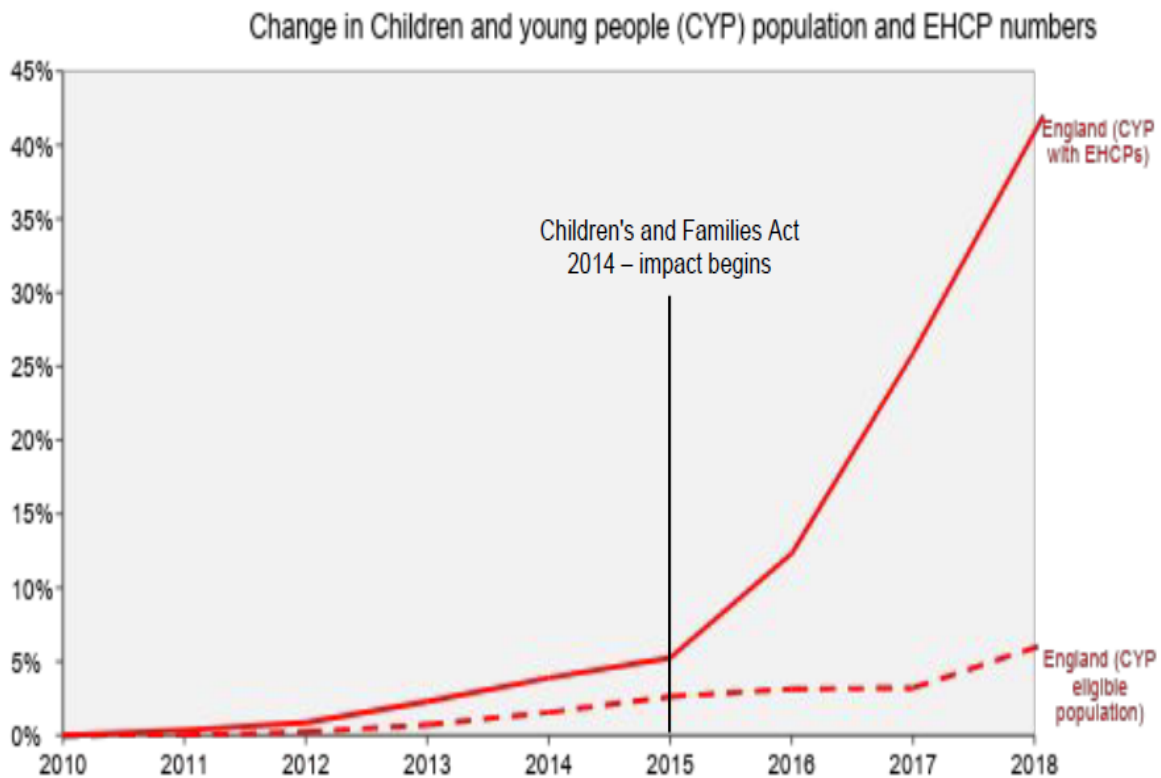
- 2.8.3 Within the overall forecast position, there were some significant underlying current pressures and risks subsequently considered in formulating updated budget plans for 2019-22; in particular in relation to the significant unbudgeted pressure in the region of £8m in relation to Special Educational Needs & Disabilities (SEND)/high needs activity (see also, paragraph 2.7.7 earlier and Section 2.9 further below).
- 2.8.4 The Council's Collection Fund was also forecast to have an overall surplus of £0.8m by current year end.
- 2.8.5 Subsequent to Quarter 2 monitoring, the most up to date in-year monthly monitoring projections (month 8) now estimate a year end forecast overspend of £2.1m; a reduction of £2.7m compared to Quarter 2 financial monitoring. This factors in the additional £1.04m High Needs funding allocation for 2018-19 announced as part of the 2019-20 provisional finance settlement.
- 2.8.6 Government also confirmed as part of the 2019-20 finance settlement, an unexpected "one-off" business rates levy rebate to all Councils in 2018-19. The Council's share of the national £180m re-distribution is £1.2m, also factored into month 8 monitoring.
- 2.8.7 Month 8 monitoring also now reflects an overall forecast year end Collection Fund surplus of £5.75m as a result in particular of the appeals bad debt provision adjustment (see paragraphs 2.3.10 and 2.4.4 earlier). Updated budget plans reflect the re-payment of this surplus to the general fund in 2019-20. The month 8 Collection Fund forecast is summarised at Appendix Biv).
- 2.8.8 Month 8 monitoring also includes a current estimate of year end reserves, forecast at about £79m (excluding statutory schools reserves). This forecast factors in specific reserves proposals approved as part of the budget strategy update report approved at Council on 10 October 2018. The Reserves section later in this report (Section 2.15) considers Council reserves strategy in more detail, including further proposals to increase Council general fund reserves over the medium term.
- 2.8.9 The following sections set out in more detail, updated spend assumptions across Strategic Director Portfolios which have informed updated budget plans.

Strategic Director Portfolios

2.9 Children & Families – Learning, Skills & Early Support

- 2.9.1 The 2017-18 financial outturn report to Council on 11 July 2018 highlighted an underlying net service pressure on special educational needs activity, totalling £4.2m.
- 2.9.2 This pressure has continued and increased through 2018-19, and based on Month 8 financial monitoring projection the forecast in-year position is spend in excess of school (high needs) funding available, of approximately £8m. This is before applying the additional £1.04m funding allocation announced as part of the provisional finance settlement, as per paragraph 2.7.9 above. The pressure includes a projected overspend of £3.6m in respect of placements of Kirklees children in independent and other local authority specialist provisions.
- 2.9.3 The average number of active placements in independent specialist education provision has significantly increased over the last few years, moving from an average of 88 active placements in 2016-17 to a forecast 2018-19 average of 125 pupils; an increase of 42%. An increase is also evident over the same period in the annual average number of children placed in other local authority specialist provision, moving from an average of 20 pupils in 2016-17 to a forecast 2018-19 average of 34 pupils.
- 2.9.4 The balance of High Needs pressure is mainly made up of £1.6m for support funding payments for high needs students in the local further education sector, £1.4m in respect of top-up funding to support rising numbers of increasingly complex need children within the mainstream schools sector, and £1.6m additional funding commitment in the special schools sector.
- 2.9.5 As noted earlier at paragraph 2.7.8, there has been significant recent national sectoral lobbying of Government to acknowledge this is a growing pressure on high needs increasingly beyond the means of Councils to be able to self-contain within available Dedicated Schools Grant ring-fenced funding..
- 2.9.6 London Councils recently produced an overall national trend analysis. Graph 1 below shows that since 2010-11, the number of children and young people with an Education, Health and Care Plan (EHCP)/Statement has increased by 40%. This largely drives high needs costs. Over the same period, the eligible child population increase was 3%. The latter drives annual Government funding adjustments to the High Needs Block of the Dedicated Schools Grant. In particular, the rapid growth in EHCP appears to correspond to the implementation of the Children & Families Act 2014.

Graph 1 – national trends over 2010-2018 period; EHCP/Statement numbers and children & young people population



Source: ONS (MYE and SNPP) estimates; DfE (SEN2 data)

- 2.9.7 In 2014, Kirklees Council had about 1,900 EHCP/Statements. By 2022, this is expected to rise to 3,300 based on current trends; over 70% increase over the period. As noted previously at paragraph 2.7.6. the NFF acknowledges that Kirklees is currently significantly under-funded on high needs, but that due to Government transitional funding arrangements, the Council will not get the full benefit of the extra £7m high needs funding allocated to it from 2018-19, for a full 7 years.
- 2.9.8 Councils have limited flexibility to divert resources from the main schools funding block, and this puts further strain on stretched schools budgets. The only other alternative is to divert general fund resources to support the Council's statutory high needs responsibilities. This is not considered to be a sustainable longer term position for Councils like Kirklees that are already under significant financial pressure from austerity measures that have reduced our general fund grant funding by upto 60% since 2010.
- 2.9.9 Updated Council budget plans reflect a continuation of the £8m current year high needs pressure in 2019-20 , and the partial netting off from incremental Government High Needs Block Grant uplifts of £1m per annum A further £1.04m funding declared in the 2019-20 finance settlement has also been added into budget plans from 2019-20 onwards. As noted above (paras 2.6.4 and 2.6.5)

£3.2m of new Social Care Support Grant funding has been announced, of which £1.3m has been applied in 2019-20 to offset high need pupils service pressures.

- 2.9.10 In conjunction with the above, it is also anticipated that future year growth pressures can to some extent be mitigated through a range of other measures. However, there is acknowledged to be a continued element of budget risk on high needs pressures over the medium term.
- 2.9.11 A District wide High Needs Strategic Review was reported to Cabinet on 20 February 2018. The link to this report is shown below:

[Summary of findings from the Special Educational Needs and/or Disabilities \(SEND\) High Needs Strategic Review \(Item 14\)](#)

- 2.9.12 The Council is working with key education partners across the District on a comprehensive action plan that came from the above referenced report. To support increased District sufficiency provision for specialist educational support, there is also significant new capital investment proposed totaling £25m which has been factored into updated capital plans (see also section 2.19.7 of this report)
- 2.9.13 Updated budget plans include increased annual revenue investment of £700k in the Special Educational Needs & Disabilities Assessment and Commissioning Team (SENACT). This will support staffing, work force development and strategic development to achieve the necessary improvements set out in paragraph 2.9.11 above.
- 2.9.14 In addition, there is further investment of £420k in Learning Services reflecting increased demand (increase of free nursery entitlement), and the increased provision of Early Intervention processes (Portage support to parents). This further investment will support managing the needs of children as early as possible, which will hopefully prevent needs becoming more complex and potentially resulting in more expensive support packages in the future (for example via Education Health and Care Plans).

2.10 Children & Families – Child protection & safeguarding

- 2.10.1 Existing 2018-20 budget plans include £5.5m sustainable investment in Child Protection & Family Support from 2018-19 onwards, alongside a fundamental review and re-shape of service budgets to align with the Children Improvement Plan; the latter based on a Partnership with Leeds Council.
- 2.10.2 The Council continues to make very good progress in the delivery of significant improvements in outcomes of children, and meeting the recommendations set out in the original inadequate rated OFSTED report in November 2016.
- 2.10.3 These improvements include measures to reduce the number of children placed outside the District, with existing planned savings of just over £3m over the 2018-

21 period. These improvements are ongoing, and the planned savings associated with out of area placements have been further re-profiled now over the 2019-22 period to reflect a more realistic timescale for delivery.

- 2.10.4 Planned improvements also include service investment in a restorative practice team at £600k from 2019-20 onwards. This additional capacity is currently funded through a one-off Government grant in 2018-19. Also, following the recent implementation of a new caseload management system within service, Liquid Logic, there is an identified further ongoing investment requirement to support and maintain the system, at £240k.
- 2.10.5 As noted above (paras 2.6.4 and 2.6.5) £3.2m of new Social Care Support Grant funding has been announced, of which £0.7m has been applied in 2019-20 to offset service pressures.
- 2.10.6 To support the Council's ambition to improve outcomes for the District's most vulnerable Children, there is also significant new capital investment proposed totaling £10m for residential accommodation, disability and youth services (see also section 2.19.12).

2.11 Adults & Health

- 2.11.1 Existing budget plans include additional base budget resources of £9.7m 2018-19 and a further £3.2m in 2019-20 for demand led volume pressures, over 65's demographic pressures, and provider cost pressures; the latter relating to social care external provider costs impacted on by a 4.6% national living wage uplift in 2018-19. As noted earlier in Section 2.6, these pressures continue to be met by a range of current grant funding sources.
- 2.11.2 Alongside the above, there is a further £0.5m service revenue investment into early intervention/preventive mental health services, and also a specific amount of £1.4m set aside in reserves to support and promote a range of Place based mental health initiatives across the District; includes £0.4m for measures to combat domestic abuse.
- 2.11.3 Updated budget plans for 2019-20 take account of further £6m service pressure in relation to demographic growth and inflationary pressure on contracts with providers; includes the impact of the 4.9% increase in the National Living Wage in 2019-20, as well as inflation levels on other key cost elements. The Council recognises that the social care provider market locally and nationally is under significant pressure and provides support in kind to providers as well as through fees.
- 2.11.4 Demand and cost increases over the 2020-22 period are modelled to increase by a further £13m in total, net of assumed partial funding offsets over the period. Budget assumptions will continue to be subject to ongoing service review. Future projections will also be informed by the shape, direction and impact of Government's national social care and health integration agenda, applied locally.

2.11.5 The service is also proposing significant new capital investment in dementia and day services totalling £21m (see also, section 2.19.12).

2.12 Economy & Infrastructure

2.12.1 Existing budget plans include £10k base budget allocation activity per ward; £230k in total, plus one-off resources totalling £706k for ward committed expenditure, rolled forward through Council earmarked revenue reserves. In addition, Council earmarked reserves includes approved revenue rollover of just over £1.5m for Public Realm works.

2.12.2 Updated budget plans include a commitment to double the annual base budget allocation for ward based activity from £10k current to £20k per ward from 2019-20 onwards. The doubling of the allocation per ward has been resourced from existing 2018-20 budgeted resources set aside for Place based activity, currently held within the Office of Chief Executive's Transformation Fund budget.

2.12.3 Existing budget plans also include £250k recurrent investment in a District wide 'ward squad' to complement the Public Realm investment and District ward activity budgets.

2.12.4 Updated budget plans include £1.4m to offset current unfunded service schools transport service pressures; in particular impacted on by Special Educational Needs and Disability demand pressures on schools transport service. An additional pressure factored into updated budget plans is the financial impact of the loss of the driver training police contract at £500k. A recent officer review of health and safety and fire safety organisational compliance requirements also identified a service investment need of £310k.

2.12.5 The Council's ambitions for Sustainable Economy include significant existing capital investment in town centre vibrancy, and plans for housing development and growth over the 2018-24 period. These ambitions require increased technical and officer project capacity, and an additional investment need of £300k has been identified. In addition, £4m has also been made available within existing earmarked revenue reserves to address the likely scale of other "one-off" associated development costs over the 2018-24 period.

2.12.6 Updated budget plans also factor in service investment in infrastructure growth, at £350k in 2019-20, and incremental increases of £250k per annum over the following two years. This is in recognition of the increased demands placed on front line 'universal' services over time, through general increases in population, and associated impact on infrastructure across District.

2.12.7 The Council's current Private Finance Initiative (PFI) Waste Contract ends in 2022-23, and work is ongoing to review options for 2023-24 onwards. It is anticipated that there will be a significant overall increase in revenue cost requirement from current, as well as significant future capital investment in waste management activity of up to £33m, reflected in updated Council capital plans (see also, section 2.19.12).

2.12.8 Future revenue implications include the fallout of a current annual PFI Government grant allocation of £3.2m which ends on 31 March 2023. As well, officer proposals for emerging capital and revenue requirements will also be informed by Government's recent national Resources & Waste Strategy announcement on 18 December 2018, which represents the first comprehensive national Government update for more than a decade.

2.13 Corporate Services

2.13.1 Existing budget plans include £3m additional capital investment in the Council's Digital transformation programme, in recognition of the scale of transformation required. The Council's IT service has existing savings of £1.2m in 2018-19, and a further £1.3m in 2019-20. Planned 2019-20 savings have now been deferred to 2020-21, to allow more time to review organisational IT requirements and capacity going forward.

2.13.2 Corporate capacity has also been reviewed, in particular in light of more stringent General Data Protection Regulation (GDPR) requirements, and additional investment of £200k per annum incorporated from 2019-20 onwards, alongside additional revenue investment of £130k per annum in corporate business intelligence.

2.13.3 Updated budget plans include a drawdown of Public Health reserves of £823k in both 2019-20 and 2020-21. This resource is being used to allow continued investment at the current level in substance misuse and sexual health activities over the short term. These services would otherwise have been subject to savings of £823k in 2019-20, as per existing 2018-20 budgets. The savings have been deferred to 2021-22 in the refreshed budget plans.

2.14 Central budgets

2.14.1 Contingency inflation assumptions have been updated to ensure pay provision requirements for the 2018-20 national pay award are fully met. Also factored in are assumed pay awards of 2% in both 2020-21 and 2021-22.

2.14.2 Price inflation is zero over existing 2018-20 budget plans. Updated budget forecasts over the 2020-22 period include a continuation of this assumption, with Strategic Director portfolios continuing to operate within cash limit budgets over the 2020-22 period. The only exceptions relate to energy and waste contract inflation.

2.14.3 Income inflation is assumed at 2% per annum, other than acknowledgement of ongoing pressures on car parking and markets income, which will continue to have zero inflation.

2.14.4 Contingency budget requirements have also been updated to accommodate annual £300k PFI repayment costs relating to schools, for which an earmarked

reserve had previously been set aside. Existing budget plans had assumed £1m annual surplus in the Council's Insurance fund from 2018-19 onwards. However, updated service and external insurance provider premia requirements have now adjusted this downwards to a break-even position from 2019-20 onwards.

- 2.14.5 The next 3 yearly (tri-ennial) actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF) will be undertaken in preparation for 2020-23 period. Updated budget plans assume a prudent 1% increase in employer contributions from current 16.1% to 17.1%, from 2020-21 onwards; equivalent to £1.6m per annum.
- 2.14.6 The Council's contribution to the West Yorkshire Combined Authority (WYCA) has reduced by £0.2m in 2019-20, and reflects WYCA's commitment to passport a range of efficiency savings over the period, through reduced levy contribution requirements.

Treasury Management

- 2.14.7 Updated Treasury management budgets assume a relatively modest 0.25% uplift in bank of England base rate to 1.0% in 2019-20, increasing to 1.25% in 2020-21 and 1.5% in 2021-22.
- 2.14.8 Council on 12 December 2018 approved the inclusion of the Local Authority Property Fund as part of the Council's treasury management specified investment portfolio, with a potential investment of between £5m and £10m. Officers will continue to explore this option. Updated treasury management budgets assume up to £10m invested during 2019-20, with an anticipated net yield of £150k (part year), increasing to £300k in subsequent years.
- 2.14.9 Treasury management budgets also take account of updated capital plan borrowing requirements, and associated annual revenue resources to be set aside to service Council debt. A 40% slippage factor has also been applied to borrowing specifically on strategic priority schemes over the updated 2018-24 capital plan. This is considered a reasonable assumption, given the nature and scale of strategic priority investment, and potential range of factors that can cause such programmes/schemes to slip over such a protracted timeline.
- 2.14.10 A key prudential indicator set out in the Capital Strategy attached at Appendix G shows the Council's forecast annual debt costs, as a proportion of annual net revenue funding over the 2018-24 period. The forecast indicator is anticipated to be 10.3% by 2024 (including PFI).
- 2.14.11 To put this into context, the equivalent Council indicator in 2014 was 12.9% and by 2028, the forecast indicator would be 13%; broadly at the same level as 2014. The 2019-22 Treasury Management budget set out in this report indicates a net increase in revenue resource requirement of £2m to support the additional borrowing over the next 3 years. Longer term, this is expected to increase further by about £1m per year, to 2028.

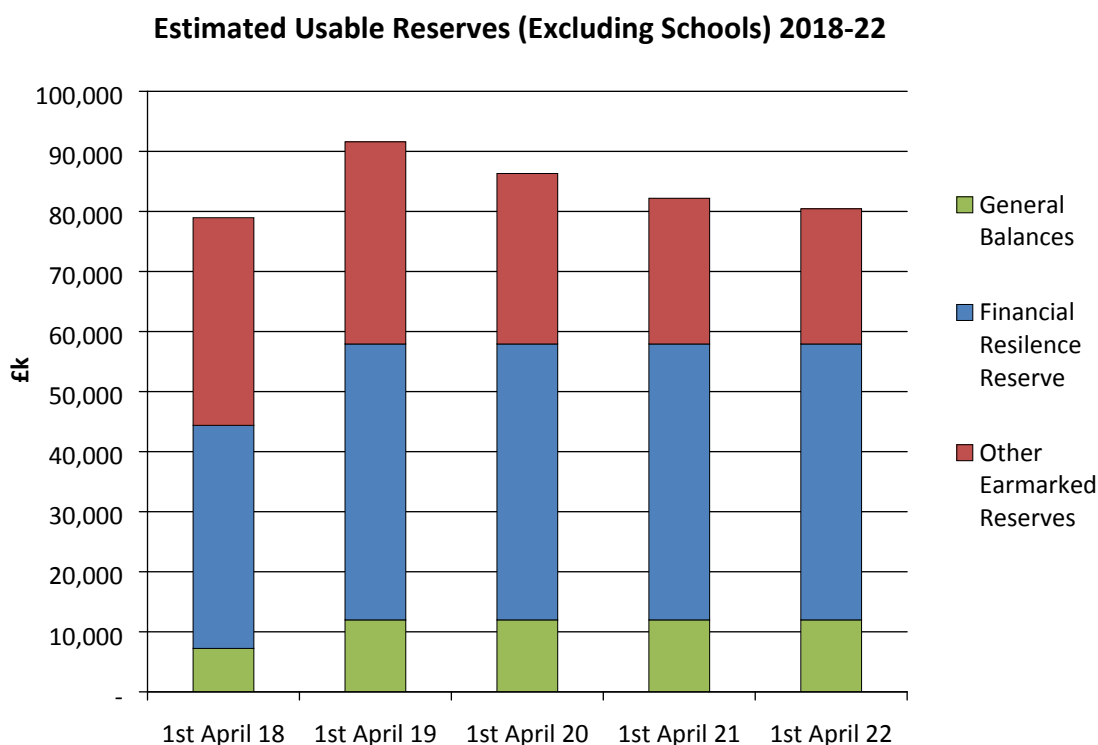
Minimum Revenue Provision (MRP)

- 2.14.12 Existing Treasury Management budgets reflect changes to the Council's policy on minimum revenue provision (annual revenue resources set aside for repayment of debt, also known as MRP), implemented from 2017-18 onwards.
- 2.14.13 This policy change resulted in a calculated over-provision of £91m MRP backdated to 2008. Approved budget plans last year agreed an 'unwind' of this over-provision at £9.1m per annum, over a 10 year period, from 2017-18 onwards.
- 2.14.14 The intention was for base budget resources freed up by the policy change to be retained within Treasury Management budgets, and applied flexibly over the unwind period to support organisational flexibility and financial resilience. This included the transfer in 2017-18 of £9.1m revenue resources freed up, to the Council's financial resilience reserves.
- 2.14.15 Current year, £5m of the £9.1m MRP base budget 'flexibility' has been applied to help offset current unfunded service pressures relating to Special Educational Needs and Disabilities/high needs activity. Updated budget plans assume the continued application of this £5m flexibility to support high needs pressures in 2019-20, but reducing thereafter by £1m each year; with an equivalent Government uplift in Dedicated Schools Grant funding to offset this.
- 2.14.15 A further £1.4m MRP base budget 'flexibility' in 2019-20 will be transferred to reserves to support £1.4m Place based mental health initiatives. The balance of £2.7m base budget 'flexibility' is equivalent to just under 1% of annual net general fund revenue budget, and will be held as a central contingency provision, in light of the overall continuing financial challenges and budget risks set out elsewhere in this report.
- 2.14.16 The accompanying Treasury Management strategy report at Appendix E sets out a proposal for a further re-profiling of annual MRP payments within allowable Ministry of Housing, Communities & Local Government (MHCLG) guidelines. This will free up a further £4.4m base budget in both 2018-19 and 2019-20.
- 2.14.17 It is intended that the additional £8.8m freed up will be ring-fenced for transfer to Financial Resilience reserves. This proposal aligns with the Council's updated medium term budget risk strategy, which is set out in the following section.

2.15 General Fund Reserves

- 2.15.1 A modelled high level forecast of general fund revenue reserves over the 2018-22 period is shown graphically below. These reserves are set out in more detail at Appendix B ii) together with a summary explanation of each reserve held:

Graph 2 - Forecast usable reserves (including general balances) over the 2018-22 period



2.15.2 The reserves summarised above and in more detail at Appendix Bii) largely reflect changes made as part of the Budget Strategy Update report to Council on 9 October 2018. These include the creation of a Strategic Investment and Support Reserve at £4m to support a range of Council regeneration and capital investment developments and a severe weather reserve at £3m to support unpredictable severe weather events.

2.15.3 A further specific loan reserve of £3m was also established to support Council compliance with new accounting code requirements from 2018-19, intended to strengthen balance sheet transparency. This includes a potential set aside or provision requirement against the potential risk of future loan default.

2.15.4 General balances are unallocated reserves set aside to support day to day working capital requirements. These were also reviewed, and the minimum level of balances uplifted from £5m to £10m, which was deemed more appropriate for a Council with a net annual revenue budget of just under £300m. The reserves adjustments set out in the October 2018 Budget Strategy Update report were accommodated by a review and release of a number of pre-existing other earmarked reserves.

2.15.5 Updated budget plans include a number of further earmarked reserves adjustments. This includes a new Business Rates reserve at £2m; includes set aside of £1m potential backdated payment regarding a recent national ATM cash machine business rates appeal, currently disputed by the Valuation Office. The

balance of this reserve has been set aside to resource the Council's approved business start up and retention policy.

- 2.15.6 A further £1.4m reserve has also been set aside to pilot a number of local area based mental health initiatives, including £0.4m specifically for domestic abuse. In addition, £0.5m has been set aside to accommodate potential local and national election costs in excess of current base budget provision. These further reserves requirements have been accommodated through the use of some of the proposed £7.6m transfer to reserves from the general fund in 2019-20.
- 2.15.7 Financial resilience reserves at 1 April 2018 were £37.1m. As a result of the further MRP over-payment 'unwind' proposal (paragraph 2.14.16 earlier), it is proposed that a further £8.8m is added to financial resilience reserves by 1st April 2019; £4.4m relating to 2018-19 and an equivalent amount at the start of 2019-20. This gives a revised Financial Resilience Reserve balance of £45.9m at 1 April 2019.
- 2.15.8 Under Section 25 of the Local Government act (2003), in setting annual budgets there is a statutory requirement for the Council's s151 officer to give a positive assurance statement in relation to the robustness of budget estimates and the adequacy of reserves and balances.
- 2.15.9 There is no prescriptive guidance on the adequacy of reserves and balances. Most recent sectoral guidance comes from a joint CIPFA/Local Authority Accounting Panel paper in 2014, which states that in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 2.15.10 CIPFA, who are the leading accountancy body for public services, have developed a Financial Resilience Index to attempt to objectively measure Councils' relative financial resilience, noting that "with local government facing unprecedented financial challenges and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest" (Rob Whiteman, CIPFA Chief Executive, 4 December 2018).
- 2.15.11 This index will sit alongside CIPFA's planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances. It is intended that the finalised Index will be published online in November 2019, alongside the publication of a new Financial Management Code.
- 2.15.12 A key aim of the Financial Resilience Index is also to support Council s151 officers in their annual report to the Council presenting the proposed budget for the coming year and the medium term financial strategy.
- 2.15.13 CIPFA released a 'beta' test version of the resilience index to local authority s151 Officers at the end of 2018, acknowledging that the new indicators will remain

under review and subject to further feedback from Chief Finance Officers prior to official publication.

- 2.15.14 The test index is based on a suite of indicators and include a red, amber, green (RAG) alert. CIPFA has highlighted broad support from the sector for the creation of the index, and its view that there was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern.
- 2.15.15 The index is broken down into Counties, Unitaries, London Boroughs, Metropolitan Authorities and District Councils as relevant comparator groups, and is designed to allow authorities to view their relative positions on a range of measures related to financial risk. For the purposes of the test index, comparator Councils within each authority's test group aren't named.
- 2.15.16 Appendix C attached to this report highlights one of the key CIPFA Resilience Indicators. Based on 2017-18 actual data, it identifies that Kirklees Council's general fund reserves as at 31 March 2018 (excluding schools and public health reserves) represented 27.8% of its annual net revenue budget. To put this into context, this would be the equivalent of just over 3 month's general fund net revenue spend. In relative terms, the Council ranked overall, 14th lowest in terms of reserves held of the 36 metropolitan authorities in the comparator group; albeit within a cluster of 20 authorities with reserves between the range 25% and 40%.
- 2.15.17 The Council faces continuing and significant financial challenges and service pressures over the medium term. The national funding landscape post-2020 is uncertain, and there is potential increased financial volatility from a range of risks recorded on the Council's updated corporate risk register (see Appendix H), including the potential impact from the United Kingdom's planned withdrawal from the European Union on 29 March 2019. There are also a number of well documented national media reports regarding increasing numbers of Councils potentially at the brink of financial crisis.
- 2.15.18 Financial resilience reserves remain a key element of the Council's budget strategy in terms of Council financial resilience to manage unbudgeted risks and pressures over the 2019-22 period, and gives a level of underpinning confidence and assurance that the Council's ambition to invest, transform and change will not be de-stabilised over the short term as a result of current national context uncertainties in particular.
- 2.15.19 The Council's s151 Officer recommends that the existing £37.1m financial resilience reserves are increased to £45.9m, through a further re-profiling of MRP provision requirements as set out elsewhere in this report. This would improve the CIPFA % indicator referred to at Appendix C, by the equivalent of about 3%, all things being equal, to just under 31% at the start of 2019-20.
- 2.15.20 A further assessment of reserves requirements will be undertaken as part of the 2018-19 final accounts process, and will be reported as part of the financial outturn and rollover report later in 2019.

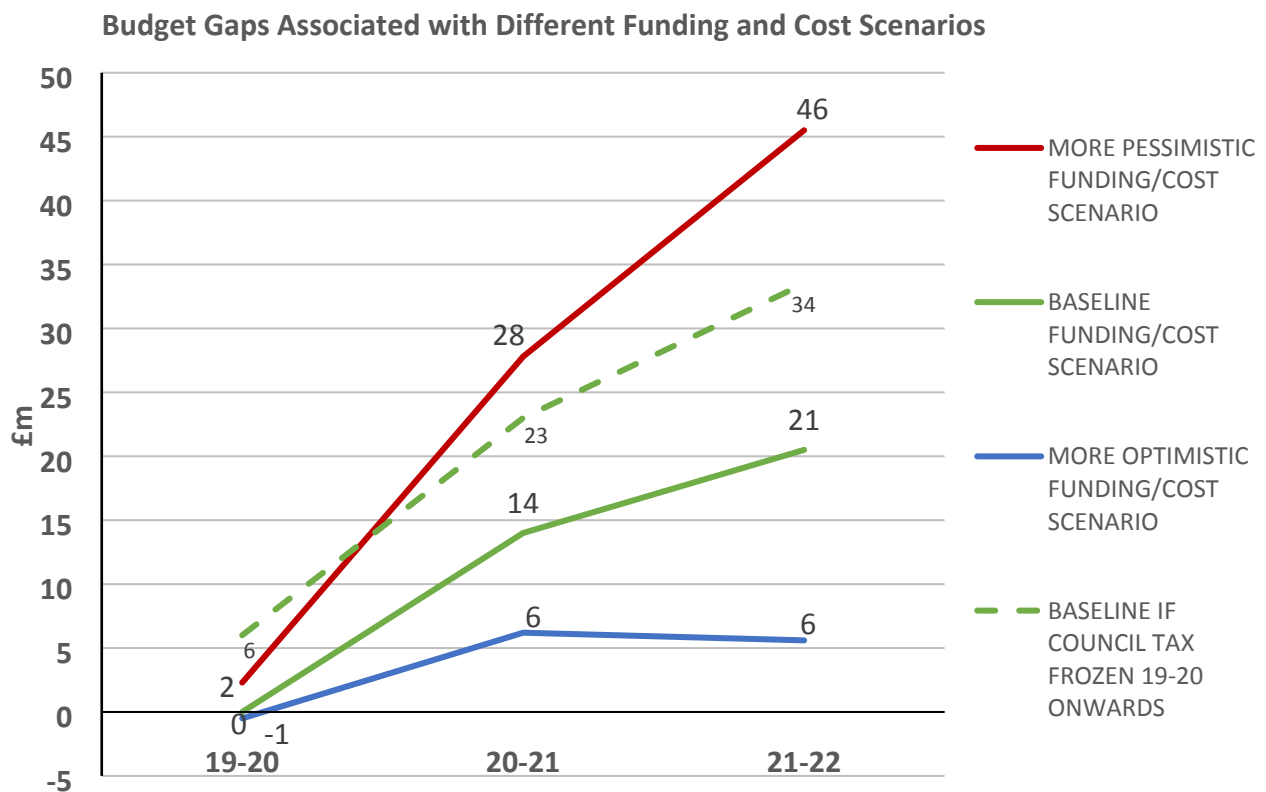
2.15.21 The following section includes a range of budget sensitivity analysis. The range of sensitivities reflects marginal changes to a number of key assumptions, and reflect the extent of potential volatility of medium term budget forecasts, in particular post-2020.

2.16 BUDGET FORECASTS – SENSITIVITY ANALYSIS

2.16.1 Included at Appendix D are a range of potential sensitivities on baseline budget assumptions as set out in this report. While these sensitivities are illustrative, and there can be different combinations, in broad terms they represent relatively minor changes to a number of key baseline budget forecast assumptions, and the cumulative impact of these over time.

2.16.2 The impact of these budget forecast sensitivities are summarised in Graph 3 below.

Graph 3 – Budget Forecast Sensitivities



2.16.3 Illustratively here, the forecast budget gap in 2020-21 could be in the actual range £6m to £28m, and to a large extent this reflects the extent of both Council funding uncertainty post-2020, and the potential impact of the highlighted headline corporate risks, compared to baseline budget forecast assumptions.

2.16.4 Also included in the sensitivity analysis for illustrative purposes is the cumulative impact on current baseline budget gap assumptions over the 2019-22 period, if

the Council decided to maintain council tax at 2018-19 levels over the next 3 years. The cumulative impact would be a further £13m budget pressure by 2021-22.

2.17 Flexible Capital Receipts Strategy

- 2.17.1 The current flexible capital receipts strategy which covers the period 2016-22, was approved as part of the Council Budget Strategy Update report 2019-22 at Council on 10 October 2018. This strategy allows for the annual capitalisation of transformation related revenue costs over the 2016-22 period, which can instead be funded from available in-year capital receipts, and is included at Appendix F.
- 2.17.2 Proposals for the Council's continued application of this flexibility are reflected in the Council's existing Capital plans, which provide for an annual capitalisation of upto £3m per annum from 2018-19 onwards in relation to a range of Council Transformation activity.

2.18 Housing Revenue Account (HRA)

- 2.18.1 Annual HRA rents and service charges for 2019-20 are included as a separate item on this Cabinet agenda. Updated HRA budget plans for 2019-20 include a further annual rent reduction of 1% in 2019-20, in line with Government statutory requirements.
- 2.18.2 The updated HRA budget plans also take account of the recent Government Social Housing green paper, which incorporate proposals for Consumer Price Index (CPI) +1% annual rent uplifts over the 2020-24 period. This puts the longer term HRA business plan in a much healthier position, alongside other measures contained in the Paper including the lifting of the HRA borrowing cap for all Councils with HRA's.
- 2.18.3 Updated budget plans include the continuation of existing planned efficiency savings relating to the KNH fee, totalling £2.0m over the next 2 years; a key driver being expected efficiencies following the merger of Building Services and KNH in October 2017. There is a proposed HRA revenue investment in an enhanced lettable standard, at £1m annually, also reflected in KNH Fee from 2019-20 onwards.
- 2.18.4 Current HRA reserves commitments include a set aside of £4m for business risks; in particular, with regard to proposed welfare reform changes. The balance of commitments includes £1.5m working balance. The forecast balance of reserves is assumed to roll forward to support future year capital investment, in line with longer term HRA business plan requirements. Summary HRA reserves are also shown at Appendix Biv).
- 2.18.5 The HRA 30 year business plan is regularly re-freshed and updated with the aim to produce a self-financed and balanced budget position over the 30 year plan. The current HRA business plan re-fresh reflects a sustainable long term funding position, informed by the HRA budget proposals (both revenue and capital) set

out in both the 2019-22 revenue budget plans and longer term capital plans (see also, next section below).

2.19 CAPITAL STRATEGY

- 2.19.1 Under CIPFA's Code of Practice on Treasury Management (2017 Edition), the accompanying Prudential Code 2017 and MHCLG issued guidance, the Council must approve a Treasury Management Strategy, an Investment Strategy and a Capital Strategy at the start of each financial year. The latter two Strategies are new for 2019-20. They are designed to increase transparency and are a response to the number and variety of ways Local Authorities are becoming involved in commercial activities and making commercial investments.
- 2.19.2 The Treasury Management Strategy is broadly similar to those from previous years. It continues to focus on the Council's borrowings and investments. It recommends a borrowing and a (treasury) investment strategy and a policy for calculating Minimum Revenue Provision (MRP).
- 2.19.3 The Investment Strategy focuses on and provides a detailed breakdown of all investments that the Council has. This includes both treasury investments, whereby the Council invests surplus cash as a result of its day-to-day activities; along with non-treasury investments incorporating investments to support local public services (via loans or purchases of shares) and commercial investments (to earn investment income). The Investment Strategy forms a part of the Treasury Management Strategy which is shown in the appended report at Appendix E.
- 2.19.4 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators. The detailed Capital Strategy is set out at Appendix G.

UPDATED CAPITAL PLAN PROPOSALS 2018-24

- 2.19.5 For capital purposes, longer term planning horizons are required to undertake feasibility work, design, plan and build. The Council's multi-year capital investment plan has been reviewed extensively to reflect the scale of the Council's ambition. The updated 6 year plan will deliver capital investment of £732.0m (£577.3m General Fund, £154.7m Housing Revenue Account). The plan is summarised in the table below, and shown in more detail at Appendix A.

Table 2 – Overall Capital Expenditure Summary 2018-24

Corporate Plan – Primary Outcomes	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m	23-24 £m	Total £m
Achievement	14.3	23.0	21.6	15.8	12.5	5.0	92.2
Children	0.5	0.6	0.8	3.6	4.2	0.8	10.5
Independent	2.4	5.8	11.5	8.5	0.8	0.0	29.0
Sustainable Economy	46.1	73.6	99.0	63.6	55.1	15.8	353.2
Well	2.4	5.8	12.6	9.3	2.2	0.9	33.2
Safe & Cohesive	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Clean & Green	0.5	1.1	5.4	0.0	6.5	20.5	34.0
Efficiency & Effectiveness	4.7	4.6	4.0	3.9	3.9	3.9	25.0
General Fund	70.9	114.7	154.9	104.7	85.2	46.9	577.3
HRA - Independent	27.8	33.8	24.4	23.7	23.4	21.6	154.7
Council Total	98.7	148.5	179.3	128.4	108.6	68.5	732.0

2.19.6 The overall capital plan has been re-presented into a primary outcomes focused approach, to illustrate how the Council's investment proposals align with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline work programmes and one-off projects. The term primary outcome reflects the fact that a number of schemes will in reality contribute to a number of Council outcomes, not just the primary outcomes.

2.19.7 The updated multi-year capital plan includes a significant re-profiling of existing plan proposals across years, to more realistically reflect likely timescales and capacity to deliver across all years of the plan. Overall, £17.7m has been re-profiled from 2018-19 into later years.

2.19.8 New capital investment proposals are also incorporated, and reflect strategic and operational priority outcomes, and funding availability. The updated capital plan includes £125.7m new bids, (£115m General Fund, £10.7m HRA); the majority of which are to be funded by increased borrowing requirements. These new schemes/programme areas are highlighted as separate individual lines within Appendix A.

2.19.9 Updated Capital budget plan proposals over the 2018-24 period include significant investment in Sustainable Economy (£353.1m), representing 61% of the overall general fund capital plan. The plan therefore strongly links to the Corporate Plan setting out a vision for *"a district which combines a strong, sustainable economy with a great quality of life"*.

2.19.10 Sustainable Economy capital budget proposals at Table 2 above also now incorporate schemes totalling £122.9m which are to be funded via the West Yorkshire plus Transport Fund (WY+TF). A progress report update on the governance arrangements for this large scheme programme was provided to Cabinet on 13th November 2018. Forecast profiled costs for these schemes are subject to change and the plan will be updated as schemes progress from

inception to delivery. Other funding opportunities relating to these schemes will continue to be sought via external bids (e.g. European Regional Development Fund) and developer contributions. There is also provision for a £2.5m joint venture with a regional partner, for a proposed mixed tenure housing provision in the District. The value is indicative at this stage and any more detailed proposals, including appropriate due diligence, would be considered by Cabinet in due course.

- 2.19.11 General fund capital proposals reflect a number of key new investment priorities with regard to Achievement, including £25m investment in enhanced District sufficiency through two new schools, to support children with assessed social, emotional and mental health needs. The Council has submitted a bid into Government's recent specialist educational provision 'free school' bidding round. If successful, this could secure up to £10m Government funded places in the District. There is also a £5m investment in libraries and public buildings across the District.
- 2.19.12 A further £21m new investment is earmarked for the re-provision of existing day services for vulnerable adults, including dementia provision. A significant level of Clean and Green investment of £33m is also proposed for Waste Management and Infrastructure. This will help Kirklees meet national statutory recycling targets with proposals to construct a new Anaerobic Digestion facility and Material Recycling Facility Refurbishment. There is also a further £10m investment to improve the District's play areas as part of the 'Well' strategy; and a further £10m in specialist accommodation/youth services as part of the investment in Children.
- 2.19.13 HRA capital budget proposals include existing provision to help address growing affordable housing needs in Kirklees, including specialist (extra care) provision. The proposals are intended to prioritise housing growth, and include investment for re-modelling/high rise building schemes.
- 2.19.14 Baseline capital provision supports continuing capital investment requirements across the Council's existing asset base, including Schools, Highways, transport infrastructure and Council housing stock. The Council's commitment to safe and compliant housing stock is reflected by an additional £10.7m programme of improvements to be delivered in accordance to regulatory requirements within HRA.
- 2.19.15 A number of the capital proposals set out in the updated budget plans are at Programme level and will be subject to more detailed business case assessment and approval through Cabinet in due course, in accordance with Council Financial Procedure rules.
- 2.19.16 For this budget round, there has also been a corporate review of funding sources supporting the overall capital plan proposals. Capital plan funding is summarised at Table 3 below.

Table 3 – Overall Capital Funding Summary 2018-24

	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m	23-24 £m	Total £m
Direct/Earmarked Contributions to Schemes							
Capital Grants / Contributions	34.6	53.4	73.2	53.3	38.4	14.4	267.3
Earmarked Capital Receipts	7.6	5.1	4.6	4.6	4.6	4.6	31.1
Housing Revenue Contributions	15.7	19.0	10.9	8.6	5.4	8.0	67.6
Reserves (HRA)	9.4	11.9	11.4	13.6	16.5	12.2	75.0
Pooled Resources							
Non Earmarked Capital Receipts	1.7	0.5	0.5	0.5	0.5	0.5	4.2
Corporate Prudential Borrowing	29.7	58.6	78.7	47.8	43.2	28.8	286.8
TOTAL	98.7	148.5	179.3	128.4	108.6	68.5	732.0

2.19.17 Corporate prudential borrowing requirements set out in Table 2 above have been assessed to be 'affordable' over the medium term, and are covered elsewhere in this report at paragraphs 2.14.9 to 2.14.11. The Section 151 officer's positive assurance statement further sets out the broad assumptions and factors underpinning current borrowing affordability, at paragraph 3.3.19 later in this report.

2.19.18 Other funding sources such as Section 106/Community Infrastructure Levy/capital receipts and other external grant opportunities will continue to be reviewed on an ongoing basis to best effect and support key priorities. Capital Receipts from the general programme of asset sales will continue to be utilised to offset the overall borrowing requirement of the capital plan. This will help ensure that the Council can live within its means for the foreseeable future and help maintain affordable borrowing levels.

2.20 Corporate Risk Assessment

2.20.1 The corporate risk register at Appendix H summarises the key strategic risks or barriers to achieving the corporate objectives. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the council's budget. There isn't a direct link but they do help to inform the level of reserve held by the council.

2.20.2 Individual risks vary over time, and the need to set aside reserves changes depending on the underlying budget provisions. The risk assessment reflects the provisional budget proposals put forward by officers. Subsequent changes to these proposals may affect the risk assessment.

3. Implications for the Council

3.1 Formal Resolution

- 3.1.1 It is necessary for the motion to Council on 13 February 2019, set out at Appendix I, and for the final resolution to include certain statutory declarations. The motion to be put forward will be incomplete, because the precepts for the Fire and Police Authorities and Parish Councils may not be determined until after Council. The Council motion will include estimated precepts based on best available information at the time.
- 3.1.2 It may be necessary therefore for an amended motion to be moved, as in previous years, to correct the motion where there is any change between the estimated and actual precepts. This assumes that the precepting bodies will have determined their precepts before 13 February 2019.
- 3.1.3 It is requested that the Council's statutory s151 Officer (Service Director – Finance) be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police and Crime Commissioner, the Fire & Rescue Authority and Parish Councils , should these be received after 13 February 2019.
- 3.1.4 The Office of Police and Crime Commissioner, Fire & Rescue Authority and Parish Council precepts included in the Council motion do not affect the Council budget, and neither will any subsequent amendment to the precept figures, delegated to the Council's statutory s151 Officer.

3.2 Special Expenses

- 3.2.1 The expenditure of Parish and Town Councils is funded by way of a precept which is levied only on the area of the individual Parish Councils. There are, however, occasions when individual Parish and/or Town Councils provide services which would otherwise be provided by District Councils if there were no Parish Council in existence. The result is that residents of a parish council can pay twice for some services. This is known as "double taxation".
- 3.2.2 The Local Government Finance Act 1992 provides for expenditure incurred by district councils which ranks as double taxation to be treated as special expenses, which are not charged to the residents of the Parish and/or Town Councils concerned unless the district council resolves otherwise. This special expense arrangement applies to certain services provided by Holme Valley parish council.

3.3 Positive Assurance Statement

- 3.3.1 Under Section 25 of the Local Government Act (2003) the statutory s151 Officer is required to give positive assurance statements in relation to the adequacy of reserves and balances and the robustness of budget estimates.

Statement from the Council's Section 151 Officer (Service Director - Finance)

- 3.3.2 This report sets out the Council's ambition for the residents of the District. The Council's updated multi-year revenue plans include significant investment to support the District's most vulnerable children and adults, and additional resources for increased corporate capacity to support the Council's delivery across the 7 key outcomes for residents, as set out in the Council's Corporate Plan. The Council's capital plans similarly reflect significant ambition over the next 5 years.
- 3.3.3 Planned revenue savings total £10.9m in 2019-20, of which £8.5m relate to existing savings rolled forward from last year's approved 2018-20 budget plan. There are a further £6.2m planned savings over the 2020-22 period; all of which relate to existing savings reviewed and re-profiled into later years.
- 3.3.4 The financial climate facing local government remains challenging; in particular with regard to Councils like Kirklees that have statutory education and social care responsibilities. The number of people who require support continues to increase and the complexity of services provided to vulnerable children and adults require higher levels of resourcing, while the costs of services continues to increase (inflation).
- 3.3.5 The Council has a strong record for delivering planned savings, in particular over more recent years. Updated budget plans also reflect realistic revenue resource allocations in 2019-20, and Strategic Directors are expected to manage within their budgets effectively and efficiently over the forthcoming financial year.
- 3.3.6 The Council has sought to address service pressures, and revenue and capital investment requirements within an overall challenging financial environment in 2019-20, by maximising the council tax increase without triggering a referendum. The successful 2019-20 joint business rates 75% pilot between Leeds City Region and North Yorkshire alongside a corporate review of business rates appeals provision requirements has also secured additional "one-off" resources for 2019-20.
- 3.3.7 Additional funding announcements included in the 2019-20 Local Government finance settlement have also been applied; in particular to help offset demand pressures across social care and high needs activity. The recent social housing green paper has also improved the medium term financial health of the Housing Revenue Account, which separately funds landlord services to Council tenants and leaseholders.
- 3.3.8 The corporate risk register sets out the anticipated barriers to achieving corporate objectives and current management actions in place to manage and mitigate these should they arise. Robust financial performance and strengthened risk management arrangements provide the framework for capturing any deviations from plan and applying corrective actions.

- 3.3.9 The national funding climate for local government remains uncertain. The expected withdrawal of the UK from the European Union on 29 March 2019 has the potential to further heighten some of the budget risks set out in the Council's high level corporate risk register included at Appendix H to this report.
- 3.3.10 Government has confirmed its intention to rollout a national 75% business rates retention scheme from 2020-21, which will also be informed by a re-set of individual Council baseline funding levels, through a national Fair Funding review.
- 3.3.11 Government will confirm later in the year, following further consultation, how the re-distribution of Council funding will impact on individual Councils. There will be winners and losers from this exercise. The 2019 spending review is also expected to set out the extent to which government austerity will or will not continue for local government, post-2020. Following the release of the 10 year NHS Plan, it is expected that the delayed adult social care funding green paper will also follow sometime in 2019.
- 3.3.12 In light of post-2020 national funding uncertainties, this report also sets out a range of budget sensitivities which emphasise the current volatility of budget forecasts; in particular from 2020-21 onwards.
- 3.3.13 Appendix C attached also sets out CIPFA's analysis of the relative financial resilience of Councils, as measured in terms of revenue reserves held as a percentage of annual net revenue budget. The analysis for Kirklees as at 31 March 2018 indicates that our relative position with our comparator group of metropolitan authorities was 28% compared to the median (mid-point) at 35%.
- 3.3.14 Technical treasury management (MRP) accounting flexibilities were applied to improve the Council's financial resilience reserves by £9.1m during 2017-18, as part of the Council's approved reserves strategy, to £37.1m.
- 3.3.15 Over-reliance on "one-off" reserves to support an annual balanced budget is not financially sustainable over the longer term, and any significant depletion in reserves over time leaves the Council more exposed to financial risks which could potentially de-stabilise the Council in the short term.
- 3.3.16 While the overall financial resilience of the Council has improved, further technical MRP accounting flexibilities are set out in this report that will add a further £8.8m to the Council's financial resilience reserves at the start of 2019-20.
- 3.3.17 The borrowing requirements to support Council capital investment over the 2019-24 period are considered 'affordable', assuming the continuation of relatively low interest rate borrowing available from the Public Works Loans Board over the same period.
- 3.3.18 Government expects Councils to be increasingly reliant on locally generated funding, in particular council tax and business rates over the longer term. The budget proposals set out in this report include significant capital investment in economic sustainability across the District over the longer term, intended to

stimulate the right conditions to enable the Council to sustain and grow business rates and council tax in the District over the long term.

- 3.3.19 Whilst the Council's capital investment ambition over the next 5 years is considered to be affordable; given current uncertainties, the Council will need to be prepared to review its assessment of affordability, and potentially re-prioritise and flex current plans, if the national funding and economic landscape changes significantly over the next 12 months,.
- 3.3.20 Years 2 and 3 revenue budget forecasts set out in this report, while considered reasonable at this stage, could similarly change significantly over the next 12 months. This makes effective longer term financial planning especially challenging for Councils like Kirklees, and officers will continue to assess, review and update budget planning forecasts and implications through the early 2019, informed by emerging national and local intelligence. The inclusion of £2.7m central budget contingency, equivalent to less than 1% of annual net general fund revenue budget as part of 2019-20 budget plans, will also give the organisation some in-year flexibility to manage unbudgeted pressures/risks, thereby further relieving further short-term pressure on reserves, given current post-2020 funding uncertainties.

Consequently in light of these factors;

I can give you positive assurance on the reliability and robustness of the forecasts and estimates in the budget proposals as far as we can based on current local and national intelligence.

If members approve the recommendations in this report I can give the Council positive assurance on the adequacy of reserves and balances at this time

3.3.21 Working with people

3.3.22 Working with partners

3.3.23 Place based working

3.3.24 Improving outcomes for children

The budget proposals contained within this report have been developed to ensure that funding is made available in the areas that will allow the Council to further improve the outcomes for individuals and communities as a whole. To facilitate this resources have been allocated in areas that will allow the Council to maximise contributions to the Councils strategic priorities of working with people, working with partners and placed based working.

3.3.25 Other Legal, Financial or other implications (not covered elsewhere in this report)

Paragraph 1.2 of this report refers to Equality Impact Assessments. The Equality Act 2010 creates the Public Sector Equality Duty (PSED).

Under section 149 of the Act:

- (1) A public authority must, in the exercise of its functions, 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.

The relevant protected characteristics are:

age;
disability;
gender reassignment;
pregnancy and maternity;
race;
religion or belief;
sex; and
sexual orientation

In order to fulfil the PSED the Council is required to assess the impact of any proposed action on the equality objectives set out above. The way in which the Council approaches this task is to conduct Equality Impact Assessments (EIA).

The Council has carried out Equality Impact Assessments (EIAs) to help it take due regard of its public sector equality duties in relation to these proposals. These can be found by accessing on the Kirklees web pages (link below) and members should read the assessments in full in order to inform them in coming to their decision.

[Equality Impact Assessments](#)

As part of the service changes being proposed within this budget and as detailed at Appendix A (General Fund & HRA Medium Term Financial Plan 2019-22) Service Impact Assessments have been prepared and published.

The same unique reference is used to enable ease of cross referencing between those Service Impact Assessments where an Equality Impact Assessment is required, and the EIA's which are available on the Council's website as per the link above.

The Council will continue to keep its duty in view and will review and revise the EIAs as appropriate as it begins to implement any of the decisions arising from the budget.

4. Consultees and their opinions

There was a public budget engagement exercise which ran during November and December 2018. The website link to the public engagement exercise is below:

[Kirklees Budget Simulator](#)

To summarise, there were 189 respondents to the survey. Not all the respondent submissions produced a balanced budget. Overall, there were reductions proposed across the 7 key Council themes/outcomes. The lowest average reduction was 1.2%; 'Children have the best start in life'.

The highest average reduction was 4.5%; 'People in Kirklees have aspirations and achieve their ambitions through education, training, employments and lifelong learning'. Average reductions across the other five themes/outcomes ranged between 2.0% and 3.4%. On the income side there were average increases of 1.5%.

Summary feedback from the above public budget engagement exercise is included at Appendix J to this report, and will need to be considered by members in coming to their decision at Cabinet and then their final decisions made on the revenue budget proposals at full Council on 13 February 2019.

A Council budget information event is taking place on the 22 January 2019 to allow participants the opportunity to put their budget questions directly to some of our local party leaders and deputy leaders,

Housing Revenue Account budget proposals were presented to the December 2018 Tenants & Residents Committee cycle.

There has also been engagement with representatives of the business and voluntary and community sectors.

The Capital Investment Plan proposals have been considered by Cabinet and Strategic Directors in conjunction with the Service Director - Finance, following initial assessment through the officer Corporate Capital Strategy Group.

The 2019-20 Treasury Management Strategy Report included at Appendix E, has been prepared by the Council's s151 Officer (Service Director - Finance), and in consultation with the Council's external treasury management advisors, Arlingclose Limited Treasury Management Consultants. The Treasury Management report has also been considered at the Council's Corporate Governance and Audit Committee (CGAC), on 25 January 2019.

5. Next Steps

- 5.1 This report and the draft Budget form the background and the proposed formal motion. The Cabinet will need to decide if they are to accept this or propose amendments to the draft budget which will be proposed to Council on 13 February 2019 (Cabinet draft budget). Members will need to decide if they are to accept this

or propose amendments to the draft Budget which will be proposed to Council. Any such amendments will be published on 6 February 2019.

- 5.2 Proposed amendments shall be submitted to the Chief Executive on or before 10.00am on Monday 4 February 2019 to ensure that, in conjunction with the Service Director-Finance, they can be reviewed to ensure they are financially sound and sustainable prior to the final submission deadline of 6 February 2019
- 5.3 Members should note that once a budget is agreed by Council there may be a number of further steps and/or actions which would need to be taken in order to implement budget decisions for example – consultation, further detail of the steps needed or final proposals for making the planned changes. This is to ensure that the Council complies with legal and other requirements.
- 5.4 Following Council approval of the Capital Investment Plan, schemes will be released subject to Financial Procedure Rules.
- 5.5 Any material Government changes to the provisional 2019-20 finance settlement figures will be reported to the meeting of full Council, depending on the timing of Government confirmation of the final settlement, which is expected early February 2019.

6. Cabinet recommendations and reasons

Having read this report and the accompanying appendices, and having regard to the consultation process and equality impact assessments, Council are asked to recommend the following:

General Fund Revenue

- 6.1 That the draft Revenue Budget for 2019-22, be approved (Appendix A);
- 6.2 That the forecast levels of statutory and other Council reserves as set out at Appendix Bii), be noted;
- 6.3 That the strategy for the use of balances and reserves, is approved; (section 2.15);
- 6.4 To note that a further reassessment of reserves requirements will be undertaken at year end and reported to members as part of the 2018-19 financial outturn & rollover report; (paragraph 2.15.20);
- 6.5 That Cabinet note the Council's participation in the North & West Yorkshire business rates Pool for 2019-20, and to formally agree the new arrangements, in principal, for the 2019-20 Pool as set out at Appendix K, and to delegate authority to the Council's Monitoring Officer in conjunction with the Councils Service Director – Finance, to finalise the new arrangements with Leeds City Council's City solicitor; (paragraph 2.4.8);

- 6.6 That members re-affirm the Flexible Capital Receipts Strategy for 2019-20; (Appendix I)
- 6.7 That members approve the Council Tax requirement for 2019-20 (Appendix I, budget motion);
- 6.8 That members note the Council's Statutory s151 Officer's positive assurance statement; (paragraphs 3.3.1 – 3.3.20)
- 6.9 That the Council's Statutory s151 Officer be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police & Crime Commissioner, the Fire & Rescue Authority and Parish Councils should these be received after 13 February 2019 (paragraph 3.1.3 above);

Treasury Management

- 6.10 That members approve the following recommendations set out in the 2019-20 Treasury Management report at Appendix E:
 - 6.11 The borrowing strategy outlined in paragraphs 2.15-2.21 of the appended report;
 - 6.12 The investment strategy outlined in paragraphs 2.22 - 2.32 of the appended report, including Appendices A and B;
 - 6.13 The policy for provision of repayment of debt (minimum revenue provision or MRP) outlined in the appended report, Appendix C, which reflects the changes in policy outlined in paragraphs 2.33 - 2.37 of the appended report;
 - 6.14 The treasury management indicators in the appended report, Appendix D;
 - 6.15 The Investment Strategy (Non-Treasury Investments) in the appended report, at Appendix E;

Capital

- 6.16 That the updated Capital Plan for 2018-24, be approved; (Appendix A)
- 6.17 That the Capital Strategy (including Prudential Indicators), set out at Appendix G, be approved;

Housing Revenue Account (HRA)

- 6.18 That the draft HRA Budget for 2019-22 be approved; (Appendix A)
- 6.19 That the strategy for the use of HRA reserves, as set out at paragraph 2.18.4, be approved;

Other

- 6.20 That this report be referred to the Council as advice and background information, on which the other political groups can base their budget proposals.

7. Cabinet Portfolio Holder Recommendation

The Leader recommends that the attached General Fund revenue budget, Treasury Management Strategy, Investment Strategy, Capital Strategy, Capital Investment Plan, and HRA budget, should be presented to the Council meeting on 13 February 2019.

In presenting the draft Budget to the above full Council meeting, Cabinet members have taken due regard to the Council's public sector equalities duties in consideration of a range of key budget proposals, their impacts, and mitigating actions.

Comments from the Leader:

I am proud to present this budget to you – the first from a majority Labour administration in Kirklees for over a decade. This is an investment budget for the people of Kirklees.

This is a budget that protects the vulnerable, invests in our young people and rejuvenates our infrastructure.

A budget that signals a change of course for our citizens – one that sends not just a message of hope, but real, practical steps to improve the lives of people across Kirklees.

We can do this because of the solid foundations we have built over the past two years:

- We've delivered savings
- We've protected the reserves
- We've lived within our means

This is a budget for one year, but it is no less ambitious for that. Ambitious for growth, building our council tax base and business rates.

It would be fiscally foolish to create a longer-term budget at a time when we have so much political uncertainty, nationally. The financial backdrop to this budget is daunting: the main government grant funding for local services will be cut by a further £1.3 billion (36 per cent) in 2019/20

Between 2010 and 2020, councils will have lost 60p out of every £1 the Government had provided for services. We have gone to great lengths to ensure the savings we have been forced to make have as little impact as possible on the quality of services provided to residents. The Conservative Government's cuts

have been strikingly uneven in their distribution, with the poorest local authorities, often Labour run, being hit the hardest.

We have embraced efficiency and innovation in a way that is not being replicated anywhere else in the public sector. We're only able to make the investments detailed in this document because we have been prudent, and we'll continue to be so.

An investment budget is needed because we must:

- Protect the vulnerable, creating the best services we can for older people, especially those living with dementia and/or coping with disabilities.
- Invest in our children and young people; putting money into youth provision and play areas.
- Rejuvenate our infrastructure. That's why we're beginning a programme of investment in our roads system. But we also need to revitalise the places where people live and work, and not just our major towns, but our smaller towns and villages too.

My administration is passionate about improving the lives of the people we serve. By targeting our resources at those who need them the most, we will start to make those improvements.

8. Contact Officer and Relevant Papers

Eamonn Croston	Service Director – Finance
James Anderson	Senior Finance Manager
Sarah Hill	Finance Manager
Rachel Firth	Finance Manager

Background Papers

- Council approved annual budget report 2018-2020, 14 February 2018
- Council financial outturn report 2018-19 to full Council , 11 July 2018
- Council budget update report 2019-22 to full Council, 10 October 2018
- Government Autumn Statement announcement , 29 October 2018
- Quarter 2 financial monitoring report 2018-19, Cabinet 13 November 2018
- Provisional Local Government Finance Settlement 2019-20
- Equality Impact Assessments on key budget proposals and impacts
- Budget Consultation exercise 2019-20

Name of meeting: Cabinet
Date: 29 January 2019

Title of report: Council Budget Report 2019-22; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

Purpose of the report

The purpose of this report is for Cabinet to receive information to enable them to recommend a budget to Council for Capital, General Fund revenue and Housing Revenue Account (HRA), and approve the Council Treasury Management strategy.

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 forward reports) ?	Yes
Is it eligible for "call in" by Scrutiny?	No
Date signed off by Strategic Director and name	Jacqui Gedman – 21 Jan 19
Is it also signed off by the Service Director for Finance?	Eamonn Croston - 21 Jan 19
Is it also signed off by the Service Director – Legal, Governance & Commissioning?	Julie Muscroft – 21 Jan 19
Cabinet member portfolio - Corporate	Cllr Graham Turner

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

RESTRICTIONS ON VOTING

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where –

- (a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
- (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

1. Summary

1.1 The structure of this report begins with an executive summary followed by a range of appendices. The reader will need to review these in conjunction with the Appendices in order to be informed of the overall consequences and implications.

The Appendices are as follows:

A	General Fund & HRA Medium Term Financial Plan 2019-22 - revenue and capital budget book
B	Supplementary Tables – Revenue
C	Financial Resilience Test Index – CIPFA Summary Commentary
D	General Fund Revenue Sensitivity Analysis
E	Treasury Management Strategy 2019-20 (appended report)
F	Flexible Capital Receipts Strategy
G	Capital Strategy including Prudential Indicators
H	Corporate Risk Matrix Summary
I	Motion to Council
J	Budget Consultation exercise – summary
K	Business Rates Pool – new arrangements for 2019-20

Equality Impact Assessments

- 1.2 Key revenue budget proposals make explicit reference to accompanying evidence available to members; namely officer led equality impact assessments (EIA's) which have been undertaken on a range of budget proposals. This is to ensure that decision makers have due regard to the Council's equalities duties on key decisions taken through the budget process.

Members' attention is drawn to the information and advice in paragraph 3.3.25 of this report which makes reference to the Council's Public Sector Equality Duty.

1.3 The report will:-

- (i) review the general fund revenue budget strategies over the medium term financial plan (MTFP), and budget proposals to achieve a balanced general fund revenue budget in 2019-20, and indicative revenue budget forecasts for the following two years;
- (ii) incorporate the Government's announcement on the Local Government Finance Settlement for 2019-20, and consider the level of general fund revenue budget needed for Treasury Management and Central Contingencies;
- (iii) review the current levels of general fund revenue reserves and balances and make recommendations on the level of reserves;
- (iv) incorporate Housing Revenue Account (HRA) budget proposals to achieve a balanced HRA in 2019-20, and indicative revenue budget plan for the following two years, informed by the HRA 30 year business plan;
- (v) review the current levels of Housing Revenue Account reserves, and make recommendations on the level of reserves;
- (vi) review the multi-year plan for Capital Investment. The Cabinet is required under Financial Procedure Rules to recommend to the Council a multi-year Plan for Capital Investment;
- (vii) review and approve the 2019-20 Treasury Management Strategy, Investment Strategy and Capital Strategy, which the Council must consider before the start of the financial year to comply both with the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code, and with the Ministry of Housing & Local Government (MHCLG) statutory guidance;
- (viii) make recommendations on the Council tax requirement for 2019-20; and
- (ix) incorporate a statement of assurance from the Council's statutory s151 officer in relation to the robustness of budget estimates and adequacy of General fund and HRA reserves.

2. Information required to make a decision

2.1 SUMMARY GENERAL FUND BUDGET PLANS

2.1.1 The overarching context for the Council in determining its annual resource allocations has been national government policy over successive Parliaments from 2010 onwards, resulting in significant reductions in Government funding over the period. The Local Government Association (LGA) estimate that between 2010 and 2020, councils including Kirklees will have lost almost 60p in every £1 of central government funding.

2.1.2 At the same time, Councils, in particular those with statutory social services responsibilities like Kirklees, have also faced significant and increasing service pressures; in particular in Children's and Adult Services, and these pressures are set to increase over future years. The LGA has predicted that the scale of the funding gap across English Councils just to 'stand still' is estimated to be just under £8 billion by 2025.

2.1.3 Broader concerns about the financial sustainability and resilience of Local Government have been highlighted extensively in the national press, including the well reported financial difficulties at Northamptonshire County Council. The National Audit Office (NAO), who scrutinise public spending on behalf of Parliament, set out its own concerns through the publication of its 2018 local government financial sustainability report; link to the report provided below.

[NAO - Financial Sustainability of Local Authorities 2018](#)

2.1.4 This Council remains one of the lowest funded Councils; second lowest of the 36 metropolitan authorities and in the lower quartile nationally. This statistic takes the Government's own spending power benchmark calculation, based on most current data available (2019-20), and expresses it as spend per head of the population.

2.1.5 The combined impact of national funding reductions and service pressures on the Council has resulted in a cumulative revenue savings requirement of £199m over the 2010-2019 period, with upto a further £35m forecast savings required by 2022.

2.1.6 The Council's current Corporate Plan 2018-20 acknowledges the scale of financial challenges to date, and the tough decisions that have had to be taken to balance the books while protecting frontline services and our most vulnerable residents. It also recognises that to support this approach, it has also required the development of a different type of organisation with new and innovative ways of doing things, changing the way that we work with communities, keeping vulnerable people safe and in control of their own lives, and focusing on the things that only the Council can do.

2.1.7 The Corporate Plan also makes reference to Councillors' changing roles, and that in representing and serving the people and places of Kirklees, Councillors'

roles are growing – they are community leaders and at the heart of democratically elected local government.

The link to the Council's current Corporate Plan is shown below:

[2018-20 Council Corporate Plan \(Agenda Item 9\)](#)

- 2.1.8 The Corporate Plan sets out a vision; *“a district which combines a strong, sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives.”* The current Corporate Plan is being updated and will be reported to full Council in March 2019. It is anticipated that it will build on the level of ambition already set out in the current Plan across the 7 key outcomes.
- 2.1.9 To deliver the Council's vision, the intention is to move into the next phase of developing the Council to be one that focuses on achieving the seven key outcomes for the District's residents set out in the Corporate Plan, by working with people rather than doing to them, working with partners, and recognising the importance of local identity and how needs differ in different places.
- 2.1.10 The Council's updated revenue budget plans for 2019-22 and updated capital plans 2019-24, include significant new investment in particular in supporting the District's most vulnerable children and adults, investment in regeneration and economic growth, clean and green, and achievement agendas, as well as effective and efficient corporate capacity and capability to support the overall approach and Council ambition for the District's residents.
- 2.1.11 At the same time, this continues to be balanced against medium term budget risks and ensuring the Council can continue to deliver within its means for the foreseeable future.
- 2.1.12 Budget risks include further potential pressures on High Needs pupils, Social Care pressures, current lack of national funding certainty from Government post-2020, and potential impacts of the UK's withdrawal from the European Union, scheduled for 29 March 2019. These are also incorporated into the Council's updated summary corporate risk register set out at Appendix H.
- 2.1.13 Table 1 below sets out the updated summary general fund revenue budget plans for 2019-22, which incorporate key funding and spending changes, existing savings proposals rolled forward, and new savings proposals:

Table 1 – Summary General Fund budget plans 2019-22:

Summary General fund revenue position	MTFP 2019-20 £000	MTFP 2021-21 £000	MTFP 2021-22 £000
Funding Available (2018-20 MTFP)	(284.3)	(309.5)	(309.5)
Funding changes	(10.4)	(4.4)	(6.6)
Funding Available (2019-22 MTFP)	(294.7)	(313.9)	(316.1)
Spending Plans (2018-20 MTFP)	299.3	324.7	324.7
Central Adjustments	(10.2)	0.5	6.0
Service Pressures	7.5	15.8	20.8
Service Investment	1.4	1.4	2.2
Existing Planned savings	(8.5)	(12.1)	(14.7)
New Planned Savings 2019-20	(2.4)	(2.4)	(2.4)
Spending Plans (2019-22 MTFP)	287.1	327.9	336.6
Transfer to Reserves	7.6	-	-
Balanced Budget (2019-20) / Budget Gap years 2 & 3	-	14.0	20.5

2.1.14 The updated budget plans summarised above build on the financial planning framework set out in the Council Budget Strategy Update report 2019-22, which was reported to Council on 10 October 2018. The link to this report is set out below.

[Budget Strategy Update Report 2019-22 to Council, 10 October 2018 \(Item 8\)](#)

2.1.15 Service pressures in particular reflect demand pressures, net of any service specific external funding allocations; in particular in Children Services with regard to Special Educational Needs & Disabilities (SEND) pupil requirements, and vulnerable Adults demand pressures.

2.1.16 Service investments to support Council reflect additional corporate capacity and capability to support the wider organisation, acknowledging that updated plans will continue to develop and re-shape over the medium term to better align with the Council's ambitions set out in the Council's Corporate Plan.

2.1.17 A reconciliation of funding changes, service pressures, service investment and central adjustments, as summarised in Table 1 above, is also included at Appendix B i) for information.

2.1.18 Planned savings set out at Table 1 above total £10.9m in 2019-20. These include existing planned savings totalling £8.5m rolled forward from 2018-20 approved budget plans, plus a further £2.4m new savings in 2019-20. The balance of planned savings of £6.2m over the 2020-22 period also reflect existing planned savings from 2018-20 approved budget plans re-profiled over the 2020-22 period.

2.1.19 Planned savings over the 2019-22 period are set out in more detail at Appendix A, including risks and impacts. Appendix A also sets out overall proposed revenue

resource allocations in 2019-20, and indicative resource allocations over the following 2 years across Strategic Director Portfolios and Central Budgets.

- 2.1.20 The net effect of the changes set out at Table 1 above is a general fund revenue balanced budget in 2019-20 without the requirement to drawdown from reserves. The proposals in fact allow for the planned transfer to general fund revenue reserves of £7.6m in 2019-20, to support further Council developments and also Council financial resilience over the medium term (see also Reserves Strategy - Section 2.15).
- 2.1.21 Updated budget forecasts for the following 2 years reflect an updated budget gap of **£14.0m** in 2020-21 and **£6.5m** in 2021-22 (cumulative £20.5m over the 2020-22 period) which would need to be addressed to deliver a balanced budget in these years. However, as noted earlier at paragraphs 2.1.2 - 2.1.3, there remain concerns expressed at a national level regarding the financial sustainability of local government post-2020; most marked in relation to the 150 Councils with statutory Education and Social Care responsibilities, including Kirklees.
- 2.1.22 To illustrate the current level of budget risk post-2020, the budget sensitivity analysis included in Section 2.16 later in this report highlights the range of potential budget forecast variations and risks relative to Council baseline forecast assumptions underpinning 2019-22 budget plans; in particular over the 2020-22 period.
- 2.1.23 Budget forecasts beyond 2019-20 are heavily dependent on Government clarity; including the 2019 Spending Review which will set out the extent of the continuation of austerity measures on local government, the impact of UK's withdrawal from the European Union, and the impact of Government proposals for a more transparent and 'fair' re-set of baseline Council funding, 'fiscally neutral' at a national level, from 2020 onwards.
- 2.1.24 Key baseline funding and spend assumptions underpinning Council 2019-20 budget proposals to deliver a balanced budget, and indicative budget forecasts for the following 2 years, are described in more detail in the following sections in this report.

FUNDING ASSUMPTIONS

2.2 Local Government Funding Landscape post-2020

- 2.2.1 While the 2018 Autumn Budget and subsequent provisional finance settlement confirmed national funding allocations for the 2019-20 period (year 4 of the 2016-20 multi-year settlement), there is no current Government indication regarding the national funding landscape for Local Government beyond 2020, nor is there likely to be before the next Spending Review, due sometime in 2019. In light of current national funding uncertainties beyond 2019-20, years 2 and 3 at this stage prudently assume some continued further national funding reductions in the region of £3.2m per annum (equivalent to 2.5%) over the 2020-22 period.

2.2.2 Government remains committed to reform in the local government finance system from 2020-21 including a more robust and transparent distribution methodology to re-set baseline Council funding levels. As such, two separate consultations were released alongside the provisional finance settlement; 'Review of local authorities' relative needs and resources', and 'Business rates retention reform'. The closing date for responses for both consultations is 21 February 2019.

Consultation - 'Review of local authorities' relative needs and resources'

2.2.3 Government is committed to a Fair Funding Review of Local Government Funding. As part of the national implementation of the 50% business rates retention scheme in April 2013, Government calculated Council baseline funding allocations at the point of implementation. The data underpinning Government assumptions on baseline Council funding, at that time, was informed by existing and complex Government formula calculations on Councils' relative needs and resources.

2.2.4 These calculations have not been reviewed since, and Government acknowledges that the baseline funding assumptions set in 2013 do not appropriately reflect the changing characteristics of Councils over subsequent years e.g. with regard to population changes and demographic trends. The consultation seeks views on the approach to measuring the relative needs and resources of local authorities and may result in a re-distribution of existing funding between Councils. Under Government principles of fiscal neutrality at an overall national level, there would be 'winners and losers' and, most likely, extended transitional protection arrangements.

Consultation - 'Business Rates retention reform'

2.2.5 This consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

2.2.6 It is the Government's aim to introduce 75% business rate retention in 2020 in a way that is fiscally neutral. This is allowable within existing legislation. To compensate for the additional business rates income to be retained locally, it is anticipated that this will also involve a transfer of current Government funding responsibilities for Public Health at the same time.

2.2.7 This means that Council spending plans will increase by about £25m from 2020-21 onwards, because the Public Health specific grant contribution from Government will cease at this point. There will instead be a corresponding increase in business rates income retained locally, to compensate; 'net nil' overall budget impact. The consultation does not indicate if current Public Health specific grant conditions setting out eligible spend against the grant, and monitored by Public Health England, will continue in some guise, from 2020-21 onwards.

2.2.8 Following the release of the above consultations, the intention is for officers to report back to members through the year, as the technical detail behind both proposals become more fully developed and modelled, in preparation for April 2020 implementation.

2.3 Council Tax

- 2.3.1 Funding adjustments factored into Council budget plans for 2019-20 incorporate the 2019-20 Council Tax Base (CTB) which was approved at full Council on 16 January 2019.
- 2.3.2 The CTB reflects assumed growth of 700 properties in 2019-20 and a further 1,000 properties per annum thereafter (Band D equivalent). The latter targets reflect net housing growth indicative forecasts over the period, and assume the timely adoption of the Council Local Plan in 2019, and rollout of the longer term Council ambition for housing growth.
- 2.3.3 Future year CTB forecasts will be subject to regular review, acknowledging as well the potential for external factors such as the UK's intended withdrawal from the EU and consequential impact on the UK economy, including the housing construction and house buying markets. The assumed CTB bad debt provision requirement is 1.48% based on current year forecast collection rates.
- 2.3.4 The local Council Tax Reduction (CTR) scheme is means tested and works so that those not "protected" are required to pay at least 20% of their full council tax liability. The local scheme only applies to those of working age. The national pension age scheme means there is no such minimum payment and many pensioners are assessed as having to pay nothing. CTB forecasts reflect the continuation of the current local CTR based on 20% for those not protected in 2019-20 and future years.
- 2.3.5 Government has made provision to allow Councils local discretion to implement 100% empty property premium charge after 12 months, increasing to 200% after 24 months and 300% after 36 months. There is currently a 50% premium charged on properties still empty after 24 months. The updated CTB for 2019-20 takes account of increases relating to the Council implementing the above property premium rates, anticipated to generate approximately £360k additional income in 2019-20.
- 2.3.6 It is acknowledged that this national policy change is intended to incentivise occupancy in currently empty properties over time, and at this stage a prudent view has been taken with regard to any further income gain beyond 2019-20. This will be reviewed in due course following an officer assessment of the local impact of the empty property premium changes, which were approved at full Council on 16 January 2019.

Council Tax Referendum Principles

- 2.3.7 Government's Council tax referendum principles are set out in the 2019-20 provisional finance settlement, and allow for a 3% council tax uplift in 2019-20, consistent with the referendum limit set in 2018-19. Council updated budget plans reflect a proposed 2.99% Council Tax uplift in 2019-20 (excluding precepts); equivalent to £5.2m additional funding. It is assumed at this stage that Government Council tax referendum principles will revert to 2% from 2020-21 onwards, and

that the Council tax uplift would therefore be 1.99% in 2020-21 and 1.99% in 2021-22.

- 2.3.8 In addition to allowable council tax uplifts within Government's referendum principles, Government also allowed Councils with Social Care responsibilities local discretion to uplift Council tax over the 2017-20 period upto a maximum of a further 6% (no more than 3% allowable in any one year).
- 2.3.9 This was allowable through a specific adult social care precept, and the funding raised from the precept had to be used entirely to fund additional adult social care spend over the period. This Council chose to implement the maximum precept uplift of 6% over the 2017-19 period (3% uplift per annum), and as a result, there will be no further adult social care precept increase in 2019-20.
- 2.3.10 At Band A level, 2.99% Council Tax uplift in 2019-20 is equivalent to an increase of £29.21; from £977.18 in 2018-19 to £1,006.39 in 2019-20 (before fire, police and parish council precepts). Government has confirmed that the referendum principles will not apply to Parish Councils in 2019-20, but will continue to keep this area under active review.
- 2.3.11 Charges to the general fund each year from the Council (the billing authority) for council tax and business rates, and to the major precepting authorities (Fire & Rescue Authority, Office of Police & Crime Commissioner) are based on estimates of CTB. Actual income collected year on year will vary. These timing differences result in actual surpluses or deficits which are rolled forward year on year through the collection fund, and 'settled' over following years, through relevant payment adjustments to the general fund/major precepting authorities.
- 2.3.12 Due to timing issues set out at paragraph 2.3.9 above, there is an overall planned repayment of £1.2m from the general fund to the collection fund in 2019-20.

2.4 Business Rates

- 2.4.1 Officers have reviewed the impact of the new appeals system implemented from April 2017 onward, which is designed to be more stringent than the previous appeals system. The new appeals system relates to appeals against the 2015 Rating List, and volumes of new appeals are significantly less than the volume of appeals against the 2010 and 2005 rating lists.
- 2.4.2 As a result, the annual appeals bad debt provision requirement has been reduced by £1.3m, effectively adding an equivalent amount back into business rates baseline from 2019-20 onwards. Other than the above adjustment, no other net growth assumptions have been built into future year business rates income projections, in light of continuing challenging economic conditions. This is considered to be a prudent approach at this stage.
- 2.4.3 The Council holds a current prudent £11.5m bad debt provision for historical appeals valuations outstanding (largely relating to the 2010 rating list). A recent officer assessment suggests that this requirement can now be revised downwards

in-year. This mainly reflects the impact of many long standing appeals being either withdrawn or settled. This includes the recent withdrawal of a national appeal by Virgin Media which if successful would have cost the Council £2m in backdated rates adjustments to 2010.

- 2.4.4 Also, the number of appeals emerging with respect to the current year has not been at the level anticipated for reasons set out at paragraph 2.4.1 -2.4.2 above. The overall impact is a repayment of £6.9m to the general fund from the collection fund in 2019-20 which has also been factored into updated budget plans (see also Appendix B iv).

North & West Yorkshire Business Rates Pool: 2019-20

- 2.4.5 Leeds City Region (LCR), of which Kirklees is a member, made a joint bid with North Yorkshire for a 75% business rates pilot for 2019-20. The finance settlement 2019-20 confirmed the success of this bid. The financial model underpinning the North & West Yorkshire 75% business rates Pool estimated a potential overall gain to the combined Pool in the region of £24m. The current 2018-19 LCR Pool will be dissolved at 31 March 2018.
- 2.4.6 Pool income will be shared out so that member authorities receive two thirds of the additional income generated through the 75% pilot, with the remaining third of additional income being retained by the pool. This retained funding will be redistributed to projects that meet the pool's strategic aims; Reducing Digital Isolation, Inclusive Growth, Culture, Sport and Major Events, Business Support, Trade and Investment and Enabling Housing Growth.
- 2.4.7 A "one-off" gain of £2m in 2019-20 has been built into Council budget plans to reflect our individual share of the growth. Governance of the 2019-20 Pool will be similar to the existing 2018-19 LCR Pooled arrangement, through a Joint Committee, but with an expanded membership to ensure all member authorities are properly represented.
- 2.4.8 A report prepared by Leeds City Council Chief Officer – Financial Services, to its Executive Board on 13 February 2019 recommends their member approval for the City Solicitor to be given delegated authority to seek the formal agreement of the other 13 members to the new Pool arrangements for 2019-20. Appendix K attached sets out the new arrangements for the North & West Yorkshire Pool for 2019-20, including terms of reference for the Pool's Joint Committee. This report asks Cabinet to formally agree the new arrangements in principal for the 2019-20 Pool as set out at Appendix K, and to delegate authority to the Council's Monitoring Officer in conjunction with the Councils Service Director – Finance, to finalise the new arrangements with Leeds City Council's City solicitor.

2.5 Un-ringfenced grants

- 2.5.1 While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. Budget plans for 2019-22 reflect

annual allocations set out in the Government provisional 2019-20 finance settlement. These are set out in more detail at Appendix Biii).

- 2.5.2 The main funding change in 2019-20 relates to Business Rates (section 31) grants, with an anticipated £2m one off gain anticipated as a result of the successful Leeds City Region and North Yorkshire 75% pilot bid.
- 2.5.3 Elsewhere, the New Homes Bonus (NHB) Grant allocation for 2019-20 has been confirmed, based on updated national net housing growth data used by Government to calculate individual Council grant allocations. The £3.9m 2019-20 NHB grant allocation is broadly in line with previous budgetary estimates.

2.6 Adult Social Care Funding

- 2.6.1 Demand led volume and cost pressures and demographic trends are having a continuing and significant impact on already stretched Council budgets and this has been well documented both nationally and at a local level over recent years.
- 2.6.2 These pressures have largely been contained over the 2016-20 period through a combination of Adult Social Care precept uplifts and additional Better Care Funding (BCF) allocations; albeit about half the 'additional' BCF has been funded from a national top-slice of pre-existing Council resources (New Homes Bonus), re-directed to BCF. Updated budget plans reflect the cumulative impact of the above funding measures, which has added £27.9m funding to Adults annual base budget by 2019-20 compared to 2015-16, such has been the scale of increasing service pressures over the period.
- 2.6.3 In 2018-19, Government confirmed a national in-year £240m package of social care funding to ease pressure on the NHS over the winter months. Kirklees' share of this additional in-year funding was £1.86m. The funding must be spent on providing adult social care services, and be in addition to existing planned spending.
- 2.6.4 The Autumn Budget announcement on 29 October 2018 and subsequent 2019-20 finance settlement confirmed the continuation of this funding in 2019-20, alongside a further £410m national funding allocation for adults and children's social care. This new Social Care Support Grant equates to £3.2m for Kirklees in 2019-20 and it is at the discretion of individual local authorities as to how they intend to allocate it between Children's and Adults elements.
- 2.6.5 The £3.2m allocation to Kirklees includes the continuing provision for the £1.2m adult social care grant originally announced late by Government in March 2018 as a one-off grant for 2018-19. The balance of £2m additional funding has been applied in 2019-20 to offset high need pupil service pressures at £1.3m, and other Children's pressures at £0.7m.
- 2.6.6 Government has made no formal announcement about continuing the Winter Pressures and Social Care Support Grant into future years, but in light of continuing and significant pressures on Adult and Children's Social care budgets,

updated budget forecasts assume that Government will maintain these funding allocations post-2020.

- 2.6.7 Updated budget plans from 2020-21 factor in further Government grant funding to support Councils with social care responsibilities; an additional £3.6m grant funding in 2020-21, increasing to £7.2m by 2021-22. These funding assumptions are considered relatively prudent at this stage, in the absence of any more detailed proposals from Government post-2020.
- 2.6.8 There is national Government acknowledgement that beyond 2020, increasing adult social care pressures will be beyond the means of existing Council budgets to be able to contain over the longer term, and that a national funding solution is required. Government has committed to a Green Paper on the future of adult social care.
- 2.6.9 There have been recent national announcements about proposals for £20.5 billion additional baseline funding for the NHS by 2024, and a subsequent further Government release of an NHS 10 year plan. These announcements clearly have implications for the continuing social care/health integration agenda that has been a feature of national Government policy since 2016. However, the expected release of the adult social care green paper alongside these NHS announcements, has been delayed by Government.

2.7 Schools Funding

- 2.7.1 Government introduced a revised National Funding Formula (NFF) for schools from April 2018. The NFF determines the amount of core revenue funding that goes directly to mainstream schools. However, because the current funding arrangements for each local authority are the result of a complex combination of historical national and local funding decisions, the move to a National Funding Formula has produced significantly different outcomes for local schools and academies.
- 2.7.2 The NFF for Kirklees maintained schools and academies is less generous than the previous system but the NFF contains protections to mitigate most of the reductions delivered by the pure application of the new formula. This includes a Government minimum uplift of 0.5% in both 2018-19 and 2019-20 for the funding allocation per pupil within the overall Schools Block allocation.
- 2.7.3 The NFF for schools is being introduced in a 'soft' format across funding years 2018-19 to 2020-21. The NFF will be used to calculate the bottom-line Schools Block allocation to local authorities with local discretion over its distribution then to be agreed following consultation via the local Schools Forum. Government intention is to implement a 'hard' format from funding year 2021-22, which will mean that Schools block funding allocations from that point will be calculated directly by the Education & Skills Funding Agency.

- 2.7.4 The other three funding blocks within the Dedicated Schools Grant or DSG (High Needs, Central School Services and Early Years) will continue to be the responsibility of the Council to manage and allocate as appropriate.
- 2.7.5 The Council's baseline Schools Block funding in 2019-20 is £295.3m, and represents an increase of 2.4% from 2018-19. The High Needs block is £37.0m; an increase of 6.35% from 2018-19. The Early Years block £28.1m; a decrease of 2.1% from 2018-19, and the Central School Services block £2.3m; a decrease of 1.7% from 2018-19.
- 2.7.6 The High Needs block calculation under the new NFF acknowledges the level of previous under-funding, and Government intention is to increase the annual allocation by £7m from pre-existing £34m to £41m; the second largest increase calculated nationally under the revised NFF. However, due to transitional arrangements, this will be phased over a seven year period, at £1m per annum. The 2019-20 allocation reflects the incremental uplift of £1m.
- 2.7.7 The forecast budget pressure against High Needs pupil activity is anticipated to be just over £8m in 2019-20 in excess of available DSG (high needs) funding. Government transitional funding arrangements will not be able to address this current service pressure in a timely manner.
- 2.7.8 The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. The 2019-20 finance settlement includes a supplementary national high needs funding allocation totalling £125m to offset current year pressures. Government has confirmed a similar allocation in 2019-20.
- 2.7.9 The Council's share of this is £1.04m in each year. This funding will help offset service high needs pressures in 2018-19 and 2019-20. Budget forecasts assume the continuation of this additional annual funding post-2020.
- 2.7.10 There is a separate report on this Cabinet agenda which sets out in more detail, Kirklees School Funding arrangements for 2019-20.

Key revenue spending assumptions 2019-22

2.8 Current year financial performance

- 2.8.1 Organisational intelligence informing 2019-22 budget plans includes consideration of current year financial performance. The most recent quarter 2 financial monitoring report was presented to Cabinet on 13 November 2018. The link to this report is shown below.

[Corporate Financial Monitoring Report Quarter 2, 2018-19](#) (Item 10)

- 2.8.2 Quarter 2 monitoring indicated significant overall progress towards the delivery of £16.2m net savings requirement in-year. Forecast planned savings were projected to be £12.6m; equivalent to 78% delivery. Elsewhere, there were other

unplanned overspends but with largely compensating underspends, with an overall forecast overspend of £4.8m; equivalent to 1.7% against a revised budget of £290.8m.

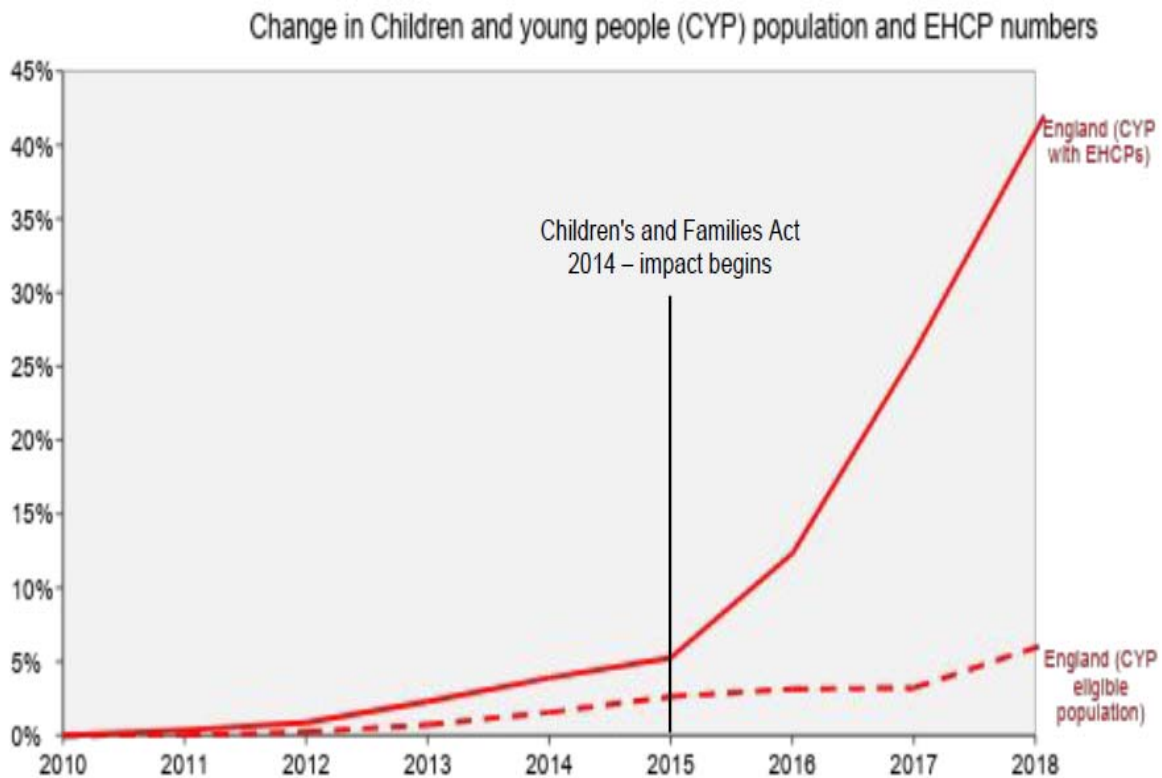
- 2.8.3 Within the overall forecast position, there were some significant underlying current pressures and risks subsequently considered in formulating updated budget plans for 2019-22; in particular in relation to the significant unbudgeted pressure in the region of £8m in relation to Special Educational Needs & Disabilities (SEND)/high needs activity (see also, paragraph 2.7.7 earlier and Section 2.9 further below).
- 2.8.4 The Council's Collection Fund was also forecast to have an overall surplus of £0.8m by current year end.
- 2.8.5 Subsequent to Quarter 2 monitoring, the most up to date in-year monthly monitoring projections (month 8) now estimate a year end forecast overspend of £2.1m; a reduction of £2.7m compared to Quarter 2 financial monitoring. This factors in the additional £1.04m High Needs funding allocation for 2018-19 announced as part of the 2019-20 provisional finance settlement.
- 2.8.6 Government also confirmed as part of the 2019-20 finance settlement, an unexpected "one-off" business rates levy rebate to all Councils in 2018-19. The Council's share of the national £180m re-distribution is £1.2m, also factored into month 8 monitoring.
- 2.8.7 Month 8 monitoring also now reflects an overall forecast year end Collection Fund surplus of £5.75m as a result in particular of the appeals bad debt provision adjustment (see paragraphs 2.3.10 and 2.4.4 earlier). Updated budget plans reflect the re-payment of this surplus to the general fund in 2019-20. The month 8 Collection Fund forecast is summarised at Appendix Biv).
- 2.8.8 Month 8 monitoring also includes a current estimate of year end reserves, forecast at about £79m (excluding statutory schools reserves). This forecast factors in specific reserves proposals approved as part of the budget strategy update report approved at Council on 10 October 2018. The Reserves section later in this report (Section 2.15) considers Council reserves strategy in more detail, including further proposals to increase Council general fund reserves over the medium term.
- 2.8.9 The following sections set out in more detail, updated spend assumptions across Strategic Director Portfolios which have informed updated budget plans.

Strategic Director Portfolios

2.9 Children & Families – Learning, Skills & Early Support

- 2.9.1 The 2017-18 financial outturn report to Council on 11 July 2018 highlighted an underlying net service pressure on special educational needs activity, totalling £4.2m.
- 2.9.2 This pressure has continued and increased through 2018-19, and based on Month 8 financial monitoring projection the forecast in-year position is spend in excess of school (high needs) funding available, of approximately £8m. This is before applying the additional £1.04m funding allocation announced as part of the provisional finance settlement, as per paragraph 2.7.9 above. The pressure includes a projected overspend of £3.6m in respect of placements of Kirklees children in independent and other local authority specialist provisions.
- 2.9.3 The average number of active placements in independent specialist education provision has significantly increased over the last few years, moving from an average of 88 active placements in 2016-17 to a forecast 2018-19 average of 125 pupils; an increase of 42%. An increase is also evident over the same period in the annual average number of children placed in other local authority specialist provision, moving from an average of 20 pupils in 2016-17 to a forecast 2018-19 average of 34 pupils.
- 2.9.4 The balance of High Needs pressure is mainly made up of £1.6m for support funding payments for high needs students in the local further education sector, £1.4m in respect of top-up funding to support rising numbers of increasingly complex need children within the mainstream schools sector, and £1.6m additional funding commitment in the special schools sector.
- 2.9.5 As noted earlier at paragraph 2.7.8, there has been significant recent national sectoral lobbying of Government to acknowledge this is a growing pressure on high needs increasingly beyond the means of Councils to be able to self-contain within available Dedicated Schools Grant ring-fenced funding..
- 2.9.6 London Councils recently produced an overall national trend analysis. Graph 1 below shows that since 2010-11, the number of children and young people with an Education, Health and Care Plan (EHCP)/Statement has increased by 40%. This largely drives high needs costs. Over the same period, the eligible child population increase was 3%. The latter drives annual Government funding adjustments to the High Needs Block of the Dedicated Schools Grant. In particular, the rapid growth in EHCP appears to correspond to the implementation of the Children & Families Act 2014.

Graph 1 – national trends over 2010-2018 period; EHCP/Statement numbers and children & young people population



Source: ONS (MYE and SNPP) estimates; DfE (SEN2 data)

- 2.9.7 In 2014, Kirklees Council had about 1,900 EHCP/Statements. By 2022, this is expected to rise to 3,300 based on current trends; over 70% increase over the period. As noted previously at paragraph 2.7.6. the NFF acknowledges that Kirklees is currently significantly under-funded on high needs, but that due to Government transitional funding arrangements, the Council will not get the full benefit of the extra £7m high needs funding allocated to it from 2018-19, for a full 7 years.
- 2.9.8 Councils have limited flexibility to divert resources from the main schools funding block, and this puts further strain on stretched schools budgets. The only other alternative is to divert general fund resources to support the Council's statutory high needs responsibilities. This is not considered to be a sustainable longer term position for Councils like Kirklees that are already under significant financial pressure from austerity measures that have reduced our general fund grant funding by upto 60% since 2010.
- 2.9.9 Updated Council budget plans reflect a continuation of the £8m current year high needs pressure in 2019-20 , and the partial netting off from incremental Government High Needs Block Grant uplifts of £1m per annum A further £1.04m funding declared in the 2019-20 finance settlement has also been added into budget plans from 2019-20 onwards. As noted above (paras 2.6.4 and 2.6.5)

£3.2m of new Social Care Support Grant funding has been announced, of which £1.3m has been applied in 2019-20 to offset high need pupils service pressures.

- 2.9.10 In conjunction with the above, it is also anticipated that future year growth pressures can to some extent be mitigated through a range of other measures. However, there is acknowledged to be a continued element of budget risk on high needs pressures over the medium term.
- 2.9.11 A District wide High Needs Strategic Review was reported to Cabinet on 20 February 2018. The link to this report is shown below:

[Summary of findings from the Special Educational Needs and/or Disabilities \(SEND\) High Needs Strategic Review \(Item 14\)](#)

- 2.9.12 The Council is working with key education partners across the District on a comprehensive action plan that came from the above referenced report. To support increased District sufficiency provision for specialist educational support, there is also significant new capital investment proposed totaling £25m which has been factored into updated capital plans (see also section 2.19.7 of this report)
- 2.9.13 Updated budget plans include increased annual revenue investment of £700k in the Special Educational Needs & Disabilities Assessment and Commissioning Team (SENACT). This will support staffing, work force development and strategic development to achieve the necessary improvements set out in paragraph 2.9.11 above.
- 2.9.14 In addition, there is further investment of £420k in Learning Services reflecting increased demand (increase of free nursery entitlement), and the increased provision of Early Intervention processes (Portage support to parents). This further investment will support managing the needs of children as early as possible, which will hopefully prevent needs becoming more complex and potentially resulting in more expensive support packages in the future (for example via Education Health and Care Plans).

2.10 Children & Families – Child protection & safeguarding

- 2.10.1 Existing 2018-20 budget plans include £5.5m sustainable investment in Child Protection & Family Support from 2018-19 onwards, alongside a fundamental review and re-shape of service budgets to align with the Children Improvement Plan; the latter based on a Partnership with Leeds Council.
- 2.10.2 The Council continues to make very good progress in the delivery of significant improvements in outcomes of children, and meeting the recommendations set out in the original inadequate rated OFSTED report in November 2016.
- 2.10.3 These improvements include measures to reduce the number of children placed outside the District, with existing planned savings of just over £3m over the 2018-

21 period. These improvements are ongoing, and the planned savings associated with out of area placements have been further re-profiled now over the 2019-22 period to reflect a more realistic timescale for delivery.

- 2.10.4 Planned improvements also include service investment in a restorative practice team at £600k from 2019-20 onwards. This additional capacity is currently funded through a one-off Government grant in 2018-19. Also, following the recent implementation of a new caseload management system within service, Liquid Logic, there is an identified further ongoing investment requirement to support and maintain the system, at £240k.
- 2.10.5 As noted above (paras 2.6.4 and 2.6.5) £3.2m of new Social Care Support Grant funding has been announced, of which £0.7m has been applied in 2019-20 to offset service pressures.
- 2.10.6 To support the Council's ambition to improve outcomes for the District's most vulnerable Children, there is also significant new capital investment proposed totaling £10m for residential accommodation, disability and youth services (see also section 2.19.12).

2.11 Adults & Health

- 2.11.1 Existing budget plans include additional base budget resources of £9.7m 2018-19 and a further £3.2m in 2019-20 for demand led volume pressures, over 65's demographic pressures, and provider cost pressures; the latter relating to social care external provider costs impacted on by a 4.6% national living wage uplift in 2018-19. As noted earlier in Section 2.6, these pressures continue to be met by a range of current grant funding sources.
- 2.11.2 Alongside the above, there is a further £0.5m service revenue investment into early intervention/preventive mental health services, and also a specific amount of £1.4m set aside in reserves to support and promote a range of Place based mental health initiatives across the District; includes £0.4m for measures to combat domestic abuse.
- 2.11.3 Updated budget plans for 2019-20 take account of further £6m service pressure in relation to demographic growth and inflationary pressure on contracts with providers; includes the impact of the 4.9% increase in the National Living Wage in 2019-20, as well as inflation levels on other key cost elements. The Council recognises that the social care provider market locally and nationally is under significant pressure and provides support in kind to providers as well as through fees.
- 2.11.4 Demand and cost increases over the 2020-22 period are modelled to increase by a further £13m in total, net of assumed partial funding offsets over the period. Budget assumptions will continue to be subject to ongoing service review. Future projections will also be informed by the shape, direction and impact of Government's national social care and health integration agenda, applied locally.

2.11.5 The service is also proposing significant new capital investment in dementia and day services totalling £21m (see also, section 2.19.12).

2.12 Economy & Infrastructure

2.12.1 Existing budget plans include £10k base budget allocation activity per ward; £230k in total, plus one-off resources totalling £706k for ward committed expenditure, rolled forward through Council earmarked revenue reserves. In addition, Council earmarked reserves includes approved revenue rollover of just over £1.5m for Public Realm works.

2.12.2 Updated budget plans include a commitment to double the annual base budget allocation for ward based activity from £10k current to £20k per ward from 2019-20 onwards. The doubling of the allocation per ward has been resourced from existing 2018-20 budgeted resources set aside for Place based activity, currently held within the Office of Chief Executive's Transformation Fund budget.

2.12.3 Existing budget plans also include £250k recurrent investment in a District wide 'ward squad' to complement the Public Realm investment and District ward activity budgets.

2.12.4 Updated budget plans include £1.4m to offset current unfunded service schools transport service pressures; in particular impacted on by Special Educational Needs and Disability demand pressures on schools transport service. An additional pressure factored into updated budget plans is the financial impact of the loss of the driver training police contract at £500k. A recent officer review of health and safety and fire safety organisational compliance requirements also identified a service investment need of £310k.

2.12.5 The Council's ambitions for Sustainable Economy include significant existing capital investment in town centre vibrancy, and plans for housing development and growth over the 2018-24 period. These ambitions require increased technical and officer project capacity, and an additional investment need of £300k has been identified. In addition, £4m has also been made available within existing earmarked revenue reserves to address the likely scale of other "one-off" associated development costs over the 2018-24 period.

2.12.6 Updated budget plans also factor in service investment in infrastructure growth, at £350k in 2019-20, and incremental increases of £250k per annum over the following two years. This is in recognition of the increased demands placed on front line 'universal' services over time, through general increases in population, and associated impact on infrastructure across District.

2.12.7 The Council's current Private Finance Initiative (PFI) Waste Contract ends in 2022-23, and work is ongoing to review options for 2023-24 onwards. It is anticipated that there will be a significant overall increase in revenue cost requirement from current, as well as significant future capital investment in waste management activity of up to £33m, reflected in updated Council capital plans (see also, section 2.19.12).

2.12.8 Future revenue implications include the fallout of a current annual PFI Government grant allocation of £3.2m which ends on 31 March 2023. As well, officer proposals for emerging capital and revenue requirements will also be informed by Government's recent national Resources & Waste Strategy announcement on 18 December 2018, which represents the first comprehensive national Government update for more than a decade.

2.13 Corporate Services

2.13.1 Existing budget plans include £3m additional capital investment in the Council's Digital transformation programme, in recognition of the scale of transformation required. The Council's IT service has existing savings of £1.2m in 2018-19, and a further £1.3m in 2019-20. Planned 2019-20 savings have now been deferred to 2020-21, to allow more time to review organisational IT requirements and capacity going forward.

2.13.2 Corporate capacity has also been reviewed, in particular in light of more stringent General Data Protection Regulation (GDPR) requirements, and additional investment of £200k per annum incorporated from 2019-20 onwards, alongside additional revenue investment of £130k per annum in corporate business intelligence.

2.13.3 Updated budget plans include a drawdown of Public Health reserves of £823k in both 2019-20 and 2020-21. This resource is being used to allow continued investment at the current level in substance misuse and sexual health activities over the short term. These services would otherwise have been subject to savings of £823k in 2019-20, as per existing 2018-20 budgets. The savings have been deferred to 2021-22 in the refreshed budget plans.

2.14 Central budgets

2.14.1 Contingency inflation assumptions have been updated to ensure pay provision requirements for the 2018-20 national pay award are fully met. Also factored in are assumed pay awards of 2% in both 2020-21 and 2021-22.

2.14.2 Price inflation is zero over existing 2018-20 budget plans. Updated budget forecasts over the 2020-22 period include a continuation of this assumption, with Strategic Director portfolios continuing to operate within cash limit budgets over the 2020-22 period. The only exceptions relate to energy and waste contract inflation.

2.14.3 Income inflation is assumed at 2% per annum, other than acknowledgement of ongoing pressures on car parking and markets income, which will continue to have zero inflation.

2.14.4 Contingency budget requirements have also been updated to accommodate annual £300k PFI repayment costs relating to schools, for which an earmarked

reserve had previously been set aside. Existing budget plans had assumed £1m annual surplus in the Council's Insurance fund from 2018-19 onwards. However, updated service and external insurance provider premia requirements have now adjusted this downwards to a break-even position from 2019-20 onwards.

- 2.14.5 The next 3 yearly (tri-ennial) actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF) will be undertaken in preparation for 2020-23 period. Updated budget plans assume a prudent 1% increase in employer contributions from current 16.1% to 17.1%, from 2020-21 onwards; equivalent to £1.6m per annum.
- 2.14.6 The Council's contribution to the West Yorkshire Combined Authority (WYCA) has reduced by £0.2m in 2019-20, and reflects WYCA's commitment to passport a range of efficiency savings over the period, through reduced levy contribution requirements.

Treasury Management

- 2.14.7 Updated Treasury management budgets assume a relatively modest 0.25% uplift in bank of England base rate to 1.0% in 2019-20, increasing to 1.25% in 2020-21 and 1.5% in 2021-22.
- 2.14.8 Council on 12 December 2018 approved the inclusion of the Local Authority Property Fund as part of the Council's treasury management specified investment portfolio, with a potential investment of between £5m and £10m. Officers will continue to explore this option. Updated treasury management budgets assume up to £10m invested during 2019-20, with an anticipated net yield of £150k (part year), increasing to £300k in subsequent years.
- 2.14.9 Treasury management budgets also take account of updated capital plan borrowing requirements, and associated annual revenue resources to be set aside to service Council debt. A 40% slippage factor has also been applied to borrowing specifically on strategic priority schemes over the updated 2018-24 capital plan. This is considered a reasonable assumption, given the nature and scale of strategic priority investment, and potential range of factors that can cause such programmes/schemes to slip over such a protracted timeline.
- 2.14.10 A key prudential indicator set out in the Capital Strategy attached at Appendix G shows the Council's forecast annual debt costs, as a proportion of annual net revenue funding over the 2018-24 period. The forecast indicator is anticipated to be 10.3% by 2024 (including PFI).
- 2.14.11 To put this into context, the equivalent Council indicator in 2014 was 12.9% and by 2028, the forecast indicator would be 13%; broadly at the same level as 2014. The 2019-22 Treasury Management budget set out in this report indicates a net increase in revenue resource requirement of £2m to support the additional borrowing over the next 3 years. Longer term, this is expected to increase further by about £1m per year, to 2028.

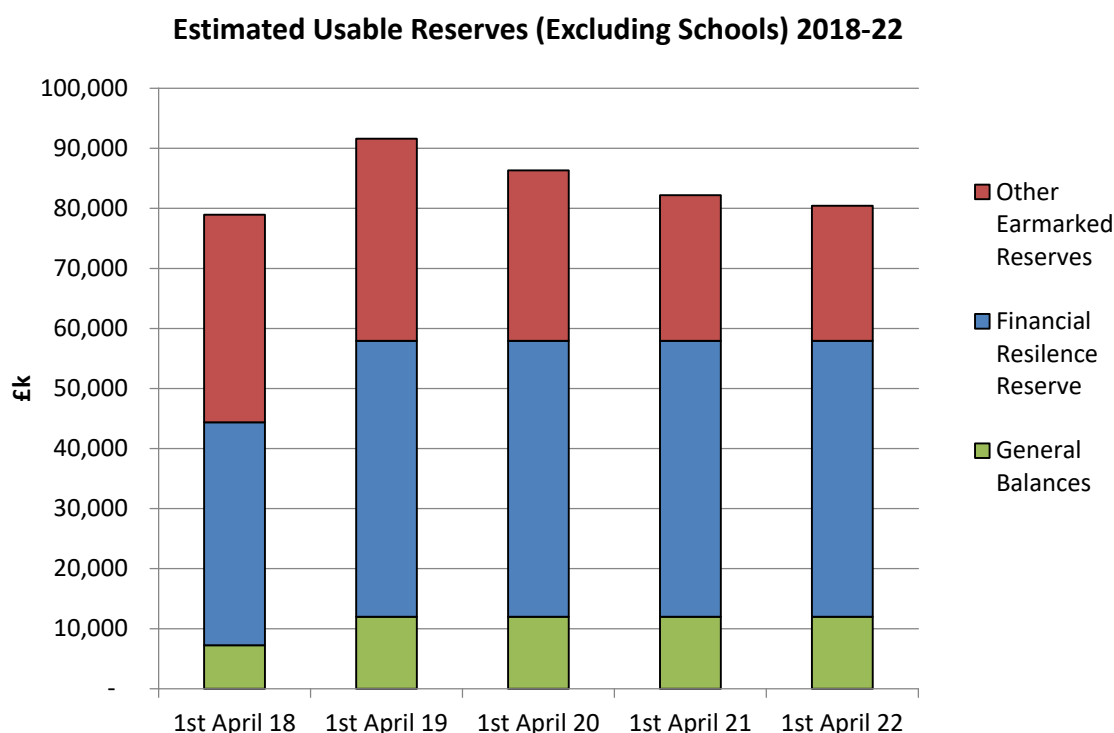
Minimum Revenue Provision (MRP)

- 2.14.12 Existing Treasury Management budgets reflect changes to the Council's policy on minimum revenue provision (annual revenue resources set aside for repayment of debt, also known as MRP), implemented from 2017-18 onwards.
- 2.14.13 This policy change resulted in a calculated over-provision of £91m MRP backdated to 2008. Approved budget plans last year agreed an 'unwind' of this over-provision at £9.1m per annum, over a 10 year period, from 2017-18 onwards.
- 2.14.14 The intention was for base budget resources freed up by the policy change to be retained within Treasury Management budgets, and applied flexibly over the unwind period to support organisational flexibility and financial resilience. This included the transfer in 2017-18 of £9.1m revenue resources freed up, to the Council's financial resilience reserves.
- 2.14.15 Current year, £5m of the £9.1m MRP base budget 'flexibility' has been applied to help offset current unfunded service pressures relating to Special Educational Needs and Disabilities/high needs activity. Updated budget plans assume the continued application of this £5m flexibility to support high needs pressures in 2019-20, but reducing thereafter by £1m each year; with an equivalent Government uplift in Dedicated Schools Grant funding to offset this.
- 2.14.15 A further £1.4m MRP base budget 'flexibility' in 2019-20 will be transferred to reserves to support £1.4m Place based mental health initiatives. The balance of £2.7m base budget 'flexibility' is equivalent to just under 1% of annual net general fund revenue budget, and will be held as a central contingency provision, in light of the overall continuing financial challenges and budget risks set out elsewhere in this report.
- 2.14.16 The accompanying Treasury Management strategy report at Appendix E sets out a proposal for a further re-profiling of annual MRP payments within allowable Ministry of Housing, Communities & Local Government (MHCLG) guidelines. This will free up a further £4.4m base budget in both 2018-19 and 2019-20.
- 2.14.17 It is intended that the additional £8.8m freed up will be ring-fenced for transfer to Financial Resilience reserves. This proposal aligns with the Council's updated medium term budget risk strategy, which is set out in the following section.

2.15 General Fund Reserves

- 2.15.1 A modelled high level forecast of general fund revenue reserves over the 2018-22 period is shown graphically below. These reserves are set out in more detail at Appendix B ii) together with a summary explanation of each reserve held:

Graph 2 - Forecast usable reserves (including general balances) over the 2018-22 period



2.15.2 The reserves summarised above and in more detail at Appendix Bii) largely reflect changes made as part of the Budget Strategy Update report to Council on 9 October 2018. These include the creation of a Strategic Investment and Support Reserve at £4m to support a range of Council regeneration and capital investment developments and a severe weather reserve at £3m to support unpredictable severe weather events.

2.15.3 A further specific loan reserve of £3m was also established to support Council compliance with new accounting code requirements from 2018-19, intended to strengthen balance sheet transparency. This includes a potential set aside or provision requirement against the potential risk of future loan default.

2.15.4 General balances are unallocated reserves set aside to support day to day working capital requirements. These were also reviewed, and the minimum level of balances uplifted from £5m to £10m, which was deemed more appropriate for a Council with a net annual revenue budget of just under £300m. The reserves adjustments set out in the October 2018 Budget Strategy Update report were accommodated by a review and release of a number of pre-existing other earmarked reserves.

2.15.5 Updated budget plans include a number of further earmarked reserves adjustments. This includes a new Business Rates reserve at £2m; includes set aside of £1m potential backdated payment regarding a recent national ATM cash machine business rates appeal, currently disputed by the Valuation Office. The

balance of this reserve has been set aside to resource the Council's approved business start up and retention policy.

- 2.15.6 A further £1.4m reserve has also been set aside to pilot a number of local area based mental health initiatives, including £0.4m specifically for domestic abuse. In addition, £0.5m has been set aside to accommodate potential local and national election costs in excess of current base budget provision. These further reserves requirements have been accommodated through the use of some of the proposed £7.6m transfer to reserves from the general fund in 2019-20.
- 2.15.7 Financial resilience reserves at 1 April 2018 were £37.1m. As a result of the further MRP over-payment 'unwind' proposal (paragraph 2.14.16 earlier), it is proposed that a further £8.8m is added to financial resilience reserves by 1st April 2019; £4.4m relating to 2018-19 and an equivalent amount at the start of 2019-20. This gives a revised Financial Resilience Reserve balance of £45.9m at 1 April 2019.
- 2.15.8 Under Section 25 of the Local Government act (2003), in setting annual budgets there is a statutory requirement for the Council's s151 officer to give a positive assurance statement in relation to the robustness of budget estimates and the adequacy of reserves and balances.
- 2.15.9 There is no prescriptive guidance on the adequacy of reserves and balances. Most recent sectoral guidance comes from a joint CIPFA/Local Authority Accounting Panel paper in 2014, which states that in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
- 2.15.10 CIPFA, who are the leading accountancy body for public services, have developed a Financial Resilience Index to attempt to objectively measure Councils' relative financial resilience, noting that "with local government facing unprecedented financial challenges and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest" (Rob Whiteman, CIPFA Chief Executive, 4 December 2018).
- 2.15.11 This index will sit alongside CIPFA's planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances. It is intended that the finalised Index will be published online in November 2019, alongside the publication of a new Financial Management Code.
- 2.15.12 A key aim of the Financial Resilience Index is also to support Council s151 officers in their annual report to the Council presenting the proposed budget for the coming year and the medium term financial strategy.
- 2.15.13 CIPFA released a 'beta' test version of the resilience index to local authority s151 Officers at the end of 2018, acknowledging that the new indicators will remain

under review and subject to further feedback from Chief Finance Officers prior to official publication.

- 2.15.14 The test index is based on a suite of indicators and include a red, amber, green (RAG) alert. CIPFA has highlighted broad support from the sector for the creation of the index, and its view that there was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern.
- 2.15.15 The index is broken down into Counties, Unitaries, London Boroughs, Metropolitan Authorities and District Councils as relevant comparator groups, and is designed to allow authorities to view their relative positions on a range of measures related to financial risk. For the purposes of the test index, comparator Councils within each authority's test group aren't named.
- 2.15.16 Appendix C attached to this report highlights one of the key CIPFA Resilience Indicators. Based on 2017-18 actual data, it identifies that Kirklees Council's general fund reserves as at 31 March 2018 (excluding schools and public health reserves) represented 27.8% of its annual net revenue budget. To put this into context, this would be the equivalent of just over 3 month's general fund net revenue spend. In relative terms, the Council ranked overall, 14th lowest in terms of reserves held of the 36 metropolitan authorities in the comparator group; albeit within a cluster of 20 authorities with reserves between the range 25% and 40%.
- 2.15.17 The Council faces continuing and significant financial challenges and service pressures over the medium term. The national funding landscape post-2020 is uncertain, and there is potential increased financial volatility from a range of risks recorded on the Council's updated corporate risk register (see Appendix H), including the potential impact from the United Kingdom's planned withdrawal from the European Union on 29 March 2019. There are also a number of well documented national media reports regarding increasing numbers of Councils potentially at the brink of financial crisis.
- 2.15.18 Financial resilience reserves remain a key element of the Council's budget strategy in terms of Council financial resilience to manage unbudgeted risks and pressures over the 2019-22 period, and gives a level of underpinning confidence and assurance that the Council's ambition to invest, transform and change will not be de-stabilised over the short term as a result of current national context uncertainties in particular.
- 2.15.19 The Council's s151 Officer recommends that the existing £37.1m financial resilience reserves are increased to £45.9m, through a further re-profiling of MRP provision requirements as set out elsewhere in this report. This would improve the CIPFA % indicator referred to at Appendix C, by the equivalent of about 3%, all things being equal, to just under 31% at the start of 2019-20.
- 2.15.20 A further assessment of reserves requirements will be undertaken as part of the 2018-19 final accounts process, and will be reported as part of the financial outturn and rollover report later in 2019.

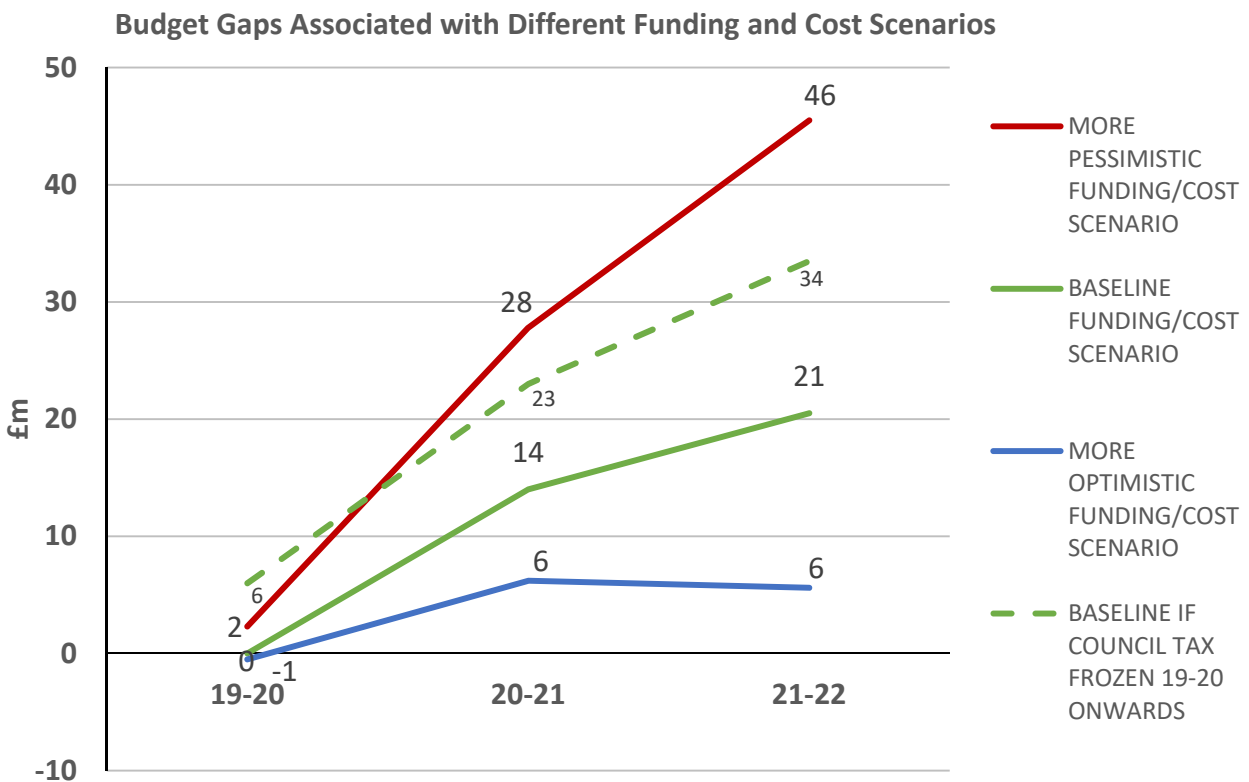
2.15.21 The following section includes a range of budget sensitivity analysis. The range of sensitivities reflects marginal changes to a number of key assumptions, and reflect the extent of potential volatility of medium term budget forecasts, in particular post-2020.

2.16 BUDGET FORECASTS – SENSITIVITY ANALYSIS

2.16.1 Included at Appendix D are a range of potential sensitivities on baseline budget assumptions as set out in this report. While these sensitivities are illustrative, and there can be different combinations, in broad terms they represent relatively minor changes to a number of key baseline budget forecast assumptions, and the cumulative impact of these over time.

2.16.2 The impact of these budget forecast sensitivities are summarised in Graph 3 below.

Graph 3 – Budget Forecast Sensitivities



2.16.3 Illustratively here, the forecast budget gap in 2020-21 could be in the actual range £6m to £28m, and to a large extent this reflects the extent of both Council funding uncertainty post-2020, and the potential impact of the highlighted headline corporate risks, compared to baseline budget forecast assumptions.

2.16.4 Also included in the sensitivity analysis for illustrative purposes is the cumulative impact on current baseline budget gap assumptions over the 2019-22 period, if

the Council decided to maintain council tax at 2018-19 levels over the next 3 years. The cumulative impact would be a further £13m budget pressure by 2021-22.

2.17 Flexible Capital Receipts Strategy

- 2.17.1 The current flexible capital receipts strategy which covers the period 2016-22, was approved as part of the Council Budget Strategy Update report 2019-22 at Council on 10 October 2018. This strategy allows for the annual capitalisation of transformation related revenue costs over the 2016-22 period, which can instead be funded from available in-year capital receipts, and is included at Appendix F.
- 2.17.2 Proposals for the Council's continued application of this flexibility are reflected in the Council's existing Capital plans, which provide for an annual capitalisation of upto £3m per annum from 2018-19 onwards in relation to a range of Council Transformation activity.

2.18 Housing Revenue Account (HRA)

- 2.18.1 Annual HRA rents and service charges for 2019-20 are included as a separate item on this Cabinet agenda. Updated HRA budget plans for 2019-20 include a further annual rent reduction of 1% in 2019-20, in line with Government statutory requirements.
- 2.18.2 The updated HRA budget plans also take account of the recent Government Social Housing green paper, which incorporate proposals for Consumer Price Index (CPI) +1% annual rent uplifts over the 2020-24 period. This puts the longer term HRA business plan in a much healthier position, alongside other measures contained in the Paper including the lifting of the HRA borrowing cap for all Councils with HRA's.
- 2.18.3 Updated budget plans include the continuation of existing planned efficiency savings relating to the KNH fee, totalling £2.0m over the next 2 years; a key driver being expected efficiencies following the merger of Building Services and KNH in October 2017. There is a proposed HRA revenue investment in an enhanced lettable standard, at £1m annually, also reflected in KNH Fee from 2019-20 onwards.
- 2.18.4 Current HRA reserves commitments include a set aside of £4m for business risks; in particular, with regard to proposed welfare reform changes. The balance of commitments includes £1.5m working balance. The forecast balance of reserves is assumed to roll forward to support future year capital investment, in line with longer term HRA business plan requirements. Summary HRA reserves are also shown at Appendix Biv).
- 2.18.5 The HRA 30 year business plan is regularly re-freshed and updated with the aim to produce a self-financed and balanced budget position over the 30 year plan. The current HRA business plan re-fresh reflects a sustainable long term funding position, informed by the HRA budget proposals (both revenue and capital) set

out in both the 2019-22 revenue budget plans and longer term capital plans (see also, next section below).

2.19 CAPITAL STRATEGY

- 2.19.1 Under CIPFA's Code of Practice on Treasury Management (2017 Edition), the accompanying Prudential Code 2017 and MHCLG issued guidance, the Council must approve a Treasury Management Strategy, an Investment Strategy and a Capital Strategy at the start of each financial year. The latter two Strategies are new for 2019-20. They are designed to increase transparency and are a response to the number and variety of ways Local Authorities are becoming involved in commercial activities and making commercial investments.
- 2.19.2 The Treasury Management Strategy is broadly similar to those from previous years. It continues to focus on the Council's borrowings and investments. It recommends a borrowing and a (treasury) investment strategy and a policy for calculating Minimum Revenue Provision (MRP).
- 2.19.3 The Investment Strategy focuses on and provides a detailed breakdown of all investments that the Council has. This includes both treasury investments, whereby the Council invests surplus cash as a result of its day-to-day activities; along with non-treasury investments incorporating investments to support local public services (via loans or purchases of shares) and commercial investments (to earn investment income). The Investment Strategy forms a part of the Treasury Management Strategy which is shown in the appended report at Appendix E.
- 2.19.4 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators. The detailed Capital Strategy is set out at Appendix G.

UPDATED CAPITAL PLAN PROPOSALS 2018-24

- 2.19.5 For capital purposes, longer term planning horizons are required to undertake feasibility work, design, plan and build. The Council's multi-year capital investment plan has been reviewed extensively to reflect the scale of the Council's ambition. The updated 6 year plan will deliver capital investment of £732.0m (£577.3m General Fund, £154.7m Housing Revenue Account). The plan is summarised in the table below, and shown in more detail at Appendix A.

Table 2 – Overall Capital Expenditure Summary 2018-24

Corporate Plan – Primary Outcomes	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m	23-24 £m	Total £m
Achievement	14.3	23.0	21.6	15.8	12.5	5.0	92.2
Children	0.5	0.6	0.8	3.6	4.2	0.8	10.5
Independent	2.4	5.8	11.5	8.5	0.8	0.0	29.0
Sustainable Economy	46.1	73.6	99.0	63.6	55.1	15.8	353.2
Well	2.4	5.8	12.6	9.3	2.2	0.9	33.2
Safe & Cohesive	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Clean & Green	0.5	1.1	5.4	0.0	6.5	20.5	34.0
Efficiency & Effectiveness	4.7	4.6	4.0	3.9	3.9	3.9	25.0
General Fund	70.9	114.7	154.9	104.7	85.2	46.9	577.3
HRA - Independent	27.8	33.8	24.4	23.7	23.4	21.6	154.7
Council Total	98.7	148.5	179.3	128.4	108.6	68.5	732.0

2.19.6 The overall capital plan has been re-presented into a primary outcomes focused approach, to illustrate how the Council's investment proposals align with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline work programmes and one-off projects. The term primary outcome reflects the fact that a number of schemes will in reality contribute to a number of Council outcomes, not just the primary outcomes.

2.19.7 The updated multi-year capital plan includes a significant re-profiling of existing plan proposals across years, to more realistically reflect likely timescales and capacity to deliver across all years of the plan. Overall, £17.7m has been re-profiled from 2018-19 into later years.

2.19.8 New capital Investment proposals are also incorporated, and reflect strategic and operational priority outcomes, and funding availability. The updated capital plan includes £125.7m new bids, (£115m General Fund, £10.7m HRA); the majority of which are to be funded by increased borrowing requirements. These new schemes/programme areas are highlighted as separate individual lines within Appendix A.

2.19.9 Updated Capital budget plan proposals over the 2018-24 period include significant investment in Sustainable Economy (£353.1m), representing 61% of the overall general fund capital plan. The plan therefore strongly links to the Corporate Plan setting out a vision for "*a district which combines a strong, sustainable economy with a great quality of life*".

2.19.10 Sustainable Economy capital budget proposals at Table 2 above also now incorporate schemes totalling £122.9m which are to be funded via the West Yorkshire plus Transport Fund (WY+TF). A progress report update on the governance arrangements for this large scheme programme was provided to Cabinet on 13th November 2018. Forecast profiled costs for these schemes are subject to change and the plan will be updated as schemes progress from

inception to delivery. Other funding opportunities relating to these schemes will continue to be sought via external bids (e.g. European Regional Development Fund) and developer contributions. There is also provision for a £2.5m joint venture with a regional partner, for a proposed mixed tenure housing provision in the District. The value is indicative at this stage and any more detailed proposals, including appropriate due diligence, would be considered by Cabinet in due course.

- 2.19.11 General fund capital proposals reflect a number of key new investment priorities with regard to Achievement, including £25m investment in enhanced District sufficiency through two new schools, to support children with assessed social, emotional and mental health needs. The Council has submitted a bid into Government's recent specialist educational provision 'free school' bidding round. If successful, this could secure up to £10m Government funded places in the District. There is also a £5m investment in libraries and public buildings across the District.
- 2.19.12 A further £21m new investment is earmarked for the re-provision of existing day services for vulnerable adults, including dementia provision. A significant level of Clean and Green investment of £33m is also proposed for Waste Management and Infrastructure. This will help Kirklees meet national statutory recycling targets with proposals to construct a new Anaerobic Digestion facility and Material Recycling Facility Refurbishment. There is also a further £10m investment to improve the District's play areas as part of the 'Well' strategy; and a further £10m in specialist accommodation/youth services as part of the investment in Children.
- 2.19.13 HRA capital budget proposals include existing provision to help address growing affordable housing needs in Kirklees, including specialist (extra care) provision. The proposals are intended to prioritise housing growth, and include investment for re-modelling/high rise building schemes.
- 2.19.14 Baseline capital provision supports continuing capital investment requirements across the Council's existing asset base, including Schools, Highways, transport infrastructure and Council housing stock. The Council's commitment to safe and compliant housing stock is reflected by an additional £10.7m programme of improvements to be delivered in accordance to regulatory requirements within HRA.
- 2.19.15 A number of the capital proposals set out in the updated budget plans are at Programme level and will be subject to more detailed business case assessment and approval through Cabinet in due course, in accordance with Council Financial Procedure rules.
- 2.19.16 For this budget round, there has also been a corporate review of funding sources supporting the overall capital plan proposals. Capital plan funding is summarised at Table 3 below.

Table 3 – Overall Capital Funding Summary 2018-24

	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m	23-24 £m	Total £m
Direct/Earmarked Contributions to Schemes							
Capital Grants / Contributions	34.6	53.4	73.2	53.3	38.4	14.4	267.3
Earmarked Capital Receipts	7.6	5.1	4.6	4.6	4.6	4.6	31.1
Housing Revenue Contributions	15.7	19.0	10.9	8.6	5.4	8.0	67.6
Reserves (HRA)	9.4	11.9	11.4	13.6	16.5	12.2	75.0
Pooled Resources							
Non Earmarked Capital Receipts	1.7	0.5	0.5	0.5	0.5	0.5	4.2
Corporate Prudential Borrowing	29.7	58.6	78.7	47.8	43.2	28.8	286.8
TOTAL	98.7	148.5	179.3	128.4	108.6	68.5	732.0

2.19.17 Corporate prudential borrowing requirements set out in Table 2 above have been assessed to be 'affordable' over the medium term, and are covered elsewhere in this report at paragraphs 2.14.9 to 2.14.11. The Section 151 officer's positive assurance statement further sets out the broad assumptions and factors underpinning current borrowing affordability, at paragraph 3.3.19 later in this report.

2.19.18 Other funding sources such as Section 106/Community Infrastructure Levy/capital receipts and other external grant opportunities will continue to be reviewed on an ongoing basis to best effect and support key priorities. Capital Receipts from the general programme of asset sales will continue to be utilised to offset the overall borrowing requirement of the capital plan. This will help ensure that the Council can live within its means for the foreseeable future and help maintain affordable borrowing levels.

2.20 Corporate Risk Assessment

2.20.1 The corporate risk register at Appendix H summarises the key strategic risks or barriers to achieving the corporate objectives. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the council's budget. There isn't a direct link but they do help to inform the level of reserve held by the council.

2.20.2 Individual risks vary over time, and the need to set aside reserves changes depending on the underlying budget provisions. The risk assessment reflects the provisional budget proposals put forward by officers. Subsequent changes to these proposals may affect the risk assessment.

3. Implications for the Council

3.1 Formal Resolution

- 3.1.1 It is necessary for the motion to Council on 13 February 2019, set out at Appendix I, and for the final resolution to include certain statutory declarations. The motion to be put forward will be incomplete, because the precepts for the Fire and Police Authorities and Parish Councils may not be determined until after Council. The Council motion will include estimated precepts based on best available information at the time.
- 3.1.2 It may be necessary therefore for an amended motion to be moved, as in previous years, to correct the motion where there is any change between the estimated and actual precepts. This assumes that the precepting bodies will have determined their precepts before 13 February 2019.
- 3.1.3 It is requested that the Council's statutory s151 Officer (Service Director – Finance) be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police and Crime Commissioner, the Fire & Rescue Authority and Parish Councils , should these be received after 13 February 2019.
- 3.1.4 The Office of Police and Crime Commissioner, Fire & Rescue Authority and Parish Council precepts included in the Council motion do not affect the Council budget, and neither will any subsequent amendment to the precept figures, delegated to the Council's statutory s151 Officer.

3.2 Special Expenses

- 3.2.1 The expenditure of Parish and Town Councils is funded by way of a precept which is levied only on the area of the individual Parish Councils. There are, however, occasions when individual Parish and/or Town Councils provide services which would otherwise be provided by District Councils if there were no Parish Council in existence. The result is that residents of a parish council can pay twice for some services. This is known as "double taxation".
- 3.2.2 The Local Government Finance Act 1992 provides for expenditure incurred by district councils which ranks as double taxation to be treated as special expenses, which are not charged to the residents of the Parish and/or Town Councils concerned unless the district council resolves otherwise. This special expense arrangement applies to certain services provided by Holme Valley parish council.

3.3 Positive Assurance Statement

- 3.3.1 Under Section 25 of the Local Government Act (2003) the statutory s151 Officer is required to give positive assurance statements in relation to the adequacy of reserves and balances and the robustness of budget estimates.

Statement from the Council's Section 151 Officer (Service Director - Finance)

- 3.3.2 This report sets out the Council's ambition for the residents of the District. The Council's updated multi-year revenue plans include significant investment to support the District's most vulnerable children and adults, and additional resources for increased corporate capacity to support the Council's delivery across the 7 key outcomes for residents, as set out in the Council's Corporate Plan. The Council's capital plans similarly reflect significant ambition over the next 5 years.
- 3.3.3 Planned revenue savings total £10.9m in 2019-20, of which £8.5m relate to existing savings rolled forward from last year's approved 2018-20 budget plan. There are a further £6.2m planned savings over the 2020-22 period; all of which relate to existing savings reviewed and re-profiled into later years.
- 3.3.4 The financial climate facing local government remains challenging; in particular with regard to Councils like Kirklees that have statutory education and social care responsibilities. The number of people who require support continues to increase and the complexity of services provided to vulnerable children and adults require higher levels of resourcing, while the costs of services continues to increase (inflation).
- 3.3.5 The Council has a strong record for delivering planned savings, in particular over more recent years. Updated budget plans also reflect realistic revenue resource allocations in 2019-20, and Strategic Directors are expected to manage within their budgets effectively and efficiently over the forthcoming financial year.
- 3.3.6 The Council has sought to address service pressures, and revenue and capital investment requirements within an overall challenging financial environment in 2019-20, by maximising the council tax increase without triggering a referendum. The successful 2019-20 joint business rates 75% pilot between Leeds City Region and North Yorkshire alongside a corporate review of business rates appeals provision requirements has also secured additional "one-off" resources for 2019-20.
- 3.3.7 Additional funding announcements included in the 2019-20 Local Government finance settlement have also been applied; in particular to help offset demand pressures across social care and high needs activity. The recent social housing green paper has also improved the medium term financial health of the Housing Revenue Account, which separately funds landlord services to Council tenants and leaseholders.
- 3.3.8 The corporate risk register sets out the anticipated barriers to achieving corporate objectives and current management actions in place to manage and mitigate these should they arise. Robust financial performance and strengthened risk management arrangements provide the framework for capturing any deviations from plan and applying corrective actions.

- 3.3.9 The national funding climate for local government remains uncertain. The expected withdrawal of the UK from the European Union on 29 March 2019 has the potential to further heighten some of the budget risks set out in the Council's high level corporate risk register included at Appendix H to this report.
- 3.3.10 Government has confirmed its intention to rollout a national 75% business rates retention scheme from 2020-21, which will also be informed by a re-set of individual Council baseline funding levels, through a national Fair Funding review.
- 3.3.11 Government will confirm later in the year, following further consultation, how the re-distribution of Council funding will impact on individual Councils. There will be winners and losers from this exercise. The 2019 spending review is also expected to set out the extent to which government austerity will or will not continue for local government, post-2020. Following the release of the 10 year NHS Plan, it is expected that the delayed adult social care funding green paper will also follow sometime in 2019.
- 3.3.12 In light of post-2020 national funding uncertainties, this report also sets out a range of budget sensitivities which emphasise the current volatility of budget forecasts; in particular from 2020-21 onwards.
- 3.3.13 Appendix C attached also sets out CIPFA's analysis of the relative financial resilience of Councils, as measured in terms of revenue reserves held as a percentage of annual net revenue budget. The analysis for Kirklees as at 31 March 2018 indicates that our relative position with our comparator group of metropolitan authorities was 28% compared to the median (mid-point) at 35%.
- 3.3.14 Technical treasury management (MRP) accounting flexibilities were applied to improve the Council's financial resilience reserves by £9.1m during 2017-18, as part of the Council's approved reserves strategy, to £37.1m.
- 3.3.15 Over-reliance on "one-off" reserves to support an annual balanced budget is not financially sustainable over the longer term, and any significant depletion in reserves over time leaves the Council more exposed to financial risks which could potentially de-stabilise the Council in the short term.
- 3.3.16 While the overall financial resilience of the Council has improved, further technical MRP accounting flexibilities are set out in this report that will add a further £8.8m to the Council's financial resilience reserves at the start of 2019-20.
- 3.3.17 The borrowing requirements to support Council capital investment over the 2019-24 period are considered 'affordable', assuming the continuation of relatively low interest rate borrowing available from the Public Works Loans Board over the same period.
- 3.3.18 Government expects Councils to be increasingly reliant on locally generated funding, in particular council tax and business rates over the longer term. The budget proposals set out in this report include significant capital investment in economic sustainability across the District over the longer term, intended to

stimulate the right conditions to enable the Council to sustain and grow business rates and council tax in the District over the long term.

- 3.3.19 Whilst the Council's capital investment ambition over the next 5 years is considered to be affordable; given current uncertainties, the Council will need to be prepared to review its assessment of affordability, and potentially re-prioritise and flex current plans, if the national funding and economic landscape changes significantly over the next 12 months,.
- 3.3.20 Years 2 and 3 revenue budget forecasts set out in this report, while considered reasonable at this stage, could similarly change significantly over the next 12 months. This makes effective longer term financial planning especially challenging for Councils like Kirklees, and officers will continue to assess, review and update budget planning forecasts and implications through the early 2019, informed by emerging national and local intelligence. The inclusion of £2.7m central budget contingency, equivalent to less than 1% of annual net general fund revenue budget as part of 2019-20 budget plans, will also give the organisation some in-year flexibility to manage unbudgeted pressures/risks, thereby further relieving further short-term pressure on reserves, given current post-2020 funding uncertainties.

Consequently in light of these factors;

I can give you positive assurance on the reliability and robustness of the forecasts and estimates in the budget proposals as far as we can based on current local and national intelligence.

If members approve the recommendations in this report I can give the Council positive assurance on the adequacy of reserves and balances at this time

3.3.21 Working with people

3.3.22 Working with partners

3.3.23 Place based working

3.3.24 Improving outcomes for children

The budget proposals contained within this report have been developed to ensure that funding is made available in the areas that will allow the Council to further improve the outcomes for individuals and communities as a whole. To facilitate this resources have been allocated in areas that will allow the Council to maximise contributions to the Councils strategic priorities of working with people, working with partners and placed based working.

3.3.25 Other Legal, Financial or other implications (not covered elsewhere in this report)

Paragraph 1.2 of this report refers to Equality Impact Assessments. The Equality Act 2010 creates the Public Sector Equality Duty (PSED).

Under section 149 of the Act:

- (1) A public authority must, in the exercise of its functions, 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.

The relevant protected characteristics are:

age;
disability;
gender reassignment;
pregnancy and maternity;
race;
religion or belief;
sex; and
sexual orientation

In order to fulfil the PSED the Council is required to assess the impact of any proposed action on the equality objectives set out above. The way in which the Council approaches this task is to conduct Equality Impact Assessments (EIA).

The Council has carried out Equality Impact Assessments (EIAs) to help it take due regard of its public sector equality duties in relation to these proposals. These can be found by accessing on the Kirklees web pages (link below) and members should read the assessments in full in order to inform them in coming to their decision.

[Equality Impact Assessments](#)

As part of the service changes being proposed within this budget and as detailed at Appendix A (General Fund & HRA Medium Term Financial Plan 2019-22) Service Impact Assessments have been prepared and published.

The same unique reference is used to enable ease of cross referencing between those Service Impact Assessments where an Equality Impact Assessment is required, and the EIA's which are available on the Council's website as per the link above.

The Council will continue to keep its duty in view and will review and revise the EIAs as appropriate as it begins to implement any of the decisions arising from the budget.

4. Consultees and their opinions

There was a public budget engagement exercise which ran during November and December 2018. The website link to the public engagement exercise is below:

[Kirklees Budget Simulator](#)

To summarise, there were 189 respondents to the survey. Not all the respondent submissions produced a balanced budget. Overall, there were reductions proposed across the 7 key Council themes/outcomes. The lowest average reduction was 1.2%; 'Children have the best start in life'.

The highest average reduction was 4.5%; 'People in Kirklees have aspirations and achieve their ambitions through education, training, employments and lifelong learning'. Average reductions across the other five themes/outcomes ranged between 2.0% and 3.4%. On the income side there were average increases of 1.5%.

Summary feedback from the above public budget engagement exercise is included at Appendix J to this report, and will need to be considered by members in coming to their decision at Cabinet and then their final decisions made on the revenue budget proposals at full Council on 13 February 2019.

A Council budget information event is taking place on the 22 January 2019 to allow participants the opportunity to put their budget questions directly to some of our local party leaders and deputy leaders,

Housing Revenue Account budget proposals were presented to the December 2018 Tenants & Residents Committee cycle.

There has also been engagement with representatives of the business and voluntary and community sectors.

The Capital Investment Plan proposals have been considered by Cabinet and Strategic Directors in conjunction with the Service Director - Finance, following initial assessment through the officer Corporate Capital Strategy Group.

The 2019-20 Treasury Management Strategy Report included at Appendix E, has been prepared by the Council's s151 Officer (Service Director - Finance), and in consultation with the Council's external treasury management advisors, Arlingclose Limited Treasury Management Consultants. The Treasury Management report has also been considered at the Council's Corporate Governance and Audit Committee (CGAC), on 25 January 2019.

5. Next Steps

- 5.1 This report and the draft Budget form the background and the proposed formal motion. The Cabinet will need to decide if they are to accept this or propose amendments to the draft budget which will be proposed to Council on 13 February 2019 (Cabinet draft budget). Members will need to decide if they are to accept this

or propose amendments to the draft Budget which will be proposed to Council. Any such amendments will be published on 6 February 2019.

- 5.2 Proposed amendments shall be submitted to the Chief Executive on or before 10.00am on Monday 4 February 2019 to ensure that, in conjunction with the Service Director-Finance, they can be reviewed to ensure they are financially sound and sustainable prior to the final submission deadline of 6 February 2019
- 5.3 Members should note that once a budget is agreed by Council there may be a number of further steps and/or actions which would need to be taken in order to implement budget decisions for example – consultation, further detail of the steps needed or final proposals for making the planned changes. This is to ensure that the Council complies with legal and other requirements.
- 5.4 Following Council approval of the Capital Investment Plan, schemes will be released subject to Financial Procedure Rules.
- 5.5 Any material Government changes to the provisional 2019-20 finance settlement figures will be reported to the meeting of full Council, depending on the timing of Government confirmation of the final settlement, which is expected early February 2019.

6. Cabinet recommendations and reasons

Having read this report and the accompanying appendices, and having regard to the consultation process and equality impact assessments, Council are asked to recommend the following:

General Fund Revenue

- 6.1 That the draft Revenue Budget for 2019-22, be approved (Appendix A);
- 6.2 That the forecast levels of statutory and other Council reserves as set out at Appendix Bii), be noted;
- 6.3 That the strategy for the use of balances and reserves, is approved; (section 2.15);
- 6.4 To note that a further reassessment of reserves requirements will be undertaken at year end and reported to members as part of the 2018-19 financial outturn & rollover report; (paragraph 2.15.20);
- 6.5 That Cabinet note the Council's participation in the North & West Yorkshire business rates Pool for 2019-20, and to formally agree the new arrangements, in principal, for the 2019-20 Pool as set out at Appendix K, and to delegate authority to the Council's Monitoring Officer in conjunction with the Councils Service Director – Finance, to finalise the new arrangements with Leeds City Council's City solicitor; (paragraph 2.4.8);

- 6.6 That members re-affirm the Flexible Capital Receipts Strategy for 2019-20; (Appendix I)
- 6.7 That members approve the Council Tax requirement for 2019-20 (Appendix I, budget motion);
- 6.8 That members note the Council's Statutory s151 Officer's positive assurance statement; (paragraphs 3.3.1 – 3.3.20)
- 6.9 That the Council's Statutory s151 Officer be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the Office of Police & Crime Commissioner, the Fire & Rescue Authority and Parish Councils should these be received after 13 February 2019 (paragraph 3.1.3 above);

Treasury Management

- 6.10 That members approve the following recommendations set out in the 2019-20 Treasury Management report at Appendix E:
- 6.11 The borrowing strategy outlined in paragraphs 2.15-2.21 of the appended report;
- 6.12 The investment strategy outlined in paragraphs 2.22 - 2.32 of the appended report, including Appendices A and B;
- 6.13 The policy for provision of repayment of debt (minimum revenue provision or MRP) outlined in the appended report, Appendix C, which reflects the changes in policy outlined in paragraphs 2.33 - 2.37 of the appended report;
- 6.14 The treasury management indicators in the appended report, Appendix D;
- 6.15 The Investment Strategy (Non-Treasury Investments) in the appended report, at Appendix E;

Capital

- 6.16 That the updated Capital Plan for 2018-24, be approved; (Appendix A)
- 6.17 That the Capital Strategy (including Prudential Indicators), set out at Appendix G, be approved;

Housing Revenue Account (HRA)

- 6.18 That the draft HRA Budget for 2019-22 be approved; (Appendix A)
- 6.19 That the strategy for the use of HRA reserves, as set out at paragraph 2.18.4, be approved;

Other

- 6.20 That this report be referred to the Council as advice and background information, on which the other political groups can base their budget proposals.

7. Cabinet Portfolio Holder Recommendation

The Leader recommends that the attached General Fund revenue budget, Treasury Management Strategy, Investment Strategy, Capital Strategy, Capital Investment Plan, and HRA budget, should be presented to the Council meeting on 13 February 2019.

In presenting the draft Budget to the above full Council meeting, Cabinet members have taken due regard to the Council's public sector equalities duties in consideration of a range of key budget proposals, their impacts, and mitigating actions.

Comments from the Leader:

I am proud to present this budget to you – the first from a majority Labour administration in Kirklees for over a decade. This is an investment budget for the people of Kirklees.

This is a budget that protects the vulnerable, invests in our young people and rejuvenates our infrastructure.

A budget that signals a change of course for our citizens – one that sends not just a message of hope, but real, practical steps to improve the lives of people across Kirklees.

We can do this because of the solid foundations we have built over the past two years:

- We've delivered savings
- We've protected the reserves
- We've lived within our means

This is a budget for one year, but it is no less ambitious for that. Ambitious for growth, building our council tax base and business rates.

It would be fiscally foolish to create a longer-term budget at a time when we have so much political uncertainty, nationally. The financial backdrop to this budget is daunting: the main government grant funding for local services will be cut by a further £1.3 billion (36 per cent) in 2019/20

Between 2010 and 2020, councils will have lost 60p out of every £1 the Government had provided for services. We have gone to great lengths to ensure the savings we have been forced to make have as little impact as possible on the quality of services provided to residents. The Conservative Government's cuts

have been strikingly uneven in their distribution, with the poorest local authorities, often Labour run, being hit the hardest.

We have embraced efficiency and innovation in a way that is not being replicated anywhere else in the public sector. We're only able to make the investments detailed in this document because we have been prudent, and we'll continue to be so.

An investment budget is needed because we must:

- Protect the vulnerable, creating the best services we can for older people, especially those living with dementia and/or coping with disabilities.
- Invest in our children and young people; putting money into youth provision and play areas.
- Rejuvenate our infrastructure. That's why we're beginning a programme of investment in our roads system. But we also need to revitalise the places where people live and work, and not just our major towns, but our smaller towns and villages too.

My administration is passionate about improving the lives of the people we serve. By targeting our resources at those who need them the most, we will start to make those improvements.

8. Contact Officer and Relevant Papers

Eamonn Croston	Service Director – Finance
James Anderson	Senior Finance Manager
Sarah Hill	Finance Manager
Rachel Firth	Finance Manager

Background Papers

- Council approved annual budget report 2018-2020, 14 February 2018
- Council financial outturn report 2018-19 to full Council , 11 July 2018
- Council budget update report 2019-22 to full Council, 10 October 2018
- Government Autumn Statement announcement , 29 October 2018
- Quarter 2 financial monitoring report 2018-19, Cabinet 13 November 2018
- Provisional Local Government Finance Settlement 2019-20
- Equality Impact Assessments on key budget proposals and impacts
- Budget Consultation exercise 2019-20

KIRKLEES COUNCIL

**General Fund and HRA Medium Term
Financial Plan 2019-22**

Revenue & Capital Budget Book

BUDGET DOCUMENTATION 2019-22
CONTENTS

	PAGE NUMBER
Overall summary – budgets	1
Overall Summary - FTEs	2
<u>Child Protection & Family Support</u>	
Directorate Summary	3
Minuses	4
Pluses	5
Budget Savings Templates	6
<u>Learning & Early Support</u>	
Directorate Summary	12
Minuses	14
Pluses	15
Budget Savings Templates	16
<u>Integration, Access & Community Hub</u>	
Directorate Summary	22
Minuses	23
Budget Savings Templates	24
<u>Adult Social Care Operation</u>	
Directorate Summary	27
Minuses	28
Pluses	30
Budget Savings Templates	31
<u>Commissioning, Quality & Performance</u>	
Directorate Summary	44
Minuses	45
Pluses	46
Budget Savings Templates	47
<u>Economy, Regeneration & Culture</u>	
Directorate Summary	53
Minuses	54
Pluses	55
Budget Savings Templates	56

Commercial, Regulatory & Operational Services

Directorate Summary	61
Minuses	63
Pluses	64
Budget Savings Templates	65

Policy, Intelligence & Public Health

Budget Summary	76
Minuses	78
Pluses	79
Budget Savings Templates	80

Corporate Services

Budget Summary	87
Minuses	88
Pluses	89
Budget Savings Templates	90

Central Budgets

Budget Summary	99
Technical Adjustments	100

HRA

Budget Summary	101
Minuses	102
Pluses	103
Budget Savings Templates	104

Capital Plan	107
--------------	-----

INTRODUCTION

How did we develop this documentation?

- The budget plans take account of both existing year 2 Directorate budget plans, which will roll forward into year 1 of the updated 2019-22 MTFP, and new savings proposals.
- While revenue budgets are set annually before the start of each financial year, there is some limited flexibility for revenue budgets to be transferred between service activities in-year.
- The updated budget plans in this document take account of the fact that some budgets have transferred between service activities.
- The document refers to “controllable budgets”: These are budgets that the budget holder can directly influence. Controllable expenditure includes direct operational costs including overheads which are specific to that department.
- Examples of controllable expenditure are staff costs, premises, supplies & services, and payments to contractors. Controllable income includes schools income, other traded income, fees & charges, and specific government grants.
- For a small number of services all the controllable expenditure is entirely funded by income. These services have £0 in the net controllable expenditure column.
- The column labelled “2018-19 net controllable budget” provides the baseline or starting point for savings or increases proposed in the following three years to the financial year 2021-22.
- Inflation provision for all years is held within Central Budgets.
- The columns labelled “Minuses” are proposed reductions in net expenditure. This can be because of:
 - planned savings
 - reduced demand for that service, or
 - a planned increase in associated income.
- The columns labelled “Pluses” are proposed increases in net expenditure. This can be because of:
 - proposed increased spending, or
 - a planned reduction in associated income.
- The “minuses” cross-reference to specific budget savings templates for each minus proposal. The budget savings template sets out :
 - the minus amount profiled across years
 - the impact on the budget to which the proposal relates

- the impact on staffing numbers where relevant
- a service description of what the proposal is (including inter-dependencies and risk)
- potential impact of the proposal on service outcomes and any mitigating actions proposed
- does the proposal require an equality impact assessment
- will the proposal require a specific service consultation
- accountable head of service

To support the budget process, we have published equality impact assessments.

GLOSSARY

Controllable budgets: Budgets that the budget holder can directly influence. Controllable expenditure includes direct operational costs including departmental specific management overheads (e.g. staff, premises, supplies & services, payments to contractors). Controllable income includes schools income, other traded income, fees & charges, specific government grants.

2018-19 net controllable budgets provide the baseline or starting point for savings or increases proposed in subsequent years*.

Minuses: are reductions in spending, because of planned savings or a reduced demand for that service, or because of a planned increase in associated income. At this stage, the profiling of the minuses is indicative.

Pluses: are increased spending or reduced income. At this stage the profiling of the pluses is indicative.

Overall General Fund Summary By Strategic Director Portfolio

STRATEGIC DIRECTOR PORTFOLIOS	18-19		18-19 NET		19-20 BUDGET		20-21 BUDGET		21-22 BUDGET		
	CONTROLLABLE GROSS EXPENDITURE £000	CONTROLLABLE INCOME £000	CONTROLLABLE BUDGET £000	MINUSES £000	PLUSSES £000	PROPOSAL £000	MINUSES £000	PLUSSES £000	PROPOSAL £000	MINUSES £000	PLUSSES £000
Child Protection & Family Support	60,120	(2,213)	57,907	(1,599)	2,001	58,309	(1,584)	1,160	57,885	(1,548)	650
Learning & Early Support	309,024	(292,778)	16,246	(4,316)	9,270	21,200	(1,501)	150	19,849	(1,100)	100
Total Children & Families	369,144	(294,991)	74,153	(5,915)	11,271	79,509	(3,085)	1,310	77,734	(2,648)	750
Integration	11,143	(2,567)	8,576	(700)		7,876	(100)		7,776		
Adult Social Care Operation	91,984	(52,830)	39,154	(14,867)	8,270	32,557	(3,647)	9,898	38,808	(3,891)	7,350
Commissioning, Quality & Performance	78,009	(19,870)	58,139	(1,398)	4,700	61,441	(1,398)	1,620	69,061	(1,551)	1,551
Total Adults & Health	181,136	(75,267)	105,869	(16,965)	12,970	101,874	(3,747)	11,518	109,645	(3,891)	8,901
Economy, Regeneration & Culture	18,014	(9,599)	8,415	(260)	345	8,500	(260)		8,500	(150)	
Commercial, Regulatory & Operational Services	122,810	(91,923)	30,887	(2,908)	2,561	30,540	(105)	500	30,935	(105)	450
Total Economy & Infrastructure	140,824	(101,522)	39,302	(3,168)	2,906	39,040	(105)	500	39,435	(255)	450
Policy, Intelligence & Public Health	25,956	(27,658)	(1,702)	(1,126)	805	(2,023)		25,305	23,282	(823)	823
Corporate Services	149,885	(119,267)	30,618	(1,704)	850	29,764	(1,631)		28,133	(100)	
Total Corporate Services	175,841	(146,925)	28,916	(2,830)	1,655	27,741	(1,631)	25,305	51,415	(923)	823
Sub Total Strategic Director Portfolio	866,945	(618,705)	248,240	(28,878)	28,802	248,164	(8,568)	38,633	278,229	(7,717)	10,924
Central Budgets	46,019	(1,912)	44,107	(13,326)	8,135	38,916	(2,384)	13,140	49,672	(1,304)	6,768
Total Budgets	912,964	(620,617)	292,347	(42,204)	36,937	287,080	(10,952)	51,773	327,901	(9,021)	17,692
Funding Available:											
Business Rates Retention						(91,623)			(113,724)		(110,784)
Unringfenced Grants						(18,068)			(15,919)		(15,768)
Council Tax						(166,659)			(171,758)		(176,989)
Adult Social Care Precept						(12,539)			(12,539)		(12,539)
<i>Collection fund balance:</i>						(6,929)					
<i>Business Rates Local Share</i>						1,179					
<i>Council Tax</i>											
Total Funding Available			(294,639)			(294,639)			(313,940)		(316,080)
Budget gap			(7,559)			(7,559)			13,961		20,492
Transfer to Reserves			7,559			7,559					
Budget gap			0			0					

STRATEGIC DIRECTOR PORTFOLIOS

	FTEs		
	2019-20	2020-21	2021-22
	MTFP	MTFP	MTFP
Children & Families	5,910.4	5,910.4	5,904.4
adjust for delegated schools budget	(5,033.4)	(5,033.4)	(5,033.4)
	877.0	877.0	871.0
Service Changes		(6.0)	(6.0)
	877.0	871.0	865.0
Adults & Health	1,033.9	1,003.9	998.9
Service Changes	(30.0)	(5.0)	
	1,003.9	998.9	998.9
Economy & Infrastructure	2,216.1	2,213.1	2,213.1
Service Changes	(3.0)		
	2,213.1	2,213.1	2,213.1
Corporate Services	1,135.5	1,126.0	1,093.5
Service Changes	(9.5)	(32.5)	
	1,126.0	1,093.5	1,093.5
Summary excluding Delegated Schools Budget	5,262.4	5,219.9	5,176.4
Service Changes	(42.5)	(43.5)	(6.0)
	5,219.9	5,176.4	5,170.4

CHILD PROTECTION & FAMILY SUPPORT

SERVICE ACTIVITY	18-19		18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	19-20		20-21		21-22		
	CONTROLLABLE GROSS EXPENDITURE £000				BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000
Assessment & Intervention											
Assessment & Intervention (South)	4,187	0	(399)	4,187	(703)	195	3,679	172	3,851	100	3,951
Emergency Duty Service	689			290			290		290		290
Assessment & Intervention (North)	3,021	0		3,021	(346)	255	2,930	(260)	2,727	(260)	2,467
Disabled Children Service	3,795	0		3,795			3,795		3,795		3,795
Total	11,692	(399)		11,293	(1,049)	450	10,694	(260)	10,663	(260)	10,503
Sustainability, Capacity & Resourcing											
Family Placement Unit (including Help Desk)	1,294	0		1,294		63	1,357		1,365		1,365
Fostering Service	1,754	0		1,754	(53)	43	1,744		1,761		1,761
Fostering Service (including Recruitment)	12,681	(95)		12,586		311	12,897		13,199		13,199
Contact Team	1,116	0		1,116	(106)	25	1,035		1,035		1,035
Internal Residential Placements	2,918	0		2,918			2,918		2,918		2,918
External Residential Placements	6,328	(194)		6,134			6,134	(1,224)	4,910	(1,188)	3,722
Leaving Care Supported Accommodation/Supported Lodgings	1,776	0		1,776			1,776		1,776		1,776
Guardianship and Residency Orders	3,675	0		3,675			3,675		3,675		3,675
Adoption Allowances	1,230	0		1,230			1,230		1,230		1,230
Family Assessment	151	0		151			151		151		151
Persons from Abroad	219	(149)		70			70		70		70
Disabled Children Service Young Peoples Activity Team	433	(19)		414			414		414		414
Disabled Children Service - Internal Residential Placements	1,938	(119)		1,819			1,819		1,819		1,819
Commissioned Service	1,142	0		1,142		118	1,260		1,260		1,260
Total	36,655	(576)		36,079	(1,591)	560	36,480	(1,224)	35,583	(1,188)	34,395
Corporate Parenting Service											
Looked After Children 0-18	2,658	(32)		2,626	(94)	135	2,667		2,719		2,719
Leaving Care 18-21 (25)	960	0		960			960		960		960
Youth Offending Team	1,536	(758)		778			778		778		778
Total	5,154	(790)		4,364	(94)	135	4,405	0	4,457	0	4,457
Quality Assurance, Standards and Safeguarding											
Service Specialist Training (Children)	174	(88)		86			86		86		86
Safeguarding & Quality Assurance	2,610	(113)		2,497	(65)	47	2,479		2,481		2,481
Total	2,784	(201)		2,583	(65)	47	2,565	0	2,567	0	2,567
Management & Regulatory Functions											
Management & Regulatory Functions	3,835	(247)		3,588	(232)	809	4,165	(100)	4,615	(100)	5,065
TOTAL CHILD PROTECTION & FAMILY SUPPORT	60,120	(2,213)		57,907	(1,599)	2,001	58,309	(1,584)	57,885	(1,548)	56,987

CHILD PROTECTION & FAMILY SUPPORT - MINUSES

Service Activity	Proposed Change	£000			
		2019-20	2020-21	2021-22	Total
EXISTING MTFP MINUSES					
Assessment & Intervention					
Assessment Service	Planned reduction in Advanced Practitioners/Social Workers Planned reduction in the use of agency social workers	(371)	(260)	(260)	(520)
Sustainability, Capacity & Resourcing					
Fostering Service	Vacant posts, turnover and budget realignment	(53)			(53)
Contact Team	Planned reduction in the use of agency social workers	(106)			(106)
External Residential	Planned reduction of percentage of children placed outside Kirklees district.		(1,224)	(1,188)	(2,412)
Corporate Parenting					
Looked After Children/Leaving Care Team	Planned reduction in the use of Agency social workers	(94)			(94)
Quality Assurance, Standards & Safeguarding					
Child Protection Unit	Planned reduction in the use of Agency social workers	(65)			(65)
Management Regulatory					
Service Management & Support	Vacant posts, turnover and budget realignment	(57)			(57)
Professional charges, legal	Planned reduction in Legal Disbursement charges	(175)	(100)	(100)	(375)
NEW MTFP MINUSES					
Assessment & Intervention					
Assessment Service	Additional Government social care funding allocation	(678)			(678)
		(678)	0	0	(678)
TOTAL MINUSES FOR CHILD PROTECTION & FAMILY SUPPORT		(1,599)	(1,584)	(1,548)	(4,360)

CHILD PROTECTION & FAMILY SUPPORT - PLUSES

Service Activity	Proposed Change	£000		
		2019-20	2020-21	2021-22
NEW MTFP PLUSES				
<u>Assessment & Intervention</u> Assessment Service	Additional substantive posts, agency worker pressure, salary progression	450	129	
	Re-alignment of additional Government social care funding in later years		100	100
<u>Sustainability, Capacity & Resourcing</u> Family Placement Unit inc. Help Desk	Budget realignment, agency worker pressure, salary progression	63	8	71
Fostering Service	Agency worker pressure, salary progression	43	17	60
Fostering Service Inc Recruitment	Additional substantive posts, agency worker pressure, volume pressure	311	302	613
Contact Team	Agency worker pressure	25		25
Commissioned Service	One Adoption West Yorkshire Contract pressure	118		118
<u>Corporate Parenting</u> Looked After Children/Leaving Care Team	Additional substantive posts, agency worker pressure, salary progression	135	52	187
<u>Quality Assurance, Standards and Safeguarding</u> Safeguarding & Quality Assurance	Substantive vacant posts covered by Agency staff	47	2	49
Management & Regulatory Functions	Additional substantive posts, agency worker pressure, legal disbursement charges	19		19
	New childrens care management system: Liquid Logic - post implementation support and maintenance	240		240
	Childrens social care - inflationary pressures	550	550	1,650
TOTAL PLUSES FOR CHILD PROTECTION & FAMILY SUPPORT		2,001	1,160	650
				3,811

Service Director	Child Protection & Family Support
Service Area	Assessment Service & Care Management
Headline Proposal	Planned reduction in Advanced Practitioners/Social Workers
Reference	EX CP1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings		(260)	(260)
Cumulative Savings		(260)	(520)
Budget after Savings (Controllable Budget)	6,290	6,030	5,770
FTE Reduction		6	6

Description of Savings Proposal (Including interdependencies and risk)
<p>In order to strengthen the service and provide additional leadership and social work capacity to manage caseloads effectively, the 2019/20 budget proposal is to build provision to recruit an additional Service Manager, Team Manager, 9 Advanced Practitioners and 8 Social Workers, and will embed improved social work practices into service, as an integral part of the service Improvement Plan.</p> <p>The quality of front line practice is key to improving the lives of children and families in Kirklees. Whatever the systems, processes and governance, it is the way that our staff work with children and families that will, in the end, make the difference and build the relationships, skills and confidence to make change. Effective practice needs shared values, a good theoretical model, good skills and knowledge from staff and the right training, support and supervision from managers. This approach has both a strong emerging evidence base and a strong moral foundation as it emphasises building on strengths, and empowering children, families and communities through stronger relationships.</p> <p>Over the medium term, it is expected that the number of Advanced Practitioners and Social Workers required moving forward will reduce on a phased approach.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
This proposal is dependent on improved social work practices and reduced number of looked after children. Progress will be monitored through the Children Improvement Board.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Elaine McShane – Service Director
-----------------------------	-----------------------------------

Service Director	Child Protection & Family Support
Service Area	Demand Led Activity – External Residential
Headline Proposal	Percentage of children placed outside Kirklees reduced by March 2020
Reference	EX CP2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings		(1,224)	(1,188)
Cumulative Savings		(1,224)	(2,412)
Budget after Savings (Controllable Budget)	6,134	4,910	3,722
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)
<p>OfSTED highlighted areas where our care needs to improve, from the way that legal proceedings are managed when concerns become serious, to the quality of care planning, to the way we organise placements for our Looked After Children.</p> <p>Aims</p> <ul style="list-style-type: none"> • Improve social work practice with Looked After Children • Improve speed and rigour of decision making and legal processes so no child is left at risk • Ensure more children are placed in family type settings and as close to their existing communities as possible • Improve the range, quality and cost-effectiveness of placements for Looked After Children • Improve support for returning home safely • Strengthen the role of Corporate Parenting Board <p>Actions</p> <ul style="list-style-type: none"> • Reduce the numbers of children and young people who are Looked After by the Local Authority. • Review internal residential provision • Review fostering service and recruitment strategy • Continue to review of all external placements and all placements with parents and implement action planning to move children on where safe and suitable • Develop and agree a Medium Term Sufficiency Strategy • Implement improved decision making governance to include a Gateway Panel, a Permanency Panel and improved Adoption Decision Making • Implement stronger legal case management processes • Develop a reunification strategy to support safe and successful return to family or kinship carers • Review and implement improvements for Independent Visitor Scheme

- Strengthen Corporate Parenting through improved involvement of children and young people and better data to inform their work. Develop role and influence of Looked After Children.

Deliverables

- Care planning model developed and agreed by April 18. Training complete for all staff by July 18
- Sufficiency Strategy including reviews and action plans for internal and external fostering, residential and Placed with Parents (PWP), reunification in place by March 2019
- Local Offer for Foster Carers in place by March 2019
- Improved governance and legal processes– robust Permanence, Gateway and Adoption Decision Making panels in place, supported by strengthened case manager support and review.
- New support arrangements in place for Corporate Parenting Board

Success Measures

- Proportion of children placed outside Kirklees is reduced safely and appropriately. Indicative target of 25 by March 19.
- Increase in timeliness of independent return interviews for Looked After Children (LAC) that have been missing. Target within 72 hours 100% by March 19.
- Placement costs reduced and a formal review of placement types and numbers for Looked After Children

Risk

- Increased numbers of LAC
- Foster carer recruitment target not met
- More children and young people presented with very complex needs that require high cost placements
- Reduction in Health and Education funding

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

--

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Elaine McShane Service Director Child Protection & Family Support
-----------------------------	---

Service Director	Child Protection & Family Support
Service Area	Management & Regulatory
Headline Proposal	Planned reduction in Legal Disbursement charges
Reference	EX CP3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(175)	(100)	(100)
Cumulative Savings	(175)	(275)	(375)
Budget after Savings (Controllable Budget)	1,655	1,555	1,455
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)	
<p>The Children's Legal disbursement budget is currently forecast to overspend by £475k in 2018/19 due to the continued high and complex demand for Legal services and the associated routine usage of external solicitors to meet the required capacity. This trend will not continue at this level in 2019/20. The budget proposal next year is therefore to increase the Children's Legal disbursement budget in line with a reduced dependency on legal Proceedings. There are potential areas to explore in which to achieve some savings going forward.</p> <p>Aims</p> <ul style="list-style-type: none"> Improving social work practice within Children's services will ultimately lead to care proceedings cases remaining in the 26 week timescale and result in fewer hearings and therefore reduce costs. Latest court figures suggest Kirklees cases require additional hearings and whilst there are some pockets of improvement in practice this is not consistent or embedded enough to make a significant difference. Continue to review use of Locums together with most cost effective way of meeting demand for legal services. Review support for Children's services and look at how both Legal and Children's services can work together to optimise efficient outcomes and reduce costs. <p>Risks</p> <ul style="list-style-type: none"> The time line in which to embed improvements to social work practice may not be sufficiently implemented to achieve the necessary savings target from 2020/21 and the financial benefit may be a gradual process over a two to three year period. Increase in the numbers of LAC and complexity of cases. 	
<p>Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes</p>	
<p>Does this proposal require an Equality Impact Assessment?</p>	
<p>Will this proposal require a Specific Service Consultation</p>	

Accountable Head of Service	Elaine McShane
-----------------------------	----------------

Service Director	Child Protection & Family Support
Service Area	Service Wide
Headline Proposal	Planned reduction in the use of Agency social workers
Reference	EX CP4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(636)		
Cumulative Savings	(636)	(636)	(636)
Budget after Savings (Controllable Budget)	1,055	1,055	1,055
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)
<p>The service currently has significantly reduced the number of agency workers deployed across the service. The service plan will continue to avoid the reliance on agency staff in 2019/20.</p> <p>As OfSTED have observed, the child focus and commitment of front line staff continues despite the change and challenges of recent months. These values and our Children's Services workforce are vital to our improvement plans. However, the impact of a dysfunctional system is clear.</p> <p>This means that children and families lose the stability of working with the same support worker, it limits the support they need, staff feel too pressured to produce their best work and the costs of agency staff reduces the money available for investing in improvement. We have begun to create the conditions for success – making sure we put in place the right respect, support, training and development that staff need and deserve.</p> <p>This has been achieved through the outcome of the service review of the workforce and determining sustainable structures. In addition, reviewing existing agency posts and having a clear exit strategy for agency staff in line with recruitment, service workforce development and reducing sickness levels across the service.</p> <p>Aims</p> <ul style="list-style-type: none"> • Morale, confidence and job satisfaction of staff improved • Staff report improved management, support and training • Recruitment and retention of staff improved • Use and cost of agency staff will decrease • Improved stability of social worker for children and families <p>Actions</p> <ul style="list-style-type: none"> • Career development framework has been developed in consultation with staff and unions and implemented. A professional development offer has been developed and aligned to the career development framework. • In consultation with staff and unions, continue to review staff support and working conditions including: pastoral support, IT systems, administrative support, offices and communication.

Agree and implement programme of work to improve staff working conditions and support following annual Health Check.

- Further develop and implement improved arrangements for appraisal and management supervision
- Continue to monitor revised arrangements for monitoring staffing issues including staff satisfaction, caseloads, training, absence, recruitment and retention, including annual process for assessing work and views of workers through Social Work Health Check.
- Engage with local Teaching partnership to maximise support from Higher Education Institution (HEI) partners.
- Undertake ongoing programme of recruitment for key staff groups.

Deliverables

- Career development framework agreed with staff and unions and in place
- Professional development offer agreed with staff and unions and in operation from April 2018
- Review of staff support and working conditions complete and reviewed via Annual Health check
- Action plan for improving support and working conditions implemented from March 2018
- Improved supervision and appraisal arrangements in place and audited as part of the Quality Assurance Framework

Success Measures

- Improved morale, confidence and skills of social workers and early help staff
- Reduced use of agency staff
- Reduced sickness absence (50% reduction September 2019)

Risks

- Inability to recruit and retain staff
- Inability to reduce sickness absence of staff
- Volume growth of referrals/ assessments/ Looked After Children which will impact on staffing levels.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO
Accountable Head of Service	Elaine McShane

LEARNING & EARLY SUPPORT

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
Strategic Leadership												
Statutory Responsibility for the Education System	944	(449)	495			495	(250)		245			245
Music Service	24	0	24			24			24			24
School Forum allocations	254	(255)	(1)			(1)			(1)			(1)
Total	1,222	(704)	518	0	0	518	(250)	0	268	0	0	268
Schools Organisation, Planning and Admissions												
Schools Organisation & Planning	281	(131)	150			150	(151)		(1)			(1)
School Admissions	433	(428)	5			5			5			5
Total	714	(559)	155	0	0	155	(151)	0	4	0	0	4
Education for Vulnerable Children Services incl Special Educational Needs												
Kirklees Special Educational Needs (SEN) pupils in Other Local Authorities (OLA) Mainstream	370	(230)	140			140			140			140
Specialist Provision Co-ordination	790	(790)	0			0			0			0
SEN Assessment & Commissioning team (statutory)	437	(165)	272		700	972			972			972
Education of Looked After Children	354	(40)	314			314			314			314
Attendance & Pupil Support	1,191	(581)	610			610			610			610
Education Services for Vulnerable Children	1,202	(371)	831	(84)		747			747			747
Early Years SEN Support - Portex and ICAN services	186	(190)	(4)			(4)			(4)			(4)
Early Years SEN Support including Portage service	658	0	658		420	1,078			1,078			1,078
International New Arrivals	73	(72)	1			1			1			1
Total	5,261	(2,439)	2,822	(84)	1,120	3,858	0	0	3,858	0	0	3,858
Early Learning												
Private Voluntary & Independent Formula Funding (3 & 4 year olds)	15,050	(15,061)	(11)			(11)			(11)			(11)
Two year old funding	4,974	(4,974)	0			0			0			0
Early Years Quality Improvement, Workforce & Sufficiency	922	(585)	337	(300)		37			37			37
Direct Delivery of Daycare												
Total	20,946	(20,620)	326	(300)	0	26	0	0	26	0	0	26
Post 16 services												
Learning Services Trading	527	(20)	507			507			507			507
Traded School Improvement, Swimming, Booksplus, Management Information Systems, Kirklees Supply Service, Nexus, Governors services and Headteacher well-being	2,849	(2,805)	44			44			44			44
Total	2,849	(2,805)	44	0	0	44	0	0	44	0	0	44
Early Support												
	5,143	0	5,143	(290)	600	5,453			5,453			5,453

LEARNING & EARLY SUPPORT

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
Commissioning												
Other Commissioned Services	2,280	(46)	2,234			2,234			2,234			2,234
Targeted Mental Health Service Contracts	360	0	360			360			360			360
Stronger Families	1,679	(1,752)	(73)			(73)			(73)			(73)
Total	4,319	(1,798)	2,521	0	0	2,521	0	0	2,521	0	0	2,521
DSG Schools												
Primary Pupil Referral Unit	1,187	(1,187)	0			0			0			0
Secondary Pupil Referral Unit	3,709	(3,709)	0			0			0			0
Specialist Education Placements	2,513	(2,513)	0		3,700	3,700			3,700			3,700
Behavioural, Emotional & Exclusions	1,464	(1,461)	3									3
Further Education High Needs	805	(805)	0		1,600	1,600			1,600			1,600
Delegated School Budgets	236,341	(234,246)	2,095			2,095			2,095			2,095
SEN support including Further Education Post 16	3,509	(3,509)	0	(3,642)	2,250	(1,392)	(1,100)	150	(2,342)	(1,100)	100	(3,342)
Centrally Managed School Budgets	3,396	(4,260)	(864)			(864)			(864)			(864)
Childrens Pensions	3,816	(631)	3,185			3,185			3,185			3,185
Childrens Contingencies	10,469	(10,946)	(477)			(477)			(477)			(477)
Total	267,209	(263,267)	3,942	(3,642)	7,550	7,850	(1,100)	150	6,900	(1,100)	100	5,900
Management & Regulatory Functions	834	(566)	268			268			268			268
TOTAL LEARNING & FAMILY SUPPORT	309,024	(292,778)	16,246	(4,316)	9,270	21,200	(1,501)	150	19,849	(1,100)	100	18,849

LEARNING & EARLY SUPPORT - MINUSES

Service Activity	Proposed Change	£000				Total
		Savings Template Reference	2019-20	2020-21	2021-22	
EXISTING MTFP MINUSES						
Statutory Responsibility for the Education System	Bring vacancies forward, not replacing roles & commissioning tasks	EX LE1		(50)		(50)
Schools Organisation & Planning	Review of Statutory Responsibilities	EX LE2		(200)		(200)
Education Service for Vulnerable Children	Reduce support to Schools Organisation & Planning & School Admissions	EX LE3		(151)		(151)
Early Years Quality Improvement, Workforce & Sufficiency	Review systems and processes	EX LE4	(84)			(84)
Early Intervention & Prevention (EIP)	Review support to early learning (sufficiency & development)	EX LE5	(300)			(300)
	Review of Early Support		(290)			(290)
			(674)	(401)	0	(1,075)
NEW MTFP MINUSES						
Special Educational Needs (SEN) support including Further Education (FE) Post 16	High Needs Block annual funding uplift as per Government New funding formula implementation		(2,343)	(1,000)	(1,000)	(4,343)
	Additional Government Social Care funding allocation applied to High Needs demand pressure		(1,299)	(100)	(100)	(1,499)
			(3,642)	(1,100)	(1,100)	(5,842)
TOTAL MINUSES FOR LEARNING & EARLY SUPPORT			(4,316)	(1,501)	(1,100)	(6,917)

LEARNING & EARLY SUPPORT - PLUSES

Service Activity	Proposed Change	£000				Total
		Savings Template Reference	2019-20	2020-21	2021-22	
<u>NEW MTFP PLUSES</u>						
<u>Education for Vulnerable Children Services incl Special Educational Needs</u>						
Special Educational Needs (SEN) Assessment & Commissioning team (statutory)	Special Educational Needs - Special Educational Needs Assessment & Commissioning Team (SENACT) investment		700			700
Early Years SEN Support including Portage service	Learning Investment (Access Fund & Portage)		420			420
<u>Early Intervention & Prevention (EIP)</u>						
Early Intervention and Targeted Support	Restorative practice team investment		600			600
<u>Dedicated School Grant - Schools</u>						
Specialist Education Placements	Special Educational Needs -pressures		3,700			3,700
Further Education High Needs	Special Educational Needs -pressures		1,600			1,600
SEN support including Further Education Post	Special Educational Needs -pressures		2,250	150	100	2,500
16						
TOTAL PLUSES FOR LEARNING & EARLY SUPPORT			9,270	150	100	9,520

Service Director	Learning & Early Support
Service Area	Statutory Responsibility for the Education System
Headline Proposal	Realign and consolidate the service.
Reference	EX LE1,EX LE2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings		(250)	
Cumulative Savings		(250)	(250)
Budget after Savings (Gross Controllable Budget)	919	669	669
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>This proposal will seek to maximise the sources of funding via Dedicated Schools Grant and review the opportunities to improve educational outcomes in line with the district's Learning Strategy.</p> <p>This will be undertaken in the context that school improvement and the required management oversight will be further realigned as well as supporting the new arrangements under the Education and Learning Partnership Board.</p> <p>A significant contribution to strategic work is currently made to the Council by maintained schools via contributions per pupil but this is likely to reduce in the next year, due to schools becoming Academies. In partnership with our schools, during 2019/20, the service will consolidate the operation of the 'Challenge and Support Strategy' and the interface between this and the role we can play by working collaboratively to secure external funding for our schools.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>There is scope to review existing operations and this has the potential to align current structures within Learning and Skills to reflect new ways of working. This will need to be devised together with our schools so there is shared understanding about our approach. The Council continues to have a duty to 'know' schools and settings and to ensure the sufficiency of provision of good and outstanding places for children.</p> <p>The Council currently knows schools well, enabling positive conversations with school and Multi Academy Trust leaders as well as the ability to respond to challenges from Ofsted, Regional Schools Commissioner and Department for Education. Ofsted expects us to know all our schools – and to engage in discussions relating to provision, outcomes and complaints. Relationships are key to ensure sharing of data and intelligence; community</p>

understanding; and shared commitment to development of school places to meet the needs of all pupils.

School to school support will increase, and the Council capacity to support the improvement of outcomes will need to be reconfigured and secured.

The development of the Education and Learning Partnership Board and investment in arrangements to support this will be required and are planned.

The timing of changes will need to be carefully considered to ensure that there is sufficient co-ordination of change.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Jo-Anne Sanders
-----------------------------	-----------------

Service Director	Learning & Early Support
Service Area	Schools Organisation & Planning & Pupil Admissions
Headline Proposal	Reduce support to Schools Organisation and Planning & Pupil Admissions
Reference	EX LE3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings		(151)	
Cumulative Savings		(151)	(151)
Budget after Savings (Gross Controllable Budget including DSG)	280	129	129
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)

This proposal will require the costs of the function to reduce and/or income to be generated, therefore this will require some reorganisation of the function to ensure the right skill mix to undertake the necessary activities and role.

Other activities supported by this budget are;

- Legal costs in relation to enacting required statutory processes, the transfer of land and buildings, commercial transfer agreements and costs in relation to schools that are in a Public Private Partnership contract.
- Human Resources costs in relation to staff transfer (TUPE) processes/re-organisation of staffing structures.
- Costs in relation to finance processes in terms of closing down school budgets and planning new arrangements for example where schools amalgamate.
- Costs in relation to the publication of legal notices and statutory consultation processes including newspaper advertisements, consultation documents.
- Physical Resources and Procurement costs that are required in order to enable the property transfer/landlord function of the asset in order that legal work can be instructed appropriately.
- General one-off costs associated with reorganisation, growth, relocation, amalgamation that cannot be capitalised, for example set up costs for modular accommodation, removal costs for equipment, pension assessments.

The ability to undertake these activities will be impacted by reduced capacity and so a more flexible approach to deploying capacity will be required.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

The Council has a duty to secure sufficient school places. The School Organisation function undertakes an annual return to the Education Funding Agency/Department for Education School Capacity Collection that determines the level of Capital Funding Grant the Council receives to fund

additional places and the strategic commissioning of additional places. There are opportunities to work with the Council's intelligence function to support this duty.

The Council is required to enable the process of academisation for schools subject to an academy order as stipulated in the Academies Act, and to provide support to reorganisation proposals to amalgamate, expand, close or open provision. Dialogue with schools about contributing towards the funding for some of this activity as mitigation is possible.

If this contribution or the re-distribution of activity across the wider functions that support children is not sufficient, there could be an impact on sufficiency duties that will require mitigation.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Jo-Anne Sanders
-----------------------------	-----------------

Service Director	Learning & Early Support
Service Area	Education Services for Vulnerable Children
Headline Proposal	Review systems and processes
Reference	EX LE4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(84)		
Cumulative Savings	(84)	(84)	(84)
Budget after Savings (Controllable Budget)	748	748	748
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
This proposal will seek to examine existing systems and processes to secure efficiencies in order to make the reductions required within the context of prioritising the Education Psychologists (EP).

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
The numbers of children and young people requiring and requesting assessments is increasing. Special Educational Needs & Disabilities (SEND) related activity is forecast to be overspent by current year end compared to the amount of government grant funding set aside to support this activity (the High Needs Block of the Dedicated Schools Grant).
Government changes to the current schools National Funding Formula means the Council will receive an increase in high needs grant funding over the next 2 years at least to support SEND activity. Further increases in high needs grant funding are indicated over the following 5 years, subject to the next Government spending review post 2020. The Council is working to reduce costs within the High Needs Block. This includes a broader strategic review that is currently being considered.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Mandy Cameron
-----------------------------	---------------

Service Director	Learning & Early Support
Service Area	Early Learning
Headline Proposal	Review support to early learning (sufficiency & development)
Reference	EX LE5

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(300)		
Cumulative Savings	(300)	(300)	(300)
Budget after Savings (Gross Controllable Budget including DSG)	485	485	485
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>The support arrangements to learning and early support undertook a restructure in 2017-18.</p> <p>The next phase of delivery will be to examine the approach and leadership for this service area and opportunities for amalgamating the functions and reducing the overall cost. This will prompt a service review and a reduction of staff. Opportunities will be explored to couple together sufficiency duties here with statutory duties for schools (mainstream and specialist).</p> <p>This will be in conjunction with the review of the administration arrangements for early education and childcare placements.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<ul style="list-style-type: none"> • Opportunities arise to ensure statutory duties are met by taking a strategic overview of all early years' requirements and developing a new model for delivery through school community hubs. • There are opportunities for schools and their partners in health, social care and the wider Voluntary and Community Sector via School Community Hubs to contribute to the provision of a vibrant and sustainable childcare market and to co-ordinate delivery of the wider children's centre core offer. • This will require some initial Council resource and a refocus of some Council roles to concentrate on supporting the development of partnerships between schools and their partners, including local childcare providers and to support capacity building within the community hub so that the model is self-sustaining. • It will therefore be critical to align and integrate this to deliver our Early Help offer and consideration given to what resources can be shared to support delivery of these statutory duties. 	
Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES
Accountable Head of Service	Jo-Anne Sanders

INTEGRATION, ACCESS & COMMUNITY HUB

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
Community Liaison	1,967	(246)	1,721			1,721			1,721			1,721
Access, Strategy & Delivery												
Library & Information Centres	3,518	(49)	3,469	(300)		3,169			3,169			3,169
Registrars	669	(639)	30			30			30			30
Customer Service Centres	1,323	(72)	1,251			1,251			1,251			1,251
Kirklees Direct	2,635	(847)	1,788	(100)		1,688	(100)		1,588			1,588
Digital Services	65	0	65			65			65			65
Community Languages	601	(714)	(113)			(113)			(113)			(113)
Total	8,811	(2,321)	6,490	(400)	0	6,090	(100)	0	5,990	0	0	5,990
Management & Regulatory Functions	365	0	365	(300)		65			65			65
TOTAL INTEGRATION	11,143	(2,567)	8,576	(700)	0	7,876	(100)	0	7,776	0	0	7,776

INTEGRATION - MINUSES

Service Activity	Proposed Change	Savings Reference	£000		
			2019-20	2020-21	2021-22
EXISTING MTFP MINUSES					
Access, Strategy & Delivery					
Library & Information Centres	Re-shape Library and information Service	EX IN1	(300)		(300)
Access to Services - Customer Service	New ways of working	EX IN2	(100)	(100)	(200)
Management & Regulatory	Cross-cutting savings expected on budget areas in Integration and potentially more widely across the organisation	EX IN3	(300)		(300)
TOTAL MINUSES FOR INTEGRATION			(700)	(100)	(800)
				0	
					(800)

Service Director	Integration, Access & Community Hub
Service Area	Access, Strategy & Delivery - Library and Information Centres
Headline Proposal	Re-shape Library and information Service
Reference	EX IN1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(300)			
Cumulative Savings	(300)	(300)	(300)	(300)
Budget after Savings (Controllable Budget)	3,168	3,168	3,168	3,168
FTE Reduction	10			

Description of Savings Proposal (Including interdependencies and risk)
<p>In August 2018 cabinet agreed a service delivery framework for the library service and gave a period of time to establish how the service, with support from communities and partners will contribute to Council priorities and outcomes in a local context within a reduced financial resource.</p> <p>The £300k savings will be made from a review of the library service delivery in line with the agreed framework. The framework detailed the following:</p> <ul style="list-style-type: none"> • Libraries must be situated in the right building in the right place, to meet community needs and maximise the impact on early intervention and prevention • Libraries should be situated where possible on one floor to ensure an efficient and cost effective delivery model • A local plan should be developed for each area to reflect the differing needs of each community • Staff should be equipped and supported to deliver on the future library strategy and job profiles should reflect the future roles needed to deliver the new service • The services and activities provided must meet the Council's outcomes <p>There will also be a move to secure an external partner to provide the Home Service on behalf of the Council.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>A full service review will include individual equality impact assessments, which will identify mitigating action on a place by place basis. Consultation was undertaken in 2018 and influenced the cabinet decisions. Engagement is and will continue to be ongoing as changes to service delivery are considered on a place by place basis.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Dave Thompson
-----------------------------	---------------

Service Director	Integration, Access & Community Hub
Service Area	Access, Strategy & Delivery – Access to Services
Headline Proposal	New ways of working
Reference	EX IN2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(100)	(100)	
Cumulative Savings	(100)	(200)	(200)
Budget after Savings (Controllable Budget)	1,711	1,611	1,611
FTE reduction	5	5	

Description of Savings Proposal (Including interdependencies and risk)
<p>The service has been moving to digital by design and automated service delivery models. There will be a complete service redesign looking at staff to manager ratios, senior role requirements and service delivery changes.</p> <p>Increasing digital by design contacts, increased automation of telephone calls and reducing avoidable contact are necessary to meet the budget requirements. Risks include the increase of services using the customer service centres and Kirklees Direct as those resources reduce.</p> <p>The proposals from 2019/20 onwards relate to the expected ongoing roll out of Universal Credit (from 2017 to at least 2022) and the transferring of claims and contacts to the Department for Work and Pensions (DWP). As the DWP take on all responsibility for specific claims this will reduce the caseload, the volume of claims for back office processing, and contacts into the customer service centres and Kirklees Direct.</p> <p>Consideration will be given to reducing opening hours of both the customer service centres and telephone contact centre. Online would remain 24/7 with telephone contacts for emergency services only.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
Continued work with services to reduce avoidable contact, digital by design and automated services.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Dave Thompson
-----------------------------	---------------

Service Director	Integration, Access & Community Hub
Service Area	Management & Regulatory
Headline Proposal	Cross-cutting savings expected on budget areas in Integration and potentially more widely across the organisation
Reference	EX IN3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Incremental Savings	(300)			
Cumulative Savings	(300)	(300)	(300)	(300)
Budget after Savings (Controllable Budget)	7,876	7,876	7,876	7,876
FTE Reduction				

Description of Savings Proposal (Including interdependencies and risk)
<p>There will be a corporate whole system approach to delivering service changes and a further £300k of cross-cutting savings is expected on budget areas in Integration and potentially more widely across the organisation. These cross-cutting savings as set out are an indicative target. Specific savings will be shaped up early 2019/20 based on a more considered review of the potential impact of place based work across the organisation. It is acknowledged there are to be timing considerations in terms of actual delivery.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>The potential impact will be assessed as the savings plans are shaped further in early 2019/20. Key factors will be taken into account through this planning, and mitigating actions taken to alleviate and/or avoid significant issues.</p>

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Dave Thompson
-----------------------------	---------------

ADULTS SOCIAL CARE OPERATION

SERVICE ACTIVITY	18-19			18-19 NET CONTROLLABLE BUDGET			19-20			20-21			21-22		
	CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000
Assessment and Care Management	6,328	(1,548)	4,780	(560)		4,220			4,220			4,220			4,220
Assessment and Care Management Gateway to Care	1,340	(118)	1,222			1,222			1,222			1,222			1,222
Total	7,668	(1,666)	6,002	(560)	0	5,442	0	0	5,442	0	0	5,442	0	0	5,442
Demand Led Activity															
Self Directed Support	15,674	(8,973)	6,701	(1,094)	4,300	9,907	(3,577)	8,050	14,380	(3,791)	7,350	17,939			17,939
Independent Sector Residential and Nursing Placements	33,484	(13,792)	19,692	(267)	950	20,375			20,375			20,375			20,375
Independent Sector Residential and Nursing Placements - Older People	4,860	(1,703)	3,157	(120)		3,037			3,037			3,037			3,037
Independent Sector Residential and Nursing Placements - Physical Disabilities															
Total	38,344	(15,495)	22,849	(387)	950	23,412	0	0	23,412	0	0	23,412	0	0	23,412
In-House Residential - Older People	5,203	(1,735)	3,468			3,468			3,468			3,468			3,468
Day Care and Other Contracted Services	847	(37)	810			810			810			810			810
In-House Day Care	2,367	(646)	1,721	(183)		1,538	(50)		1,488	(100)		1,388			1,388
Contracted Services (mainly independent sector day care)	3,214	(683)	2,531	(183)	0	2,348	(50)	0	2,298	(100)	0	2,198			2,198
Total	6,233	(4,890)	1,343			1,343			1,343			1,343			1,343
Other Demand-Led Services	1,568	(434)	1,134			1,134			1,134			1,134			1,134
Excellent Homes for Life (supported living)	4,569	(3,728)	841	(33)		808			808			808			808
Provision of Community Equipment	362	0	362			362			362			362			362
Emergency Support (including Persons from Abroad)	1,126	(1,063)	63	(20)		43			43			43			43
Care Phones and Assistive Technology	3,304	0	3,304	(4,917)	2,700	(1,613)		1,800	187			187			187
Other Demand Led	0	(12,400)	(12,400)	(7,560)		(17,260)			(17,260)			(17,260)			(17,260)
Adult Social Care Grant & Better Care Funding	17,162	(22,515)	(5,353)	(12,530)	2,700	(15,183)		1,800	(13,383)		0	(13,383)		0	(13,383)
Total	79,597	(49,401)	30,196	(14,194)	7,950	23,952	(3,627)	9,850	30,175	(3,891)	7,350	33,634			33,634
Total Demand Led															
Early Intervention & Prevention	400	0	400			400			400			400			400
Support for Carers	400	0	400	0	0	400	0	0	400	0	0	400	0	0	400
Total	800	0	800	0	0	800	0	0	800	0	0	800	0	0	800
Older People Residential Strategy	0	(1,244)	(1,244)		320	(924)		48	(876)			(876)			(876)
Management & Regulatory Functions	4,319	(519)	3,800	(113)		3,687	(20)		3,667			3,667			3,667
TOTAL ADULTS SOCIAL CARE OPERATION	91,984	(52,830)	39,154	(14,867)	8,270	32,557	(3,647)	9,898	38,808	(3,891)	7,350	42,267			42,267

ADULTS SOCIAL CARE OPERATION - MINUSES

Service Activity	Proposed Change	£000				Total
		Savings Template Reference	2019-20	2020-21	2021-22	
EXISTING MTFP MINUSES						
Assessment & Care Management	Staffing Realignment within Adult Social Care	EX AS1	(310)			(310)
Demand Led Activity						
Self Directed Support (SDS)	Staffing Realignment within Adult Social Care	EX AS2	(250)			(250)
	Adjustment to reflect the profiling of national living wage contract pressures	EX AS3	(93)			(93)
	Reduced spend on independent sector home care and apply proportional spend on direct payment		(988)			(988)
	Independent Living fund reduction in grant		(13)			(13)
Independent Sector Residential and Nursing Placements						
Independent Sector Residential & Nursing Placements - Older People	Reduction of Older People & Physical Disability placements	EX AS4	(267)			(267)
Independent Sector Residential & Nursing Placements - Physical Disabilities	Reduction of Older People & Physical Disability placements	EX AS5	(120)			(120)
Day Care and Other Contracted Services						
Contracted Services (mainly Independent Sector Day Care)	Review of all existing contracts	EX AS6	(133)			(133)
	Older People's Independent Sector Day Services	EX AS7	(50)	(50)	(100)	(200)
Other Demand-Led Services						
Provision of Community Equipment	Community equipment	EX AS8	(33)			(33)
Care Phones & Assistive Technology	Care phones - increased income	EX AS9	(20)			(20)
Other Demand-Led	Review of out of hours services	EX AS10	(67)			(67)
Adult Social Care Grant & Better Care Funding	Additional Better Care funding		(5,700)			(5,700)
Management & Regulatory Functions						
	Business support realignment across Adult Social Care	EX AS12	(93)			(93)
	Reduction of Transport Costs	EX AS13	(20)	(20)		(40)
			(8,157)	(70)	(100)	(8,327)

ADULTS SOCIAL CARE OPERATION - MINUSES

Service Activity	Proposed Change	£000			
		Savings Template Reference	2019-20	2020-21	2021-22
NEW MTFP MINUSES					
Assessment & Care Management	Reprofiling of demand led activity developments		(1,800)		(1,800)
Demand Led Activity					
Self Directed Support (SDS)	Adult Social Care Council Tax Precept			(3,577)	(7,368)
Other Demand-Led Services					
Care Phones & Assistive Technology	Care phones - increased income	NEW AS1	(250)		(250)
Other Demand-Led	Additional Better Care Fund offset - assumed rolled forward from 2019-20		(2,600)		(2,600)
Adult Social Care Grant & Better Care	Change in bad debt provision	NEW AS2	(200)		(200)
	Additional Government social care funding allocation		(1,860)		(1,860)
			(6,710)	(3,577)	(14,078)
TOTAL MINUSES FOR ADULTS SOCIAL			(14,867)	(3,647)	(22,405)

ADULTS SOCIAL CARE OPERATION - PLUSES

Service Activity	Proposed Change	£000				Total
		2019-20	2020-21	2021-22		
EXISTING MTFP PLUSES						
Demand Led Activity Independent Sector Residential & Nursing Placements - Older People	Future Pressures - Older People Demographic (3%)	950				950
Adult Social Care Grant & Better Care Funding	Improved Better Care offer - spring 2017 budget further allocation	2,700				
Older People's Residential Strategy	Minor budget adjustments to direct residential provision	20	48			68
		3,670	48			1,018
NEW MTFP PLUSES						
Assessment & Care Management	Reprofiling of demand led activity developments		1,800			1,800
Demand Led Activity						
Adult Social Care Grant & Better Care Funding	Adult Social Care - Third Party Contracts	4,300	4,300	3600		12,200
Older People Residential Strategy	Adult Social Care - demand led pressures		3,750	3,750		7,500
	Net pressure	300				300
		4,600	9,850	7,350		21,800
TOTAL PLUSES FOR ADULTS SOCIAL CARE OPERATION		8,270	9,898	7,350		22,818

Service Director	Adults Social Care Operation
Service Area	Assessment and Care Management
Headline Proposal	Staffing Related Savings
Reference	EX AS1, EX AS2, EX AS10, EX AS12, EX AS13

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(740)	(20)	
Cumulative Savings	(740)	(760)	(760)
Budget after Savings (Controllable Budget)	11,439	11,419	11,419
FTE Reduction	15		

Description of Savings Proposal (Including interdependencies and risk)
<p>A number of savings are proposed that relate to the wider question of how the staffing complement is best placed to fulfil the outcomes and tackle the demands of the current Social Care market. A number of projects and workstreams will be undertaken to ensure that the workforce is the best fit, and that processes and methodologies undertaken are the most effective in achieving outcomes. These include the following:</p> <p><u>Staffing realignment</u></p> <p>It is proposed that the Adult social care workforce and structure be reviewed and aligned with new ways of working resulting from the Transformation programme. Developments around on-line assessment, reviews to enhance self-service and redesigned business processes will support more efficient working and enable managerial duties to be streamlined. Improved demand management, more integrated ways of working and alignment with Early Intervention and Prevention will deliver more effective and efficient ways of working.</p> <p><u>Business Support realignment across Adult Social Care</u></p> <p>This proposal will enable both commissioning and adults' services to investigate and realign its business support and have a well organised, structured support service which is able to deliver services based on the key priorities for 'New Council'.</p> <p>The realignment will focus on providing a cost effective and efficient service by reconsidering the number of vacancies and secondments within the service with a view to either removing or realigning posts to where pressures are emerging. The proposal is to merge existing resources, whilst addressing wider service changes and ensuring resources are used flexibly to support the changing demands within the directorate.</p> <p><u>Review of out of hours services</u></p> <p>A report was previously submitted to cabinet that set out proposals for developing a 24 hrs service provision for the council, where all out of hours operations are centralised.</p> <p>The council has a number of functions that operate outside of normal office hours, providing emergency cover and telephone assistance for a variety of services, including</p>

Kirklees Neighbourhood Housing (KNH), Children's and Young People's services, Adults' services, and Environmental Services.

Each service has different arrangements to cover these provisions and it is intended to consider how we can join up services where appropriate to achieve efficiencies and savings.

The report recommended taking a 2 phase approach. Phase 1 involved merging together CCTV and Kirklees Direct Out of Hours Service, with savings based on an overall reduction in staffing levels; done by removing vacancies and temporary staff.

Phase 2 will bring in Children's and Adults' services to identify any potential saving and, in addition, will identify potential revenue savings within the councils current commitments for security and alarms. It will also consider the potential for a service that includes KNH CCTV to make further savings across the council.

Once successfully completed, the new service will offer an opportunity to then explore expanding our current CCTV provision to support early intervention and prevention, and economic resilience, and then to consider further expansion into the external market. This will require careful consideration so as not to adversely affect the local economy and local businesses, but could see CCTV provision for key local partners, schools, colleges and universities.

Reduction of Transport Costs

The council is continuing to work towards allowing all employees to be able to manage their time and their travel through working smarter. This is being done by balancing travel needs through using environmentally friendly forms of transport wherever possible and having the equipment and suitable locations, through the Mobile and Agile Programme to minimise unnecessary travel. This will be facilitated by the options of facilities across the district that will be accessible to staff and the use of mobile technology to assist in working from home, or other locations.

The savings will be comprised of the following reductions:

- number and value of mileage claims
- number of parking claims being required
- number of council funded travel cards
- need for city cars/rental cars

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Staffing realignment

There is a risk of continued rising demand which the system cannot meet, the mitigation will be through work streams including the re-design of Front Door, the Digital by Design offer and pathway re-design. The relative timings may present some risk.

New ways of working have been introduced and will continue to be implemented throughout 2019/20 but embedding cultural change takes time.

Business Support realignment across Adult Social Care

Reductions in staffing and management levels within business support will impact on the services being supported. Before any decisions are finalised, an impact analysis will be created.

Review of out of hours services

This proposal has the potential to improve out of hours services for adults and the work will link to the corporate front door services to deliver a consistent approach across the council out of hours.

Ensuring our legal duties with regards to safeguarding and data protection, particularly with phase 2, are fundamental to the approach being proposed. The project will work closely both internally and with partner organisations to ensure protection of the most vulnerable adults and children and safeguard their interests at all times.

Reduction of Transport Costs

Essential travel, parking etc. will continue to be offered to ensure business critical travel is sustained.

Employees will be supported through the use of technology and options for workplace and travel to ensure they are supported.

Promotion and further development of the green agenda.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Simon McGurk, David MacDonald, Saf Bhuta, Simon Baker, Michelle Cross, Amanda Evans.
-----------------------------	--

Service Director	Adults Social Care Operation
Service Area	Demand Led Services
Headline Proposal	Reduced spend on independent sector home care and apply proportional spend on direct payment
Reference	EX AS3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(988)		
Cumulative Savings	(988)	(988)	(988)
Budget after Savings (Controllable Budget)	13,686	21,736	29,086
FTE Reduction			

Description of Savings Proposal (including interdependencies and risk)
<p>Reduction in demand for commissioning of home care packages and applying more rigorous practice with direct payments through:</p> <ul style="list-style-type: none"> • Implementing the systems thinking methodology • Redesigning, refocusing to align more closely with the early intervention and prevention offer • Closely monitoring direct payments and ensuring unspent resources are reclaimed • Redesign of the response at single point of access • Targeting of reablement interventions • Greater scrutiny of current packages through reviews • Increased use of assistive technology <p>The budget after savings shown takes account of amounts included for third party contracts and demand led pressures.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<ul style="list-style-type: none"> • Adult social care demand and level of need is increasing significantly which places increased challenge on the system. • The system relies on sufficient independent sector homecare in the market. Market development is ongoing and homecare contracts have been retendered. • The reshaping of early intervention and prevention will take some time to embed and this gives rise to the risk of an increase in demand in the early stages. • Services are targeting resources to ensure reviews are completed; consequently reducing need across adult social care.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO
Accountable Head of Service	Simon McGurk & David MacDonald

Service Director	Adults Social Care Operation
Service Area	Independent Sector Residential & Nursing Placements
Headline Proposal	Reduction of older people and physical disability placements
Reference	EX AS4 & EX AS5

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(387)		
Cumulative Savings	(387)	(387)	(387)
Budget after Savings (Controllable Budget)	21,009	21,009	21,009
FTE Reduction			

Description of Savings Proposal (including interdependencies and risk)

Individuals will be supported to stay at home for as long as possible through:

- Home based interventions such as reablement and home care that maximise independence and safety at home
- Support from assistive technology
- Support with maximising their strengths, abilities and use of local community resources
- Early intervention and prevention support

The service will ensure that guidance, support and the right packages of care are offered to people and this will be done by adopting a strengths based approach.

The service will continue to work closely with clinical commissioning groups and health colleagues to ensure people with continuing healthcare needs are identified and appropriately supported.

The budget after savings shown takes account of amounts included for demand led pressures.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Demand for adult social care is rising and so this diverting demand may be hidden by demographic changes.

There is likely to be a consequent impact on the budget that supports people at home. Ensuring appropriate early intervention and prevention interventions will assist in mitigating this.

Changes in the design of reablement services to maximise integration opportunities and embed a 'discharge to assess pathway' will ensure that people have increased opportunities to maximise independence and make decisions about long term care from their homes

As part of other savings we will encounter reducing resources which will need to ensure reviewing resources are appropriately targeted.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Simon McGurk & David MacDonald
-----------------------------	--------------------------------

Service Director	Adults Social Care Operations
Service Area	Day Care and Contracted services
Headline Proposal	Review of all existing contracts
Reference	EX AS6

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(133)		
Cumulative Savings	(133)	(133)	(133)
Budget after Savings (Controllable Budget)	1,720	1,670	1,570
FTE Reduction			

Description of Savings Proposal (including interdependencies and risk)

Reduction in demand and commissioning of day care services through:

- Redesigning, refocusing and more alignment with the early intervention and prevention offer
- Reconfiguration of the existing day services provision
- Greater scrutiny of current packages through reviews
- Developing and using community resources
- Transformation programme for day care services

Review of all existing contracts and:

- Amend accordingly with any revised demand levels indicated by early intervention and prevention management.
- Redesign and remodel contracts based on occupancy levels/take up
- Reduce and decommission low level need/risk contracts
- Identify potential contracts for risk assessed reduction in provision
- Implement integrated commissioning arrangements
- Ensure robust contract evaluation process is implemented

The budget after savings shown also takes account of savings template EX AS7.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

- The achievement of any savings in this area will be considered against the early intervention and prevention proposals being developed elsewhere and an equality impact assessment being developed for that area.
- Adult social care demand and level of need is increasing significantly which places increased challenge on the system.
- The reshaping of early intervention and prevention will take some time to take place and embed, and this gives rise to the risk of an increase in demand in the early stages.
- The system relies on sufficient independent sector provision in the market. Currently there is no market provision available for complex dementia delivery. Market Development is ongoing.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Simon Baker
-----------------------------	-------------

Service Director	Adults Social Care Operations
Service Area	Commissioning and Health Partnerships
Headline Proposal	Older People's Independent Sector Day Services
Reference	EX AS7

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(50)	(50)	(100)
Cumulative Savings	(50)	(100)	(200)
Budget after Savings (Controllable Budget)	522	472	372
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>The projected savings outlined above will be achieved by:</p> <ul style="list-style-type: none"> • A review of all individuals currently using independent sector day services will take place to identify individuals with low level need • Working with the current providers, community hubs and the voluntary and community sector, to identify community resources which may be in a position to provide alternative daytime activities to meet low level need. • Consultation with service users and carers to find out what would meet their needs. • Calculation of actual potential savings for future years. • Developing an exit strategy from the current contract. • Modelling of services for individuals with higher level needs. • Developing resources in the community in line with the outcomes of the service user and carer consultation. • Commencement of movement of individuals with low level needs towards community-based support solutions. • As money is released from the contract, investment into community services which aim to meet individuals with higher level needs.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<ul style="list-style-type: none"> • Adult social care demand and level of need is rising significantly which places increased challenge on the system. • As part of other savings, the review team will reduce. The service will ensure that reviewing capacity is focussed where need is greatest. • The system relies on sufficient independent sector provision in the market. Currently there is no market provision available for complex dementia delivery. Market development is ongoing.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Simon Baker
-----------------------------	-------------

Service Director	Adults Social Care Operation
Service Area	Other Demand Led Services
Headline Proposal	Community equipment
Reference	EX AS8

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(33)		
Cumulative Savings	(33)	(33)	(33)
Budget after Savings (Controllable Budget)	810	810	810
FTE Reduction			

Description of Savings Proposal (including interdependencies and risk)
The reduced spend will be achieved through the new approach to clinical oversight, to ensure that the equipment supplied meets needs at the best price.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>The approved list of equipment will continue to be reviewed against best clinical advice to ensure that service users receive the appropriate equipment to meet assessed need.</p> <p>Service modelling has taken place as part of the tendering exercise.</p> <p>The long term contract of 5 years with the option for a further 2 years should offer more stability and consistency.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Simon Baker
-----------------------------	-------------

Service Director	Adults Social Care Operation
Service Area	Care Phones & Assistive Technology
Headline Proposal	Increase in the use of Assistive Technology/Care phones - increased income
Reference	EX AS9 & NEW AS1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(270)		
Cumulative Savings	(270)	(270)	(270)
Budget after Savings (Controllable Budget)	25,734	33,734	40,984
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>A more pro-active approach to the use of Assistive Technology will allow more people to live with confidence and safety in their own homes. This in turn will lead to a reduced level of demand within frontline care.</p> <p>A diagnostic analysis has been started (similar to that undertaken in other Local Authorities), and initial observations suggest that there are realistic savings/benefits to be achieved from an increased focus on Assistive Technology provision.</p> <p>Further work is ongoing around options, and this will shape the direction the project takes in 2019-20. Savings are expected of £250k in 2019/20.</p> <p>It is also proposed to achieve an increase in care phone income of £20K in 2019/20 through promoting and marketing the service with the aim of realising a 7% increase in the number of service users paying for the service. It is also intended to explore new opportunities to support independent providers and other partners through the provision of chargeable services.</p> <p>The budget after savings shown takes account of amounts included for third party contracts and demand led pressures.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>Assistive Technology is already provided by Adults Services. Savings will be achieved by extending the scope and range of this, to enable more service users than currently. This will provide more people with the freedom to live their lives rather than being reliant on more costly and intrusive packages of care. The savings of £250k will be seen across the spectrum of demand-led Adult Social Care.</p> <p>With regards the income target - some housing scheme providers are considering solutions to address their concerns which include asking care phones to provide out of</p>

hours telecare monitoring alongside a number of other services. This would be a chargeable service and therefore may provide some additional income for the Council.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	David MacDonald
-----------------------------	-----------------

Service Director	Adult Social Care
Service Area	Other Demand Led
Headline Proposal	Change in Bad Debt Provision
Reference	NEW AS2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(200)		
Cumulative Savings	(200)	(200)	(200)
Budget after Savings (Controllable Budget)	200	200	200
FTE Reduction	N/A	N/A	N/A

Description of Savings Proposal (Including interdependencies and risk)
<p>In recent years there has been a need to increase the level of the bad debt provision held within Adults. This provision is to cover the cost of having to write-off or reverse debts owed to the Service that have not been paid. In line with this, there has been a revenue budget to cover the annual in-year cost of such increases.</p> <p>Recent work has been carried out to review the level of the provision, realigning it to a realistic and manageable position. Closer scrutiny will also mean that it should not increase by the levels seen in previous years. As such, the revenue budget can be reduced accordingly.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>There should be no change to the outcomes of the service.</p> <p>There is a risk that if the current economic climate worsens, the level of bad debt may increase over the longer term. This will be mitigated by the Service assessing the level on a continual basis, and taking action as appropriate.</p>

Does this proposal require an Equality Impact Assessment?	YES/NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Richard Parry
-----------------------------	---------------

COMMISSIONING, QUALITY & PERFORMANCE

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	21-22 BUDGET PROPOSAL £000
Assessment and Care Management	3,540	(649)	2,891			2,891			2,891			2,891
Demand Led Activity												
Self Directed Support	22,370	(4,093)	18,277	(424)		17,853			17,853			17,853
Independent Sector Residential and Nursing Placements	7,314	(3,568)	3,746	(67)	2,000	5,679		1,370	7,049		1,551	8,600
Independent Sector Residential and Nursing Placements - Mental Health	26,611	(8,674)	17,937	(423)	2,200	19,714			19,714			19,714
Disabilities												
Total	33,925	(12,242)	21,683	(490)	4,200	25,393	0	1,370	26,763	0	1,551	28,314
In-House Residential - Learning disability	2,605	(699)	1,906			1,906			1,906			1,906
Day Care and Other Contracted Services	3,106	(376)	2,730			2,730			2,730			2,730
In-House Day Care	3,756	(26)	3,730	(234)		3,496			3,496			3,496
Contracted Services (mainly independent sector day care)												
Total	6,862	(402)	6,460	(234)	0	6,226	0	0	6,226	0	0	6,226
Other Demand-Led Services												
Emergency Support (Including Persons from Abroad)	31	0	31			31			31			31
Learning Disability Shared Lives	1,083	0	1,083			1,083			1,083			1,083
Total	1,114	0	1,114	0	0	1,114	0	0	1,114	0	0	1,114
Total Demand Led	66,876	(17,436)	49,440	(1,148)	4,200	52,492	0	1,370	53,862	0	1,551	55,413
Early Intervention & Prevention												
Supporting People	5,439	(1,309)	4,130	(250)	500	4,380		250	4,630			4,630
Total	5,439	(1,309)	4,130	(250)	500	4,380	0	250	4,630	0	0	4,630
Commissioning												
Contracts Management	747	(300)	447			447			447			447
Commissioning Heads of Service	61	0	61			61			61			61
Other Commissioning Infrastructure	889	(176)	713			713			713			713
Total	1,697	(476)	1,221	0	0	1,221	0	0	1,221	0	0	1,221
Management & Regulatory Functions	457	0	457			457			457			457
TOTAL COMMISSIONING, QUALITY & PERFORMANCE	78,009	(19,870)	58,139	(1,398)	4,700	61,441	0	1,620	63,061	0	1,551	64,612

COMMISSIONING, QUALITY & PERFORMANCE - MINUSES

Service Activity	Proposed Change	£000			Total
		2019-20	2020-21	2021-22	
EXISTING MTFP MINUSES					
Demand Led Activity Self Directed Support (SDS)	Apply proportionate spend on direct payments Independent Living fund reduction in grant	(412) (12)			(412) (12)
Independent Sector Residential and Nursing Placements Independent Sector Residential & Nursing Placements - Learning Disabilities Independent Sector Residential & Nursing Placements - Mental Health	Reduction in high cost learning disability placements Mental health placements	(423) (67)			(423) (67)
Day Care and Other Contracted Services Contracted Services (mainly Independent Sector Day Care)	Review of all existing contracts	(234)			(234)
NEW MINUSES		(1,148)	0	0	(1,148)
Demand Led Activity Supporting People	Additional Savings - New Life Changes Fund	(250)			(250)
TOTAL MINUSES FOR COMMISSIONING, QUALITY & PERFORMANCE		(1,398)	0	0	(1,398)

COMMISSIONING, QUALITY & PERFORMANCE - PLUSES

Service Activity	Proposed Change	Savings Reference	£000			
			2019-20	2020-21	2021-22	Total
<u>EXISTING MTFP PLUSES</u> Independent Sector Residential & Nursing Placements - Learning Disabilities	Adult Social Care - demand-led pressures		2,200			2,200
<u>NEW MTFP PLUSES</u> Demand Led Activity Independent Sector Residential & Nursing Placements - Mental Health	Further demand led pressures		2,200	0	0	2,200
Supporting People	Mental Health Housing related support Additional savings - one year only		500	1,370	1,551	4,921
				250		500
			2,500	1,620	1,551	5,671
TOTAL PLUSES FOR COMMISSIONING, QUALITY & PERFORMANCE			4,700	1,620	1,551	7,871

Service Director	Commissioning, Quality & Performance
Service Area	Demand Led Services
Headline Proposal	Apply proportionate spend on direct payments
Reference	EX CQ1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(412)		
Cumulative Savings	(412)	(412)	(412)
Budget after Savings (Controllable Budget)	15,905	15,905	15,905
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)

A direct payment represents a device which an individual, who is entitled to receive social care services, can be awarded a payment and the freedom to purchase care services for themselves. This differs from the traditional approach of the Council acting for the individual and purchasing care on their behalf.

Direct payments offer much greater choice and flexibility over all aspects and ways in which the care is received. This also includes the type of care purchased, control over who is employed and flexibility over when that care is delivered. They can be used to purchase respite care and in some instances are being used to purchase equipment or approved modifications to a residence if agreed as an assessed need.

In allowing the council to offer this opportunity there is a need to ensure that guidance, support and right sizing of packages is offered to these clients and this will be done by adopting some of the following approaches;

- Systems thinking methodology
- Redesigning, refocusing and adopting the tiered approach
- Close monitoring of direct payments and ensuring reclaim of unspent resources
- Redesign the response at the front door
- Greater scrutiny of current packages through reviews
- Increasing use of Assistive Technology

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

- Councils are expected to offer direct payments from within their existing resource base. There is no assigned budget for direct payments costs which are instead deducted against the relevant care budget i.e. Learning Disabilities (LD) & Mental Health (MH) when a direct payment is set up.

- Adult social care demand and level of need has risen significantly which places increased challenge on the system.
- The system relies on well trained and experienced personal assistants in the market. Market development needs to be considered as there is a significant gap in this area for LD/MH. Peer Brokerage in MH has proven to be successful and needs to be expanded to meet future demand.
- The reshaping of early intervention and prevention will take some time to embed and there will be a need to ensure early engagement of Community Plus in supporting LD/MH service users to seek alternatives where costly interventions aren't needed.
- Services have identified internal resource to ensure reviews are carried out this year and we understand the level of need across LD and MH through this process. We will be able to include this as part of the ongoing review cycle.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Michelle Cross
-----------------------------	----------------

Service Director	Commissioning, Quality & Performance
Service Area	Independent sector residential & nursing placements
Headline Proposal	Reduction in high cost learning disability placements
Reference	EX CQ2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Income/Expenditure Savings	(423)		
Cumulative Savings	(423)	(423)	(423)
Budget after Savings (Controllable Budget)	20,419	20,419	20,419
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>Reduction in the number of high cost learning disability placements through:</p> <ul style="list-style-type: none"> • Development of the supported living market. • Supporting people in residential care to move to more cost effective community based arrangements. • Better commissioning of placements that agree a phased reduction in cost. <p>The budget after savings shown takes account of amounts included for demand led pressures.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<p>Continuing Health Care funding is reducing and demand on learning disability placements is increasing. The level of need is also increasing.</p> <p>More dedicated capacity in reviewing will be needed to ensure that the cost of placements is regularly reviewed and strength based practice is applied in all cases.</p> <p>Work is ongoing to explore 'joint commissioning' of placements – including pooled budgets.</p> <p>Further market development will be needed to ensure sufficient supported living arrangements.</p>	
Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Michelle Cross
-----------------------------	----------------

Service Director	Commissioning, Quality & Performance
Service Area	Independent sector residential & nursing placements
Headline Proposal	Mental health placements
Reference	EX CQ3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(67)		
Cumulative Savings	(67)	(67)	(67)
Budget after Savings (Controllable Budget)	3,987	3,987	3,987
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>The Mental Health service is reviewing the service users accessing local and external residential placements.</p> <p>Cases will be prioritised for review and will cover people living in a range of different settings. The review will reassess the service users' social care and establish how these needs can be best met using a more independence model of care.</p> <p>The outcome of these reviews will inform local commissioning with the view of providing not only more appropriate and recovery focussed support but also review the costs of these individual packages.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>In addition to this, the Local Authority Commissioners are looking to redesign the range of local social care residential placements and have already begun to work more proactively with Clinical Commissioning Group and local providers to ensure rehabilitation/recovery provisions are in place across Kirklees. Work has begun to establish a local rehabilitation/ recovery pathway that ensures service users are stepped down in a timely manner from acute settings.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Michelle Cross
-----------------------------	----------------

Service Director	Commissioning, Quality & Performance
Service Area	Day care and contracted services
Headline Proposal	Review of all existing contracts
Reference	EX CQ4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(234)		
Cumulative Savings	(234)	(234)	(234)
Budget after Savings (Controllable Budget)	2,966	2,966	2,966
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>Reduction in demand and commissioning of day care services through:</p> <ul style="list-style-type: none"> • Redesigning, refocusing and more alignment of the Early Intervention & Prevention offer • Reconfiguration of the existing day services provision • Greater scrutiny of current packages through reviews • Developing and using community resources • Transformation programme for day care services. <p>Review of all existing contracts and:</p> <ul style="list-style-type: none"> • Amend accordingly with any revised demand levels indicated by Early Intervention & Prevention Management • Redesign and remodel contracts based on occupancy levels/take up • Reduction and decommissioning of low level need/risk contracts • Identify potential contracts for risk assessed reduction in provision • Implementation of integrated commissioning arrangements • Ensure robust contract evaluation process is implemented.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<ul style="list-style-type: none"> • The achievement of any savings in this area will be considered against the Early Intervention & Prevention proposals being developed elsewhere and any Equality Impact Assessment being developed for that area. • Adult social care demand and level of need is increasing significantly which places increased challenge on the system. • The reshaping of early intervention and prevention will take some time to complete and embed and this gives rise to the risk of an increase in demand in the early stages. • The system relies on sufficient independent sector provision in the market. Currently there is no market provision available for complex dementia delivery. Market development is ongoing.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Simon Baker
-----------------------------	-------------

ECONOMY, REGENERATION & CULTURE

SERVICE ACTIVITY	18-19		18-19		18-19 NET		19-20		20-21		21-22	
	CONTROLLABLE GROSS EXPENDITURE £000	CONTROLLABLE INCOME £000	CONTROLLABLE BUDGET £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000
Housing General Fund	4,720	(2,828)	1,892			1,892			1,892			1,892
Highways	957	(390)	567			567			567			567
Markets	1,530	(2,066)	(536)	(40)		(576)			(576)			(576)
Planning	2,688	(2,113)	575	(120)		455			455			455
Creative Economy	685	(11)	674	(100)		574			574			574
Museums & Galleries	933	(284)	649			649			649			649
Sport & Physical Activity	1,825	(616)	1,209		45	1,254			1,254	(150)		1,104
Economic Resilience	3,905	(447)	3,458		300	3,758			3,758			3,758
Asset Strategy	725	(844)	(119)			(119)			(119)			(119)
Management & Regulatory Functions	46	0	46			46			46			46
TOTAL ECONOMY, REGENERATION & CULTURE	18,014	(9,599)	8,415	(260)	345	8,500	(150)	0	8,500	(150)	0	8,350

ECONOMY, REGENERATION & CULTURE - MINUSES

Service Activity	Proposed Change	£000			
		2019-20	2020-21	2021-22	Total
<u>EXISTING MTFP MINUSES</u> <u>Sport & Physical Activity</u> Grant to Kirklees Active Leisure	Continuation of existing approach and reducing reduction of financial support to KAL			(100)	(100)
Planning	Continuation of existing approach and reducing reduction of financial support to KAL			(50)	(50)
Markets	Planning fee increase	(120)			(120)
<u>NEW MTFP MINUSES</u> Creative Economy	Closure of two markets and increased income	(40)			(40)
	Reduction in events budget	(160)		(150)	(310)
TOTAL MINUSES FOR ECONOMY, REGENERATION & CULTURE		(260)	0	(150)	(410)

ECONOMY, REGENERATION & CULTURE - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			Total
			2019-20	2020-21	2021-22	
NEW MTFP PLUSES Economic Resilience						
Sport & Physical Activity Grant to Kirklees Active Leisure	Regeneration capacity requirements - new investment Additional budget for care leavers fund		300 45			300 45
TOTAL PLUSES FOR ECONOMY, REGENERATION & CULTURE			345	0	0	345

Service Director	Economy, Regeneration & Culture
Service Area	Kirklees Active Leisure (KAL)
Headline Proposal	Continuation of existing approach and reducing reduction of financial support to KAL
Reference	EX ER1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings			(100)
Cumulative Savings			(100)
Budget after Savings (Controllable Budget)*	1,143	1,143	993
FTE Reduction			

*Includes budget savings from Ex ER2

Description of Savings Proposal (Including interdependencies and risk)	
<p>At this stage, KAL has not identified the areas in which the savings will be achieved, however, KAL and the council will work together innovatively through a commissioning model within which the outcomes Kirklees Council wishes to see for its citizens and the rules of engagement are clearly specified. These will take account of the correlation between economic status and physical health and it is recognised that physical activity and the critical role leisure centres play in supporting a number of Kirklees' outcomes. This will enable KAL to deploy its expertise and capability in the leisure market to ensure those outcomes are met. KAL will have the flexibility as part of this arrangement to adjust its business plan to implement new ways of working and deliver the efficiencies needed. KAL has proven market knowledge and is uniquely placed to exploit the opportunities to secure new sources of income and the commissioning arrangement will empower KAL to optimise demand by tailoring its services to what is needed in each of its localities. As a strong and viable business, KAL's business plan has made provision for contingencies and has the financial strength to enable it to deliver what are challenging targets whilst delivering the commissioned outcomes.</p>	
Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<p>To deliver the level of savings required, KAL may seek to increase the price of some of its services and activities which may lead to issues of affordability and the council will seek to mitigate the impact of this by ensuring KAL has due regard to those on low incomes. As a service that is operating in a commercial market, it is in KAL's interest to ensure its pricing strategy remains competitive for its users.</p> <p>There may be some re-configuration of services as KAL begins to tailor its services to the requirements of each locality and the council and KAL will work together to ensure any disruption is minimised through careful planning and communication.</p>	
Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES - KAL's Chief Executive has been consulted and he has informed his trustees
Accountable Head of Service	Adele Poppleton

Service Director	Economy, Regeneration & Culture
Service Area	Kirklees Active Leisure (KAL)
Headline Proposal	Continuation of existing approach and reducing reduction of financial support to KAL
Reference	EX ER2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings			(50)
Cumulative Savings			(50)
Budget after Savings (Controllable Budget)*	1,098	1,098	948
FTE Reduction			

*Includes saving from Ex ER1

Description of Savings Proposal (Including interdependencies and risk)	
<p>At this stage, KAL has not identified the areas in which the savings will be achieved, however, KAL and the council will work together innovatively through a commissioning model within which the outcomes Kirklees Council wishes to see for its citizens and the rules of engagement are clearly specified. These will take account of the correlation between economic status and physical health and it is recognised that physical activity and the critical role leisure centres play in supporting a number of Kirklees' outcomes. This will enable KAL to deploy its expertise and capability in the leisure market to ensure those outcomes are met. KAL will have the flexibility as part of this arrangement to adjust its business plan to implement new ways of working and deliver the efficiencies needed. KAL has proven market knowledge and is uniquely placed to exploit the opportunities to secure new sources of income and the commissioning arrangement will empower KAL to optimise demand by tailoring its services to what is needed in each of its localities. As a strong and viable business, KAL's business plan has made provision for contingencies and has the financial strength to enable it to deliver what are challenging targets whilst delivering the commissioned outcomes.</p>	
Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<p>To deliver the level of savings required, KAL may seek to increase the price of some of its services and activities which may lead to issues of affordability and the council will seek to mitigate the impact of this by ensuring KAL has due regard to those on low incomes. As a service that is operating in a commercial market, it is in KAL's interest to ensure its pricing strategy remains competitive for its users.</p> <p>There may be some re-configuration of services as KAL begins to tailor its services to the requirements of each locality and the council and KAL will work together to ensure any disruption is minimised through careful planning and communication.</p>	
Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES - KAL's Chief Executive has been consulted and he has informed his trustees
Accountable Head of Service	Adele Poppleton

Service Director	Economy, Regeneration & Culture
Service Area	Planning
Headline Proposal	Planning Fees
Reference	EX ER3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(120)		
Cumulative Savings	(120)	(120)	(120)
Budget after Savings (Controllable Budget)	455	455	455
FTE Reduction			

Description of Savings (Including interdependencies and risk)
<p>Increased Planning Fees (£120k in year 1)</p> <p>We have generally seen an uplift in planning fees over the past few years. The increase has been driven by the volume of applications rather than an increase in base line fees (this was carried out nationally in 2011/12). As available land decreases then the key drivers of planning fees – major applications start to fall.</p> <p>DCLG introduced 20% increase at the end of the last financial year. This has increased planning fee income. However, the number of large applications has not been as significant due to the delay in adopting the local plan. In addition, the DCLG does need to be satisfied that staffing/resources do match the increased fees to ensure a quality of service. In anticipation of this increased workload, driven, in part, by the Local Plan adoption timescales as well as better fees, there has already been some increases in staff in certain areas. In particular, major developments, Highways Development Management and the area teams.</p> <p>Once adoption is in place we anticipate an up surge in applications and fees which will cover the £120k saving and additional staff costs.</p>

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>Risk - Planning applications and development activity reduces significantly as a result of delayed local plan.</p>

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Simon Taylor
-----------------------------	--------------

Service Director	Economy, Regeneration & Culture
Service Area	Markets
Headline Proposal	Closure of two markets and increased income
Reference	EX ER4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(40)		
Cumulative Savings	(40)	(40)	(40)
Budget after Savings (Controllable Budget)	(576)	(576)	(576)
FTE Reduction	0	0	0

Description of Savings Proposal (Including interdependencies and risk)
<p>This saving will be delivered through the closure of Heckmondwike and Holmfirth markets and by working smarter with cleansing costs through the use of a new compactor. The service will also explore the potential for increased income by reviewing the charges levied, for example for car boot sales (£2 extra per car); additional international market; and Sunday markets on New Street every Sunday.</p> <p>These proposals will increase the profit margin for Markets and enable the service to get nearer to reaching the income target set each year, but it will not deliver any contribution to the Council's savings target.</p>

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>Heckmondwike and Holmfirth markets have been under-performing for a number of years and so any impact on outcomes in those towns will be minor. Existing traders will be offered stalls in the remaining markets so their businesses should not be affected. Where there is capacity and appetite from the community for a community asset transfer, this will be explored.</p> <p>The additional international market and Sunday markets will contribute to achieving the outcome "Kirklees has sustainable economic growth and provides good employment for and with communities and businesses" by providing space for businesses to trade and increasing town centre vibrancy.</p>

Does this proposal require an Equality Impact Assessment?	Yes
Will this proposal require a Specific Service Consultation	Yes

Accountable Head of Service	Adele Poppleton
-----------------------------	-----------------

Service Director	Economy, Regeneration & Culture
Service Area	Creative Economy
Headline Proposal	Reduction in funding to Events Budget
Reference	NEW ER1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(100)		
Cumulative Savings	(100)	(100)	(100)
Budget after Savings (Controllable Budget)	256	256	256
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
Reduction in the Events budget which supports district wide festivals and participation in regional and national events.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
The impact will be that less can be commissioned in relation to events. With fewer events, there will be lower levels of cultural and town centre vibrancy and fewer opportunities to promote the district in a positive way unless funding can be sourced from partners, other funders and sponsors to help grow the events programme.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Naz Parkar
-----------------------------	------------

COMMERCIAL, REGULATORY & OPERATIONAL SERVICES

SERVICE ACTIVITY	18-19				18-19 NET		20-21		21-22	
	CONTROLLABLE GROSS EXPENDITURE £000	CONTROLLABLE INCOME £000	BUDGET £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	BUDGET PROPOSAL £000	MINUSES £000
Highways	24,622	(18,562)	6,060			6,060			6,060	
West Yorkshire Driver Training	4,419	(4,921)	(502)		501	(1)			(1)	
Seasonal Weather	1,234	(31)	1,203			1,203			1,203	
Waste Services	25,643	(7,805)	17,838			17,838			17,838	
Transport Services	5,237	(6,607)	(1,370)	(103)		(1,473)			(1,473)	
Bereavement Services	1,540	(3,223)	(1,683)	(50)		(1,733)			(1,733)	
Parks & Greenspaces	6,476	(3,581)	2,895	(25)		2,870	(50)		2,770	
Business & Enterprise Centres	749	(1,266)	(517)			(517)			(517)	
Building Control	616	(996)	(380)			(380)			(380)	
Commercialisation	551	(1,258)	(707)			(707)			(707)	
Local Land Charges	199	(273)	(74)			(74)			(74)	
Highways Registry	65	(50)	15			15			15	
Environmental Health	1,914	(730)	1,184			1,184			1,184	
School Facilities Management										
School Facilities Management - School Transport	2,646	(131)	2,515		1,000	3,515			3,515	
School Facilities Management - Catering/Assets	15,747	(17,522)	(1,775)	(55)		(1,830)	(55)		(1,885)	(55)
School Facilities Management - Cleaning	9,433	(9,004)	429	(25)		404			404	
Quality & Standards	155	(2)	153			153			153	
Total	27,981	(26,659)	1,322	(80)	1,000	2,242	(55)	0	2,187	(55)
Corporate Landlord	12,428	(3,672)	8,756	(300)	310	8,766			8,766	
Facilities Management										
Capital Delivery & Development	1,350	(2,196)	(846)			(846)			(846)	
Physical Resources & Procurement - Overheads	1,032	0	1,032			1,032			1,032	
Commercial portfolio	1,206	(2,903)	(1,697)			(1,697)			(1,697)	
Total	3,588	(5,099)	(1,511)	0	0	(1,511)	0	0	(1,511)	0

COMMERCIAL, REGULATORY & OPERATIONAL SERVICES

SERVICE ACTIVITY	18-19		18-19 NET CONTROLLABLE BUDGET £000	18-19 CONTROLLABLE INCOME £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
	CONTROLLABLE GROSS EXPENDITURE £000	BUDGET £000											
Town Halls & Public Halls	946	(838)	108	(50)	58		58			58			58
Car Parking	2,673	(5,935)	(3,262)	(750)	(4,012)	250	(3,762)					200	(3,562)
Cliffe House	424	(417)	7		7					7			7
Management & Regulatory Functions	1,505	0	1,505	(1,550)	705	250	955					250	1,205
TOTAL COMMERCIAL, REGULATORY & OPERATIONAL SERVICES	122,810	(91,923)	30,887	(2,908)	2,561	500	30,935	(105)	450	31,280	(105)	450	31,280

COMMERCIAL, REGULATORY & OPERATIONAL SERVICES - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000		
			2019-20	2020-21	2021-22
EXISTING MTFP MINUSES					
Transport Services	Smarter Practices/efficiencies	EX CR1	(103)		(103)
Bereavement Services	Additional income potential, 20%, through smarter marketing/product offer	EX CR2	(50)		(50)
Parks & Greenspaces	Cost Recovery on Services	EX CR3	(25)	(50)	(125)
Schools Facilities Management					
Schools Facilities Management - Catering/Assets	Meal Price Increase/reduced subsidy on Living Wage	EX CR4	(55)	(55)	(165)
Schools Facilities Management - Cleaning	Realignment to current performance	EX CR5	(25)		(25)
Corporate Landlord	New ways of working	EX CR6	(300)		(300)
Car Parking	Bus lane enforcement	EX CR7	(750)		(750)
			(1,308)	(105)	(1,518)
NEW MTFP MINUSES					
Town Halls	Introduce handling fee on Town Hall ticket sales,	NEW CR1	(50)		(50)
Management & Regulatory	Review bad debt policy	NEW CR2	(50)		(50)
	Review of contribution from HRA	NEW CR3	(1,500)		(1,500)
			(1,600)		(100)
TOTAL MINUSES FOR COMMERCIAL, REGULATORY & OPERATIONAL SERVICES			(2,908)	(105)	(1,618)

**COMMERCIAL, REGULATORY &
OPERATIONAL SERVICES - PLUSES**

Service Activity	Proposed Change	Savings Template Reference	£000			Total
			2019-20	2020-21	2021-22	
EXISTING MTFP PLUSES Car Parking	Bus lane enforcement	EX CR7		250	200	450
NEW MTFP PLUSES West Yorkshire Driver Training	Loss of driver training contract		501			501
Schools Facilities Management - Catering/Assets - School Transport	School transport pressure related to High Needs		1,000			1,000
Corporate Landlord	Fire Safety - new investment		310			310
Management & Regulatory	Council Infrastructure		750	250	250	1,250
TOTAL PLUSES FOR COMMERCIAL, REGULATORY & OPERATIONAL SERVICES			2,561	500	450	3,511

Service Director	Commercial, Regulatory and Operational Services
Service Area	Transport Services
Headline Proposal	Smarter practices/efficiencies
Reference	EX CR1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(103)		
Cumulative Savings	(103)	(103)	(103)
Budget after Savings (Controllable Budget)	(1,473)	(1,473)	(1,473)
FTE Reduction	3		

Description of Savings Proposal (Including interdependencies and risk)
Review of transport operations resulting in more efficient working practices including the release of current vacancies. This will include managing vacancies as a result of reduced provision at George Street, to be phased over a two year period in line with incoming lease vehicles.

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
Potential to have some impact on vehicle availability. There are risks associated with the change that demand from services may not be met therefore impacting on service delivery in front line areas. However, the impact will continue to be monitored via the service.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	David Martin
-----------------------------	--------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Bereavement Services
Headline Proposal	Additional income potential, through smarter marketing/ product offer
Reference	EX CR2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(50)		
Cumulative Savings	(50)	(50)	(50)
Budget after Savings (Controllable Budget)	(1,734)	(1,734)	(1,734)
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
Having reviewed the fees and charges in 2018 including a decision to not seek full cost recovery for burial services, the service is now considering the impact of this and looking at ways in which it can be more commercial in its operation in relation to opportunities and initiatives to provide smarter product offers and improved marketing of services available.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>Capital investment secured for the following:</p> <ul style="list-style-type: none"> • Replacement Cremators across both Huddersfield and Dewsbury crematoriums to commence early in 2019 and will run for 12 months. This is essential works to ensure machinery is robust and capable of meeting future operational needs. Existing cremators are prone to breakdown and some parts are now obsolete. New cremators will operate more efficiently. • Cemeteries – continue to develop under-utilised space and maximise capacity. • Memorialisation – consideration to a range of options that can generate income. • Offer competitive pricing, improved marketing and IT access to service (bookings, memorial purchases) to improve our offer. • Potential service change to ensure correct structure and skills to develop business element to service. This will be done in line with corporate guidelines and with Trade Union and employee engagement. <p>Political briefings and community engagement/planning to understand impact and encourage change.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Phil Deighton
-----------------------------	---------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Parks & Open Spaces
Headline Proposal	Cost recovery on services
Reference	EX CR3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(25)	(50)	(50)
Cumulative Savings	(25)	(75)	(125)
Budget after Savings (Controllable Budget)	1,805	1,755	1,705
FTE Reduction	0	0	0

Description of Savings Proposal (Including interdependencies and risk)
<p>Parks & Open Spaces provide a number of services to our partners Kirklees Neighbourhood Housing (KNH), from maintaining gardens to grounds maintenance on estates. These services have traditionally been provided with a significant subsidy and as such the service has commenced a programme of reviewing actual costs against any charges. This work was completed in 2018 and it is proposed to now pass through the full cost to KNH in 2021/22.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>It is proposed that there is full cost recovery to remove any cross subsidy of the HRA fund, but at the same time we will use our Volunteer Community Coordinators, Environment Strategy Unit and other such resources to design out costs and ensure value for money.</p> <p>The final level of saving will be dependent on the level of cost recovery that balances the benefits/outcomes with the resource pressures we face, but it is estimated at £125,000 by 2019/20.</p>

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Will Acornley
-----------------------------	---------------

Service Director	Commercial and Operational Regulatory Services
Service Area	School Facilities Management – Catering/Assets
Headline Proposal	Meal price increase/reduced subsidy on living wage
Reference	EX CR4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(55)	(55)	(55)
Cumulative Savings	(55)	(110)	(165)
Budget after Savings (Controllable Budget)	(2,239)	(2,294)	(2,349)
FTE Reduction			

Description of Savings proposals (including interdependencies and risk)

People in Kirklees have aspirations and achieve their ambitions through education, training, employment and lifelong learning.

Our school meals catering service is a significant local employer with provision of a good quality school meals service that includes the provision of two courses and a drink to children entitled to free school meals at its core.

2019/20

Increase the price of a meal by 5p to deliver standstill budget.

Infant free school meal (UIFSM), which accounts for 44% of the primary school meals served, has remained fixed for three years. The inability to recover inflation on universal free school meals generates a further £70,000 pressure on the service.

2019/20 onwards

By 2020, national living wage (NLW) uplifts will mean the commercial sector pay levels align to the 'local' NLW levels paid to council staff. The proposal is to implement a phased reduction to the subsidy by passing on costs to schools across a three year period. However the council will continue to support schools at this time by not passing on the proposed bottom loaded pay award.

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Recovering NLW costs from maintained schools as a part of their current SLA charge could lead to contract loss as school budgets are already stretched. Schools would incur an increase charge per pupil of £1.72 per annum. For example, a school with 200 pupils on the roll would incur an additional charge of £344 in the first year rising to £1,034 by the third. There is a small risk that schools will as a result of passing on the costs choose to retender their contracts. Close monitoring of contract retention will need to happen over the three year period.

The service continues to mitigate inflationary pressures by striving to improve operational efficiencies and productivity.

Does this proposal require an Equality Impact Assessment?

YES

Will this proposal require a Specific Service Consultation

NO

Accountable Head of Service

Phil Deighton

Service Director	Commercial, Regulatory & Operational Services
Service Area	Schools Facilities Management – Cleaning
Headline Proposal	Realignment to current performance
Reference	EX CR5

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(25)		
Cumulative Savings	(25)	(25)	(25)
Budget after Savings (Controllable Budget)	780	780	780
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
Proposals include reduced council subsidy on living wage, reduction of relief staffing levels, and from 2019/20, £25k reduced staff hours through efficiency savings.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
As the Council rationalises its accommodation and occupies fewer buildings, the saving will be delivered. However, if this were to happen at a faster rate than expected, there would be an impact on overall controllable surplus for the Caretaking & Cleaning service. Staff will be offered alternative hours to reduce the impact of the efficiencies in line with council procedures.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	David Martin
-----------------------------	--------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Corporate Landlord
Headline Proposal	New ways of working
Reference	EX CR6

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(300)		
Cumulative Savings	(300)	(300)	(300)
Budget after Savings (Controllable Budget)	9,276	9,276	9,276
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>Reduced facility management repairs budget by £200k. The council will continue to adopt a prudential approach to repairs and the most efficient deployment of capital and revenue funding.</p> <p>The number of operational assets is projected to reduce. Asset disposal programme £100k: a further batch of assets is to be brought forward to dispose in 2019/20 that will release further revenue savings.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>The budget savings are linked to the transformation of the council and the delivery of a number work streams. The reduced unplanned maintenance budget will be focused on strategic priorities and support service delivery.</p>

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	David Martin
-----------------------------	--------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Parking
Headline Proposal	Bus lane enforcement
Reference	EX CR7

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(750)	250	200
Cumulative Savings	(750)	(500)	(300)
Budget after Savings (Controllable Budget)	(4,012)	(3,762)	(3,562)
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>The Council is committed to improving the flow of traffic and encouraging and supporting more sustainable choices of transport.</p> <p>The proposal is to review how the operation of existing bus lanes across the district’s key route network contribute to economic impact and improving air quality.</p> <p>This may include incentivising greener modes of travel, the de-commissioning of certain sections of bus lanes and/or introducing enforcement charges on lanes/sections of lanes where driver behaviour results in contravention or parking in the bus lane.</p> <p>The deliverability of the proposal will be measured via a robust implementation plan and will require legal consultations and notices.</p> <p>The proposals are likely to require a one-off capital investment.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>The Council is looking to ensure those bus lanes in operation have an ongoing strategic fit.</p> <p>The introduction of camera monitoring of traffic regulations is intended to reduce the level of contraventions and so reduce delays on the highway network. A lack of enforcement of the bus lanes leads to the misuse of these and subsequently has an adverse effect on public transport, journey times and congestion.</p> <p>The scheme aims to improve the reliability of bus services, deter unauthorised vehicles, improve air quality, and encourage the use of more sustainable transport modes, particularly bus patronage and cycling.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	YES

Accountable Head of Service	Phil Deighton
-----------------------------	---------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Management & Regulatory
Headline Proposal	Income Generation Initiatives
Reference	NEW CR1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(50)		
Cumulative Savings	(50)	(50)	(50)
Budget after Savings (Controllable Budget)	336	336	336
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>To apply a booking handling fee of 10% per ticket on all Town Hall ticket sales. This is a proportionate charge to be applied to the face value of each ticket. Currently a £1.00 per ticket charge is currently levied on all tickets with a value of £12.00 or more.</p> <p>Neighbouring authorities currently levy charges of 6% on all ticket sales or apply a theatre support or booking fee ranging from £1.20 - £1.75.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>Through the application of a proportionate charge to the face value of each ticket sold by the Council will result in a lesser fee for lower priced events.</p> <p>By applying a 10% fee across the range of events where tickets are sold by the Council on behalf of other groups will result in a more fair way of distributing the charge to minimise the impact on smaller amateur dramatic groups and lower priced events.</p>

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Karl Battersby
-----------------------------	----------------

Service Director	Commercial, Regulatory & Operational Services
Service Area	Management & Regulatory
Headline Proposal	Income Generation Initiatives
Reference	NEW CR2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(50)		
Cumulative Savings	(50)	(50)	(50)
Budget after Savings (Controllable Budget)	N/A	N/A	N/A
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
To review our current policy to develop a more efficient approach to income collection in order to reduce bad debt.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
To review policy and to revise back office procedures and processes in order to take upfront payment for services wherever possible.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Karl Battersby
-----------------------------	----------------

Directorate	Commercial, Regulatory and Operational
Service Area	Management & Regulatory
Headline Proposal	Increased HRA contribution for services bought-in
Reference	NEW CR3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(1,500)		
Cumulative Savings	(1,500)	(1,500)	(1,500)
Budget after Savings (Controllable Budget)	N/A	N/A	N/A
FTE Reduction	-	-	-

Description of Savings Proposal (Including interdependencies and risk)
Organisational review of general fund services 'bought-in' by the Housing Revenue Account (HRA) that contribute to the Council's landlord responsibilities to Council tenants. This also includes services charged to Kirklees Neighbourhood Housing (KNH), which are also paid for by HRA. The majority of these services bought-in reside in Economy & Infrastructure, but also include some in other Directorates as well, both front line and back office activity. This exercise has reviewed existing charges to HRA to ensure full cost recovery, and that the charges are reasonable and appropriate. Overall, the exercise has identified scope to increase existing charges by about £1.5m per annum from current.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
None. The resourcing implications for HRA/KNH Fee are factored into the longer term HRA business plan and can be accommodated within projected HRA resources without any service impact.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Helen Geldart
-----------------------------	---------------

POLICY, INTELLIGENCE & PUBLIC HEALTH

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
PUBLIC HEALTH												
<u>Health Protection Services</u>												
Sexual Health	3,946	0	3,946	(100)		3,846			3,846	(423)		3,423
Health Checks	279	0	279			279			279			279
Health Protection	496	(38)	458			458			458			458
Child Measurement	14	0	14			14			14			14
Total	4,735	(38)	4,697	(100)	0	4,597	(100)	0	4,597	(423)	0	4,174
Substance Misuse	5,887	(278)	5,609	(100)		5,509			5,509	(400)		5,109
Obesity	173	0	173	(17)		156			156			156
Physical Activity	354	0	354	(17)		337			337			337
Smoking & Tobacco	569	0	569			569			569			569
5-19 Public Health	1,485	0	1,485			1,485			1,485			1,485
0-5 Public Health	0	0	0			0			0			0
Health Improvement	6,860	0	6,860	(69)		6,791			6,791			6,791
Health at Work	4	0	4			4			4			4
Public Mental Health	6	0	6			6			6			6
Corporate Health & Safety	6,870	0	6,870	(69)	0	6,801		0	6,801	0	0	6,801
Emergency Planning Team	161	(40)	121			121			121			121
Management & Regulatory Functions	276	(107)	169			169			169			169
Public Health Grant for Public Health activity within Policy, Intelligence & Public Health	688	0	688			688			688			688
Public Health Grant for recommissioning activity Council wide	0	(19,928)	(19,928)	(823)	675	(20,076)		19,253	(823)		823	0
Public Health Grant for recommissioning activity Council wide	0	(6,052)	(6,052)			(6,052)		6,052	0			0
Total Public Health	21,198	(26,443)	(5,245)	(1,126)	675	(5,696)	(1,126)	0	19,609	(823)	823	19,609
Communities Plus												
Healthwatch	25	0	25			25			25			25
Cohesion	280	0	280			280			280			280
Voluntary Sector Support	1,216	(224)	992			992			992			992
Total	1,521	(224)	1,297	0	0	1,297	0	0	1,297	0	0	1,297

POLICY, INTELLIGENCE & PUBLIC HEALTH

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSES £000	21-22 BUDGET PROPOSAL £000
Community Safety Hub												
Safer Kirklees	1,032	(497)	535			535			535			535
Vulnerable Persons Scheme	30	0	30			30			30			30
Total	1,062	(497)	565	0	0	565	0	0	565	0	0	565
Prevent	306	(127)	179			179			179			179
Intelligence	1,869	(367)	1,502		130	1,632			1,632			1,632
TOTAL POLICY, INTELLIGENCE & PUBLIC HEALTH	25,956	(27,658)	(1,702)	(1,126)	805	(2,023)	0	25,305	23,282	(823)	823	23,282

POLICY, INTELLIGENCE & PUBLIC HEALTH - MINUSES

Service Activity	Proposed Change	Savings Reference	£000			
			2019-20	2020-21	2021-22	Total
<u>EXISTING MTFP MINUSES</u>						
<u>Public Health</u>						
Sexual Health	Incorporating additional schemes into Integrated Sexual Health Services Main Contract	EX PI1	(100)		(423)	(523)
Substance Misuse	Reducing payments in Primary Care and ongoing contract efficiencies	EX PI2	(100)		(400)	(500)
Obesity	Incorporating additional schemes into Healthy Child Programme main contract	EX PI3	(17)			(17)
Physical Activity	Incorporating additional schemes into Healthy Child Programme main contract	EX PI4	(17)			(17)
Miscellaneous	Incorporating additional schemes into Healthy Child Programme main contract	EX PI5	(69)			(69)
<u>NEW MINUSES</u>						
Public Health Grant	Public Health savings deferred funded by use of reserve (see pluses sheet)		(303)		(823)	(1,126)
			(823)			(823)
TOTAL MINUSES FOR POLICY, INTELLIGENCE & PUBLIC HEALTH			(1,126)	0	(823)	(1,949)

POLICY, INTELLIGENCE & PUBLIC HEALTH - PLUSES

Service Activity	Proposed Change	Savings Reference	£000			
			2019-20	2020-21	2021-22	Total
EXISTING MTFP PLUSES						
<u>Public Health</u> Public Health Grant	Government grant funding reduction		675			675
NEW PLUSES						
<u>Public Health</u> Public Health Grant	Public Health grant unringfenced and rolled into Business Rates Retention			25,305		25,305
Intelligence	Business intelligence - new investment		130			130
Public Health Grant	Public Health savings deferred funded by use of reserve (see minuses sheet)				823	823
			130	25,305	823	26,258
TOTAL PLUSES FOR POLICY, INTELLIGENCE & PUBLIC HEALTH			805	25,305	823	26,933

Service Director	Policy, Intelligence & Public Health
Service Area	Sexual Health
Headline Proposal	Incorporating Additional Schemes into Integrated Sexual Health Services Main Contract
Reference	EX PI1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(100)		(423)
Cumulative Savings	(100)	(100)	(523)
Budget after Savings (Controllable Budget)	3,846	3,846	3,423
FTE Reduction	N/A	N/A	N/A

Description of Savings Proposal (Including interdependencies and risk)
<p>The current contract is due to end on 31/03/2021 and a new service will be commissioned and procured with a start date of 01/04/2021.</p> <p>Original savings of £523k were due to be found in 2019/20 but these will be staggered until 2021/22 by using Public Health reserves to alleviate the pressure until then. £100k will be found in 2019/20 from unplanned variances on other budget headings which will allow partial savings to be made.</p> <p>Work has begun with the current providers in order to determine the impact on services and identify any potential risks from the reduced budget in 2021/22 and ensure that the new model takes this into consideration.</p> <p>Possible exploration of savings to be found in 2021/22 will be through the following:</p> <ul style="list-style-type: none"> • Review the HIV prevention element by working with the provider to find contract efficiencies • Reducing tariff prices in primary care and expanding the spokes from the integrated service to ensure maximum coverage across Kirklees • Greater focus and emphasis on early intervention and prevention. This will reduce the need for more costly clinical interventions later on in the treatment journey <p>Risks:</p> <ul style="list-style-type: none"> • GP prescribing in primary care may decrease due to a reduction in tariff prices, which would result in higher demand in the main service and increased waiting times. • Out of area payments are out of our control and hence may increase.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

We may see an increase in HIV late diagnosis. In order to mitigate against this we will look to increase investment in rapid HIV testing.

In order to mitigate against the risks to the main integrated service we will work with the provider to refocus the service on high risk groups.

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO
Accountable Head of Service	Emily Parry-Harries

Service Director	Policy, Intelligence & Public Health
Service Area	Substance Misuse
Headline Proposal	Reducing payments in Primary Care and Ongoing Contract Efficiencies
Reference	EX PI2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(100)		(400)
Cumulative Savings	(100)	(100)	(500)
Budget after Savings (Controllable Budget)	5,515	5,515	5,115
FTE Reduction	N/A	N/A	N/A

Description of Savings Proposal (Including interdependencies and risk)

The current contract is due to end on 31/03/2021 and a new service will be commissioned and procured with a start date of 01/04/2021.

Original savings of £500k were due to be found in 2019/20 but these will be staggered until 2021/22 by using Public Health reserves to alleviate the pressure until then. £100k will be found in 2019/20 from unplanned variances on other budget headings which will allow partial savings to be made.

Work has begun with the current providers in order to determine the impact on services and identify any potential risks from the reduced budget in 2021/22 and ensure that the new model takes this into consideration.

Possible exploration of savings to be found in 2021/22 will be through the following:

- Working with the provider to find efficiencies via a whole integrated system approach (the provider is now responsible for managing the full integrated substance misuse provision including services in primary care and acute care)
- Greater focus and emphasis on early intervention and prevention. This will reduce the need for more costly clinical interventions later on in the treatment journey.

Risks:

The implications of further reduction will be assessed to ensure the viability of the service is not threatened.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

We propose that a new model will be co-produced with the current providers; identified risk will be explored and mitigated as the model develops in more detail.

Planning and detailed discussions with the provider will ensure that any risks identified will be managed in preparation for the savings (2021/22).

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Emily Parry-Harries
-----------------------------	---------------------

Service Director	Policy, Intelligence & Public Health
Service Area	Obesity, Physical Act, Healthy Child
Headline Proposal	Incorporating Additional Schemes into Healthy Child Programme
Reference	EX PI3 (Obesity) PI4 (Physical Act) and PI5 HCP

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(103)		
Cumulative Savings	(103)	(103)	(103)
Budget after Savings (Controllable Budget)	7,296	7,296	7,296
FTE Reduction	N/A	N/A	N/A

Description of Savings Proposal (Including interdependencies and risk)
<p>Savings are proposed from the following programme areas:</p> <p>2019/20</p> <ul style="list-style-type: none"> • Obesity & Physical Activity (START) - (£34k) • Nutrition Initiative - Food for Life (£18k) • Auntie Pam's support for mums-to-be and families (£15k) • Nutrition FINE (Food Initiative Nutritional Education) (£36k) <p>Obesity and Physical Activity - (START)</p> <p>The START service is being redesigned, which will accommodate a reduction in budget by applying a system-wide approach to focus on the following:</p> <ul style="list-style-type: none"> • Early intervention – intervening at the earliest possible opportunity to ensure that future parents understand the importance of healthy weight. • Addressing the social norm that has developed due to the majority of the population now being an unhealthy weight, resulting in people being unable to recognise healthy weight. This includes both the population and the workforce. • Working in conjunction with partners to ensure that every opportunity is taken to integrate learning about healthy weight into existing programmes of work. • Working co-productively with families to develop pathways and interventions to assist them to achieve and maintain healthy weight as a family. This will include working with existing providers to ensure that their offer is accessible and appealing to target families. • Working to upskill the staff who are in contact with families, to ensure that they are confident to introduce the subject of weight into their conversations with parents, and to offer appropriate advice and signposting. <p>This proposal relies upon the interdependencies between START and Thriving Kirklees, FINE project, Community Hubs and Early Help Team.</p>

The risk associated with this proposal is that parents do not engage with the service. This risk has always existed when commissioning weight management services. This service will incorporate enough flexibility to ensure that it accommodates for the needs of service users.

Nutrition Initiative - Food for Life

The Food for Life contract ended September 2017 and was not renewed. Please see below for future plans.

Auntie Pam's support for mums-to-be and families

When the Healthy Child Programme (HCP) was being developed Auntie Pam's was considered as an interdependent service within that programme. However, because of subsequent HCP partnership developments, Auntie Pam's was not included in the final submission.

A key element in the initial development of the service was to ensure value for money delivery, not replicating heavy spending services that were then developed by NHS and Council. As the service is volunteer-led, staffing costs would continue to be low and a programme of work, co-produced, to reduce the on-costs of the service will be conducted which will include the exploration of co-location with other services.

Nutrition FINE (Food Initiative Nutritional Education)

Discussions will commence next calendar year with FINE to identify specifically where savings can be made in 2019/20. This could affect the outputs and outcomes that the service can deliver. However we will seek to mitigate the impact of the budget reduction as described below.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Obesity and Physical Activity - (START)

The service is being redesigned to mitigate for any negative outcomes by applying a much broader, system-wide approach to tackling childhood obesity. This should result in greater impact by resulting in fewer children presenting as overweight or obese at Reception Year - the first weighing and measuring point for children as part of the National Child Measurement Programme.

Nutrition Initiative - Food for Life and Nutrition FINE (Food Initiative Nutritional Education)

Public Health is currently reviewing the Food Strategy to ensure a system-wide strategic approach to food and nutrition. The strategy will ensure that available resources are better targeted with a focus on those populations in the greatest need/with the least healthy diets, critical stages of child development and malnutrition in later life.

The work programme will cover both policy and interventions. It will include Public Health and FINE staff working with partners to develop the capacity and capability of wider staff and community members to support them to improve diet and nutrition related outcomes for the people of Kirklees. The staff and community members that we will work with include those in Thriving Kirklees, Start (children’s weight management service), Schools as Community Hubs and staff from local hot food takeaways. The work programme will include embedding the principles of Food for Life in school settings. Interdependencies also exist between nutrition initiatives and the new Wellness Model to be commissioned.

Auntie Pam’s support for mums-to-be and families

To ensure the impact on outcomes and service provision is minimised, the focus will be on co-location of services which will ensure that interventions presently delivered will continue.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Emily Parry-Harries
-----------------------------	---------------------

CORPORATE SERVICES

SERVICE ACTIVITY	18-19		18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSSES £000	19-20		20-21		21-22	
	CONTROLLABLE GROSS EXPENDITURE £000	BUDGET £000					BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000
Democracy												
Ward Based Activity	460	0	0	460			460					460
Elections	452	0	0	452	(122)		330					330
Electoral Registration	476	(8)	(8)	468			468					468
Civic Office	45	0	0	45			45					45
Governance Core	1,545	(173)	(173)	1,372			1,372					1,372
Councillors Allowances	1,438	0	0	1,438			1,438					1,438
Information Governance	121	0	0	121		200	321					321
Total	4,537	(181)	(181)	4,356	(122)	200	4,434	0	0	0	0	4,434
Corporate Governance, Management & DRM												
	628	(496)	(496)	132			132					132
Communications & Marketing												
	882	(302)	(302)	580			580					580
Policy Unit												
	497	(23)	(23)	474			474					474
Transformation Team												
	0	0	0	0	(859)		(859)					(859)
Human Resources Professional Service												
	3,761	(1,184)	(1,184)	2,577			2,577					2,577
Risk												
	581	(379)	(379)	202			202					202
Legal Services												
	1,971	(511)	(511)	1,460	(122)		1,338	(121)				1,217
Procurement												
	530	(209)	(209)	321			321					321
Finance & Accountancy												
	4,513	(1,631)	(1,631)	2,882	(301)	0	2,581	(100)	0			2,381
IT												
	12,138	(2,317)	(2,317)	9,821	(1,360)	650	10,471	(1,360)				9,111
Welfare & Exchequer												
	4,338	(2,870)	(2,870)	1,468			1,468					1,468
Income Collection - Welfare & Exchequer	5,482	(499)	(499)	4,983	(50)		4,933	(50)				4,883
Welfare & Complimentary Benefits	108,727	(108,808)	(81)	(81)			(81)					(81)
Total	118,547	(112,177)	(112,177)	6,370	(50)	0	6,320	(50)	0	0	0	6,270
Management & Regulatory Functions												
	1,300	143	143	1,443	(250)	0	1,193	0	0	0	0	1,193
TOTAL CORPORATE SERVICES	149,885	(119,267)	(119,267)	30,618	(1,704)	850	29,764	(1,631)	0	28,133	(100)	28,033

CORPORATE SERVICES - MINUSES

Service Activity	Proposed Change	£000			
		Savings Template Reference	2019-20	2020-21	2021-22
EXISTING MTFP MINUSES					
<u>Democracy</u> Elections	Smoothing adjustment to reflect cycle of elections		(122)		(122)
<u>Access, Strategy & Delivery</u> Transformation Team	Reduction in sickness absence	EX CS1	(859)		(859)
Legal Services	Further saving to be identified	EX CS2	(122)	(121)	(243)
Finance & Accountancy	Efficiency savings	EX CS3	(201)		(201)
HD-One: Financial & HR Transactional Services	Efficiency savings	EX CS3		(100)	(200)
IT	IT Efficiency Savings	EX CS4		(1,360)	(1,360)
<u>Welfare & Exchequer</u> Welfare & Complimentary Benefits	More Automation of back office services	EX CS5	(50)	(50)	(100)
HD-One: Financial & HR Transactional Services	Income generation	EX CS6	(100)		(100)
NEW MTFP MINUSES					
Management & Regulatory	Strategy & Commissioning Review	NEW CS1	(250)		(250)
			(1,454)	(1,631)	(3,185)
TOTAL MINUSES FOR CORPORATE SERVICES			(1,704)	(1,631)	(3,435)

CORPORATE SERVICES - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			Total
			2019-20	2020-21	2021-22	
EXISTING MTFP PLUSES						
IT	Capitalisation of digital scheme staffing		650			650
NEW MTFP PLUSES						
Information Governance	New investment		200			
TOTAL PLUSES FOR OFFICE OF THE CHIEF EXECUTIVE			850	0	0	650

Directorate	Corporate Services
Service Area	Transformation Team
Headline Proposal	Reduction in sickness absence
Reference	EX CS1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(859)		
Cumulative Savings	(859)	(859)	(859)
Budget after Savings (Controllable Budget)	N/A	N/A	N/A
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>Proposal to reduce the current level of staff sickness through a variety of interventions, including delivering the people strategy.</p> <p>This assumes that all of the cost of sickness can be saved, not just the cost of agency cover, as it eliminates the cost associated with retention of staff capacity to cover sickness absence.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Andy Simcox
-----------------------------	-------------

Service Director	Legal, Governance & Commissioning
Service Area	Legal Services
Headline Proposal	Further savings to be identified
Reference	EX CS2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(122)	(121)	
Cumulative Savings	(122)	(243)	(243)
Budget after Savings (Controllable Budget)	1,338	1,217	1,217
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)

The original MTFP setting out the additional planned savings for Legal Services assumed that there might be a reduction in demand for legal services as other service areas were cut but it highlighted the risk of this not happening.

The reduction in demand hasn't materialised from the intelligence we have on time recording / case management information, discussion with service areas and spend on legal matters as well as cases open. In some cases the demand has increased, and there are pressure areas in children's and adult's services as well as an increase in property work (to increase capital receipts) and information governance.

We have enabled some services to undertake legal work that was previously done by Legal Services - for example some prosecutions, some lower value contracts/ procurement and we are looking at other areas where we can do this as set out in EX RE1 (past year) but this process is dependent on other services being willing and having the resources to do this.

Ultimately we don't control demand - it arises from service areas.

We are continuing to look at ways in which we can reduce the overall corporate cost of legal services to the Council. As noted below a significant amount of spend on legal support is external where the budget is held elsewhere. We are reviewing areas where it would be better to do this differently and reduce the overall corporate spend

Spend elsewhere as follows:

	Barrister & Ext Solicitors	All other disbs*
2016/2017	£999,970	£921,600
2017/2018 to end Nov	£962,343	£629,180

*this includes a wide range of costs linked to the matter e.g. search fees, court fees, assessment reports, medical reports.

We operate two frameworks across West Yorkshire for using external solicitors and barristers to keep costs competitive. We also use other frameworks where we can to get best value for money.

2019/20 and 2020/21

As above for 2018/19. The savings here are again dependent on reduced service area demand and the likely need for legal support across the Council. These are more difficult to foresee and are not controlled by Legal Services.

Interdependencies and Risk

Demand for legal support isn't decreasing overall. Although it fluctuates across legal work types there is no discernible reduction in demand overall.

The impact of Ofsted and Commissioner work is now known and will for the short to medium term be likely to impact on the support for Children's Services work which is a potential and significant risk area. There is the possibility we may need to fill new posts to support Children's Services during this period to reduce the cost of external legal spend.

There are other pinch areas – for example Adult Social Care, Special Educational Needs.

Staff absence (maternity leave) needs to be covered either by a temporary replacement or a locum or by external solicitors. This was previously offset by vacancies on the establishment but there are no longer any such vacancies as they were used to make previous savings. Parts of the service are operating much reduced staffing levels.

There are risks that costs will continue to be passed to Local Authorities to deal with and manage - for example Judiciary – continue to pass on costs to public sector to save costs e.g. drafting orders.

Historic external trading target (£180k) needs adjustment to reflect what is achievable. The original target was set more than 10 years ago when Legal Services were a traded service and when there was significant work from WYTS, KNH, schools and academies. Due to structural and economic changes outside the Council that is no longer the case and the retention of this target in the Legal Services budget significantly distorts the reported financial performance of the service.

Further work is needed to consider the current budget for external income and the ability with less staff to achieve that. There is a significant risk that this won't be achieved.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

We need to look at the corporate cost of legal support and how we can do things differently to reduce cost.

Service is largely demand driven. Reducing staff numbers any further is not cost effective and is likely to result in increased use of external lawyers at greater cost or create an unacceptable level of risk of an impaired quality of service .

Alternatively we may need to take a corporate decision (where it is appropriate) not to do some things. We can make suggestions about how we manage matters and deal with cases / advice that comes through but ultimately cases are impacted by strategic decisions / policy/ day to day activities of the Council.

Obvious synergy with approach to risk/commissioning approach moving forwards.

The Ofsted review/ Commissioner decision is now known as noted above. It will give an opportunity to review how we work together with Children’s Services. This area of work represents about half of the demand for legal support.

Services will need to do more themselves and recognise when the best time to seek support is. We will continue to help services to do this e.g. low value contracts, non-contested prosecutions and identify other areas.

The West Yorkshire Legal Framework (WYLAW) framework for Solicitors has recently been retendered. We need to ensure we will continue to move towards more effective collaboration across WYLAW.

We corporately need to improve recording of disbursements across service areas.

Potential for better use of IT by the Courts. The new approach would transfer information to court electronically. Impact on paper lite policies and data protection risks

Improvements to case management system across Legal Services to move towards a more paper lite approach

Consider opportunities to improve external trading but subject to earlier comments.

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Julie Muscroft John Chapman Karl Larrad Margaret Miller
-----------------------------	--

Service Director	Finance, IT & Transactional Services
Service Area	Finance & Accountancy
Headline Proposal	Efficiency savings
Reference	EX CS3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental savings (Existing)	(201)	(100)	(100)
Cumulative Savings	(201)	(301)	(401)
Budget after Savings (Net Controllable Budget)	2,618	2,518	2,418
FTE Reduction	7.5	2.5	

Description of Savings Proposal (Including interdependencies and risk)
<p>Savings of £201k in the accountancy function through the expanded rollout and development of SAP functionality to support core budget manager competency and skills through direct reporting access to key financial information, and through greater financial process automation. Savings also underpinned by smarter and prioritised use of available professional capacity to ensure delivery of key statutory accounting and service requirements based on relative complexity and risk.</p> <p>The balance of £200k savings relates to HD-One, which is the Council's centre of excellence for the provision of payroll, payment processing and organisational infrastructure required to support the efficient running of the Council's core business system, SAP.</p>

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
<p>There is reliance on IT colleagues for continued SAP support, maintenance and development, including associated transactional processes.</p> <p>Turnover of staff who support key specialist /technical accounting roles will be mitigated by effective forward and succession planning to ensure that statutory accounting and organisational requirements are met over the medium term.</p>

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	James Anderson
-----------------------------	----------------

Service Director	Finance, IT & Transactional Services
Service Area	Information Technology
Headline Proposal	IT Efficiency Savings
Reference	EX CS4

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings		(1,360)	
Cumulative Savings		(1,360)	(1,360)
Budget after Savings (Controllable Budget)	10,581	9,221	9,221
FTE Reduction		28	

2020/21

IT and Change Service Review
Contract Review & Renegotiation (Phase 2)

Dependencies

Mobile and Agile Programme,
Digital by Design Programme,
SAP Support Self Sufficiency
Network Support Switches to BAU
Rightsizing post-transformation
Smaller Council
Automation of IT support
Reduced Application Portfolio
Simplified development methods

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

- Frontline IT services will be automated / self service at first point of contact
- Reduction in out of hours support cover / availability due to better automation
- Onsite call response reduction due to less frequency of calls
- Contracted level of service reduced
- Reduced capacity of the service

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Terence Hudson
-----------------------------	----------------

Service Director	Finance, IT & Transactional Services
Service Area	Welfare and Exchequer - Welfare & Complimentary Benefits
Headline Proposal	More Automation of back office services
Reference	EX CS5

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(50)	(50)	
Cumulative Savings	(50)	(100)	(100)
Budget after Savings (Controllable Budget)	3,893	3,843	
FTE Reduction	2	2	

Description of Savings Proposal (Including interdependencies and risk)
<p>Review of welfare and complimentary benefits staffing, in light of changes to automation, caseload changes and implementation of Universal Credit (UC) in Kirklees. (UC rollout will run until at least 2023.)</p> <p>Statutory Service - this proposal will potentially impact on some of the most vulnerable people in Kirklees. The migration to Universal Credit (UC) is a national process run by the Department for Work and Pensions, the migration of working age Housing Benefit claimants to UC has already started in Kirklees for single people in June 2015. November 2017 saw the start of couples UC migration in Kirklees. The Council already has procedures in place to assist residents with the changes including "Advice Kirklees".</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
See above

Does this proposal require an Equality Impact Assessment?	YES
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Steven Bird
-----------------------------	-------------

Service Director	Finance, IT & Transactional Services
Service Area	Finance & Accountancy
Headline Proposal	Income generation
Reference	EX CS6

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings (New)	(100)		
Cumulative Savings	(100)	(100)	(100)
Budget after Savings (Net Controllable Budget)	912	912	912
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
This proposal relates to HD-One, the Council's centre of excellence for the provision of payroll, payment processing, and organisational infrastructure required to support the efficient running of the Council's core business system, SAP. The proposal relates both to potential new charging opportunities for work provided for non-general fund activity, and as well a review of current recharge income to ensure all reasonable costs are recovered from existing work provided in relation to non-general fund activity.

Potential impact on outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes
None

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Eamonn Croston
-----------------------------	----------------

Service Director	Corporate Services
Service Area	Management & Regulatory
Headline Proposal	Strategy & Commissioning Review
Reference	NEW CS1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(250)		
Cumulative Savings	(250)	(250)	(250)
Budget after Savings (Controllable Budget)	N/A	N/A	N/A
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>The Review of the Council's Strategy and Commissioning functions will be focused on improving the effectiveness and value of corporate functions and processes, in governance, strategic planning, assurance, resource management and support services.</p> <p>The intended result is to increase impact and value of services delivered, and address any gaps in capacity and quality. By improving processes and internal capacity, there will be productivity gains and reduced need to draw on external support. In addition, proposals for greater integration of functions will give options for improved efficiency.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes

Does this proposal require an Equality Impact Assessment?	NO
Will this proposal require a Specific Service Consultation	NO

Accountable Head of Service	Rachel Spencer-Henshall
-----------------------------	-------------------------

CENTRAL BUDGETS

SERVICE ACTIVITY	18-19 CONTROLLABLE GROSS EXPENDITURE £000	18-19 CONTROLLABLE INCOME £000	18-19 NET CONTROLLABLE BUDGET £000	MINUSES £000	PLUSSES £000	19-20 BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	20-21 BUDGET PROPOSAL £000	MINUSES £000	PLUSSES £000	21-22 BUDGET PROPOSAL £000
Treasury Management	23,824	(1,063)	22,761	(11,451)	669	11,979	(889)	7,490	18,580		2,351	20,931
General Contingencies	744	(535)	209	(289)	1,504	1,424	(5)	1,600	3,019	(4)		3,015
Inflation	(470)	0	(470)	(1,200)	5,802	4,132	(1,300)	4,050	6,882	(1,300)	4,050	9,632
Central Pension & Related Costs	2,107	(314)	1,793			1,793			1,793			1,793
Joint Committees	19,814	0	19,814	(386)	160	19,588	(190)		19,398		367	19,765
TOTAL CENTRAL BUDGETS	46,019	(1,912)	44,107	(13,326)	8,135	38,916	(2,384)	13,140	49,672	(1,304)	6,768	55,136

CENTRAL BUDGETS - TECHNICAL ADJUSTMENTS

Service Activity	Proposed Change	£000		
		2019-20	2020-21	2021-22
General Contingencies	Insurance Fund - re-base service insurance premia budgets Decrease in general contingencies budgets required PFI prepayment base budget	1,000 (22) 300		
Inflation	Review of superannuation rate Parish Council grant	(63)	1,600 (5)	(4)
Treasury Management	Future years inflation requirement Review of treasury management budget aligned to future capital expenditure borrowing requirements and wider treasury management strategy MRP - phased release to support High Needs pressures MRP - release for mental health budgets MRP - reprofiled	4,602 18	2,750 (199)	2750 1,351
Joint Committees	Transport Levy Contribution Review – Combined Authority	(5,000) (1,400) (4,400)	1,000 1,400 4,400	1000
		(226)	(190)	367
TOTAL TECHNICAL ADJUSTMENTS FOR CENTRAL BUDGETS		(5,191)	10,756	5,464
				11,029

HRA Revenue Budget Summary

ACTIVITY	2018-19 Net Controllable Budget		Budget Total 2019-20		Budget Total 2020-21		Budget Total 2021-22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & Maintenance	22,800	(1,558)	22,242	(342)	21,900	0	21,900	0
Housing Management	13,622	(500)	13,122	0	13,122	0	13,122	0
Policy & Management	2,493	(30)	3,463	0	3,463	0	3,463	0
Council Services bought in	16,577	(869)	15,957	0	15,957	0	15,957	0
Kirklees Neighbourhood Housing (KNH) Management Fee	1,652	(135)	1,517	0	1,517	0	1,517	0
Special Services (Communal facilities)	34,344	(1,534)	34,059	0	34,059	0	34,059	0
sub-total								
Other Expenditure	16,500	0	16,500	0	16,500	0	16,500	0
Depreciation charge on HRA Assets	8,454	(322)	8,132	(229)	7,903	(316)	7,587	0
Interest payable on capital debt	2,652	(400)	2,252	0	2,852	0	2,952	100
Bad debt provision	684		2,114	0	3,057	0	4,010	953
Other	28,290	(722)	28,998	(229)	30,312	(316)	31,049	1,053
Sub total								
Total Expenditure	85,434	(3,814)	85,299	(571)	86,271	(316)	87,008	1,053
Dwelling Rent income	(79,734)	(1,571)	(79,899)	(2,006)	(80,392)	(2,398)	(82,257)	533
Excellent Homes for Life (PFI) Government Grant	(7,912)		(7,912)	0	(7,912)	0	(7,912)	0
Tenant & Leaseholder charges for services & facilities	(3,186)	(137)	(3,312)	(273)	(3,585)	(117)	(3,702)	0
Other	(916)	(21)	(872)	(21)	(893)		(893)	
Total Income	(91,748)	(1,729)	(91,995)	(2,300)	(92,782)	(2,515)	(94,764)	533
Net Operating Expenditure	(6,314)	(5,543)	(6,696)	(2,871)	(6,511)	(2,831)	(7,756)	1,586
Revenue contribution to capital expenditure	6,314	0	6,696	(185)	6,511	0	7,756	1,245
Appropriation (from)/to HRA Reserves	0	0	0	0	0	0	0	0
Net Surplus/deficit	0	(5,543)	0	(3,056)	0	(2,831)	0	2,831

HOUSING REVENUE ACCOUNT - MINUSES

Service Activity	Proposed Change	Savings Template Reference	£000		
			2019-20	2020-21	2021-22
Repair & Maintenance					
	efficiency savings phased release of revenue budget in later years following initial upfront investment requirement of £1.1m in 2018-19 for essential compliance work	HRA 1	(804) (754)	(342)	(1,146) (754)
Housing Management					
Policy & Management	Strategic Priorities to support Capital initiatives reduced budget efficiency savings	HRA 2	(500)		(500)
KNH Management Fee Savings	Estates Management review of procurement budget requirement	HRA 1	(869)		(869)
Council Services bought in	Communal Lighting and Sheltered Heating - review of budget requirement		(30)		(30)
Special Services (communal facilities)			(135)		(135)
Income					
Dwelling Rent	year 1 includes the impact of extra week rent (53 week rent year). Years 2 & 3 reflect assumed uplift of CPI at 2.6% +1%		(1,571)	(2,006)	(5,975)
Tenant & leaseholder service and other charges	Review of Service Charge costs including Assisted Gardens	HRA 3	(137)	(273)	(527)
Other	Garage Rent Additional Income Target	HRA 3	(21)	(21)	(42)
Interest payable on capital debt	interest charges in line with current profile of debt repayment across years		(322)	(229)	(867)
Bad Debt Provision	Full year effect of Universal Credit being implemented		(400)	0	(400)
TOTAL MINUSES FOR HRA (net operating expenditure)			(5,543)	(2,871)	(2,831)
Revenue contribution to capital				(185)	(185)
TOTAL MINUSES FOR HRA			(5,543)	(3,056)	(2,831)
					(11,430)

HOUSING REVENUE ACCOUNT - PLUSES

Service Activity	Proposed Change	Savings Template Reference	£000			
			2019-20	2020-21	2021-22	Total
Repair & Maintenance KNH Management Fee	Improved Lettable Standard Inflationary increase for 2018/19 (£212k) & Clean Up Campaigns (£37k)		1,000 249			1,000 249
Other expenditure Bad Debt Provision	Full year effect of Universal Credit being implemented		0	600	100	700
Inflation provision requirement	Annual provision requirement reflects RPI assumption for repair & maintenance, utility uplift and salary increases		930	943	953	2,826
Corporate and democratic core	Council Support Services (Recharges)		500			500
Council Services bought in	Council Support Services (Recharges) and change in cost model		1,000			1,000
Income						
Dwelling Rent Income	Year 1 reflects 1% Rent Reduction. Year 2 reflects revert back to 52 week rent year.		1,406	1,513	533	3,452
Tenant & leaseholder service and other charges	PFI Service Charges		11			11
Other	Removal of Blue Badge Discount on Garages		65			65
TOTAL PLUSES FOR HRA (net operating expenditure)			5,161	3,056	1,586	9,803
Revenue Contribution to Capital			382		1,245	1,627
TOTAL PLUSES FOR HRA			5,543	3,056	2,831	11,430

Directorate	Place
Service Area	Housing Revenue Account
Headline Proposal	KNH Fee - Indicative Savings
Reference	HRA 1

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(1,673)	(342)	-
Cumulative Savings	(1,673)	(2,015)	(2,015)
Budget after Savings (Controllable Budget)	38,199	37,857	37,857

Description of Savings Proposal (Including interdependencies and risk)
In 2019, work will continue embedding the new operating models for Kirklees Neighbourhood Housing (KNH) ensuring that KNH is fit for purpose, able to effectively respond to the changing external environment within a context of delivering savings and value for money. The focus will continue to be on finding ways to deliver more with less whilst providing an improved service to our customers, and greater tenant voice.

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
Strategic decisions agreed with the revised lettable standard could impact on void turnaround times, leading to delays with tenants moving into properties and loss of rent. A recent review of the void process has taken place and once embedded will improve re-let times. Robust mitigating actions will continue to be developed to improve performance. Equality Impact Assessments will be carried out as part of this work.	
Planned training and handover of tasks is taking place to embed the new structures and to support cultural change, but this will take time. Effective consultation and engagement with staff and tenants where relevant will continue.	
Does this proposal require an Equality Impact Assessment?	NO (re 19/20)
Will this proposal require a Specific Service Consultation	NO (re 19/20)
Accountable Head of Service	Naz Parker

Directorate	Place
Service Area	Housing Revenue Account
Headline Proposal	Policy and Management
Reference	HRA 2

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(500)		
Cumulative Savings	(500)	(500)	(500)
Budget after Savings (Controllable Budget)	(13,122)	(13,122)	(13,122)
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>This was a pre-existing contingency development budget of £500k not now required, so offered up as savings. This may be re-introduced in the future to support development opportunities, but this will be subject to a valid business case.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<p>There will be no initial impact as this budget was not being spent. If there is a future need for this budget a business case will be provided.</p>	
Does this proposal require an Equality Impact Assessment?	NO (19/20)
Will this proposal require a Specific Service Consultation	NO(19/20)

Accountable Head of Service	Naz Parker
-----------------------------	------------

Directorate	Place
Service Area	Housing Revenue Account
Headline Proposal	Tenant & leaseholder service and other charges
Reference	HRA 3

Forecast Savings	2019/20 £000	2020/21 £000	2021/22 £000
Incremental Savings	(158)	(294)	(117)
Cumulative Savings	(158)	(452)	(569)
Budget after Savings (Controllable Budget)	(4,184)	(4,478)	(4,595)
FTE Reduction			

Description of Savings Proposal (Including interdependencies and risk)
<p>A review of service charges has been carried out to assess whether charges are appropriate and to calculate the cost of service delivery. As the review is linked to affordability and has connectivity with welfare systems in place to help people with housing costs. The full costs will not be recovered in 2019/20 but existing costs will be increased by the September RPI figure (3.3%).</p> <p>There will be a review of garage rents in 2019/20. Current charges will be increased by inflation of 3.3%.</p>

Potential impact on service outcomes and any mitigating actions proposed. This should take into account, where applicable, relevant strategic, service plan or community planning outcomes	
<p>There is potential for adverse impact on tenants if service charges are increased or new charges are applied, some of which would not be covered by the housing element of benefits. This would put at risk the ability of a tenant to successfully sustain a tenancy. This has been mitigated by modelling the effects of not increasing the service charges through the business plan, which shows that this decision is affordable and by inflating current service charges by the inflationary increase of 3.3%.</p> <p>There is potential for a negative response from leaseholders to any service charge changes and potential for restrictions on changes to service charges within lease documentation.</p>	
Does this proposal require an Equality Impact Assessment?	YES (19/20)
Will this proposal require a Specific Service Consultation	YES (19/20)

Accountable Head of Service	Naz Parker
-----------------------------	------------

6 YEAR CAPITAL INVESTMENT PLAN 2018/19 - 2023/24 (OUTCOME BASED)

EXPENDITURE SUMMARY	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
Achievement	14,257	23,021	21,554	15,814	12,544	5,044	92,234
Children	448	600	850	3,600	4,200	750	10,448
Independent	2,442	5,813	11,482	8,550	750	0	29,037
Sustainable Economy	46,112	73,561	99,048	63,577	55,071	15,804	353,173
Well	2,340	5,863	12,626	9,260	2,249	867	33,205
Safe & Cohesive	0	180	20	0	0	0	200
Clean & Green	547	1,100	5,375	25	6,500	20,500	34,047
Efficiency & Effectiveness	4,700	4,613	3,937	3,900	3,900	3,900	24,950
GENERAL FUND	70,846	114,751	154,892	104,726	85,214	46,865	577,294
Strategic Priorities	9,348	10,961	7,650	6,000	6,000	6,000	45,959
Baseline	18,478	22,818	16,767	17,675	17,375	15,605	108,718
HOUSING REVENUE ACCOUNT	27,826	33,779	24,417	23,675	23,375	21,605	154,677
TOTAL PLAN	98,672	148,530	179,309	128,401	108,589	68,470	731,971

FUNDING SUMMARY	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
<i>Direct/Earmarked Contributions to Schemes</i>							
Capital Grants / Contributions	34,624	53,370	73,159	53,317	38,358	14,453	267,281
Earmarked Capital Receipts	7,568	5,140	4,590	4,590	4,590	4,590	31,068
Revenue Contributions (HRA)	15,702	19,031	10,901	8,651	5,430	7,958	67,673
Reserves (HRA)	9,400	11,917	11,493	13,579	16,500	12,202	75,091
<i>Pooled resources</i>							
Non Earmarked Capital Receipts	1,690	500	500	500	500	500	4,190
Corporate Prudential Borrowing	29,688	58,572	78,666	47,764	43,211	28,767	286,668
TOTAL	98,672	148,530	179,309	128,401	108,589	68,470	731,971

6 YEAR CAPITAL INVESTMENT PLAN 2018/19 - 2023/24 (OUTCOME BASED)

GENERAL FUND CAPITAL PLAN		Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
ACHIEVEMENT									
Strategic Priorities									
	New Pupil Places in Primary/Secondary Schools	G/B	6,809	11,119	5,704	864	544	544	25,584
	Delivery of an Autistic Spectrum Disorder (ASD) School to mitigate expenditure on out of area ASD placements	B	50	1,000	1,600	350	0	0	3,000
*	District Sufficiency - SEND	B/G	0	1,000	6,000	9,750	7,750	500	25,000
	Dewsbury Learning Quarter	B	376	2,000	0	0	0	0	2,376
*	Libraries & Public Buildings	B	0	1,550	3,100	350	0	0	5,000
	Strategic Priorities Total		7,235	16,669	16,404	11,314	8,294	1,044	60,960
Baseline									
	Basic Need	G	331	500	500	500	500	500	2,831
	Capital Maintenance	G/B	4,860	3,600	3,400	3,200	3,000	2,800	20,860
	Devolved Formula Capital	G	969	900	850	800	750	700	4,969
	Baseline Total		6,160	5,000	4,750	4,500	4,250	4,000	28,660
One Off Projects									
	Early Years Provision	G	198	0	0	0	0	0	198
	SEND Provision	G	50	852	400	0	0	0	1,302
	Healthy Pupils	G	358	0	0	0	0	0	358
	Completed Schemes	B	106	0	0	0	0	0	106
	Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs	B	150	500	0	0	0	0	650
	One Off Projects Total		862	1,352	400	0	0	0	2,614
	ACHIEVEMENT TOTAL		14,257	23,021	21,554	15,814	12,544	5,044	92,234
CHILDREN									
Strategic Priorities									
*	Specialist Accommodation/Youth Services	B/G	0	600	850	3,600	4,200	750	10,000
	Strategic Priorities Total		0	600	850	3,600	4,200	750	10,000
One Off Projects									
	IT Infrastructure to build Children's System	R	448	0	0	0	0	0	448
	One Off Projects Total		448	0	0	0	0	0	448
	CHILDREN TOTAL		448	600	850	3,600	4,200	750	10,448
INDEPENDENT									
Strategic Priorities									
	Pump Prime & Commissioning Specialist Accommodation	B	0	1,250	750	0	0	0	2,000
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	100	650	0	0	0	0	750
*	Day Services Support for Vulnerable Adults	B	0	1,750	9,950	8,550	750	0	21,000
	Strategic Priorities Total		100	3,650	10,700	8,550	750	0	23,750
One Off Projects									
	Adults Social Care Operation	G/R	450	700	50	0	0	0	1,200
	Information Technology (Digital)	B/R	942	1,463	732	0	0	0	3,137
	Information Technology	B/R	950	0	0	0	0	0	950
	One Off Projects Total		2,342	2,163	782	0	0	0	5,287
	INDEPENDENT TOTAL		2,442	5,813	11,482	8,550	750	0	29,037

GENERAL FUND CAPITAL PLAN	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
SUSTAINABLE ECONOMY								
Strategic Priorities								
A62 & A644 Corridors & Cooper Bridge	G	142	5,600	18,000	22,405	22,405	0	68,552
Corridor Improvement Programme – A62 Smart Corridor	G	275	3,380	3,920	176	0	0	7,751
Corridor Improvement Programme - Holmfirth Town Centre Access Plan	G	33	718	3,906	0	0	0	4,657
Huddersfield Southern Gateways	G	95	3,000	4,000	842	0	0	7,937
A653 Leeds to Dewsbury Corridor (M2D2L)	G	27	4,097	4,097	4,097	0	0	12,318
A629 Ainley Top to Huddersfield (Phase 5)	G	628	3,167	3,781	3,909	0	0	11,485
Huddersfield Station Gateway Phase 1	G	2	0	5,000	0	0	0	5,002
Huddersfield Station gateway Phase 2	G	0	0	5,000	0	0	0	5,000
UTMC Urban Traffic Mangt & Control	G	98	0	0	0	0	0	98
North Kirklees Orbital Route (NKOR)	G	52	0	0	0	0	0	52
<i>West Yorkshire plus Transport Schemes</i>		1,352	19,962	47,704	31,429	22,405	0	122,852
Aspirational Regeneration of Major Town Centres - Feasibility	B	150	200	150	0	0	0	500
Regeneration of Strategic Town Centres - Dewsbury	B	220	2,070	5,310	4,144	3,256	0	15,000
Regeneration of Strategic Town Centres - Huddersfield	B	1,885	2,050	7,140	7,000	12,406	0	30,481
<i>Town Centre Action Plans</i>		2,255	4,320	12,600	11,144	15,662	0	45,981
KSDL (HD One)	B	100	4,000	4,900	4,000	0	0	13,000
Property Investment Fund	B**	1,000	12,500	11,500	0	0	0	25,000
* Housing (Joint Venture)	B	0	1,250	1,250	0	0	0	2,500
<i>Loans - Development Finance</i>		1,100	17,750	17,650	4,000	0	0	40,500
Local Growth Fund	B	100	150	0	0	0	0	250
Site Development	G	0	6,000	0	0	0	0	6,000
Strategic Priorities Total		4,807	48,182	77,954	46,573	38,067	0	215,583
Baseline								
Housing (Private)	G	3,435	4,111	3,111	3,111	3,111	3,111	19,990
Highways	G/B	16,253	9,868	9,151	8,843	8,843	8,843	61,801
Corporate Landlord Asset Investment	B	4,799	3,250	1,300	1,300	1,300	1,300	13,249
* Corporate Landlord Asset Investment	B	0	1,000	1,000	1,000	1,000	1,000	5,000
Vehicle Replacement Programme	B	2,377	1,250	1,250	1,250	1,250	1,250	8,627
Environment & Strategic Waste	B	148	100	100	100	100	100	648
School Catering	B	288	200	200	200	200	200	1,288
Baseline Total		27,300	19,779	16,112	15,804	15,804	15,804	110,603
One-Off Projects								
Housing (Private)	G/R	601	0	432	0	0	0	1,033
Economic Resilience	G/B	1,768	550	0	0	0	0	2,318
Strategic Asset Utilisation	B	2,567	150	150	0	0	0	2,867
Leeds City Region Revolving Fund	B	1,632	0	0	0	0	0	1,632
Highways	B/B*/G	3,304	3,700	3,200	1,000	1,000	0	12,204
Highways - Local Comm Road Resurfacing	G	2,711	0	0	0	0	0	2,711
Corporate Landlord Compliance	B	1,000	1,000	1,000	0	0	0	3,000
School Catering - Compliance Essential Works	B*	139	200	200	200	200	0	939
Ward Based Activity	B	283	0	0	0	0	0	283
One-Off Projects Total		14,005	5,600	4,982	1,200	1,200	0	26,987
SUSTAINABLE ECONOMY TOTAL		46,112	73,561	99,048	63,577	55,071	15,804	353,173

GENERAL FUND CAPITAL PLAN		Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
WELL									
Strategic Priorities									
	Spen Valley Leisure Centre	B	350	1,650	8,000	3,500	232	0	13,732
	Spen Valley Leisure Centre - KAL Contrib	B*	0	0	0	750	0	0	750
	Hudds Leisure Centre	B	234	0	0	0	0	0	234
*	Dewsbury Sports Centre Priorities	B	0	300	250	300	1,400	250	2,500
	Strategic Priorities Total		584	1,950	8,250	4,550	1,632	250	17,216
Baseline									
	KAL Self Finance Programme	B*	1,756	2,200	617	617	617	617	6,424
*	Play Strategy	B/G	0	1,713	3,759	4,093	0	0	9,565
	Baseline Total		1,756	3,913	4,376	4,710	617	617	15,989
	WELL TOTAL		2,340	5,863	12,626	9,260	2,249	867	33,205
SAFE AND COHESIVE									
Strategic Priorities									
*	Youth Offending Team	B	0	180	20	0	0	0	200
	Strategic Priorities Total		0	180	20	0	0	0	200
	SAFE AND COHESIVE TOTAL		0	180	20	0	0	0	200
CLEAN AND GREEN									
Strategic Priorities									
*	Depot Works	B	0	100	375	25	0	0	500
*	Waste Management Plant/Infrastructure	B	0	1,000	5,000	0	6,500	20,500	33,000
	Strategic Priorities Total		0	1,100	5,375	25	6,500	20,500	33,500
One Off Projects									
	Electric Vehicle Charge Points	G	547	0	0	0	0	0	547
	One Off Projects Total		547	0	0	0	0	0	547
	CLEAN AND GREEN TOTAL		547	1,100	5,375	25	6,500	20,500	34,047
EFFICIENCY AND EFFECTIVENESS									
Baseline									
	Information Technology	B*	900	900	900	900	900	900	5,400
	Flexible Capital Receipts Strategy	R	3,000	3,000	3,000	3,000	3,000	3,000	18,000
	Baseline Total		3,900	3,900	3,900	3,900	3,900	3,900	23,400
One Off Projects									
*	Internal Renovation Works	B	0	713	37	0	0	0	750
	One Off Projects Total		0	713	37	0	0	0	750
	RISKS AND PRESSURES		800	0	0	0	0	0	800
	EFFICIENCY AND EFFECTIVENESS TOTAL		4,700	4,613	3,937	3,900	3,900	3,900	24,950
GENERAL FUND CAPITAL PLAN TOTAL			70,846	114,751	154,892	104,726	85,214	46,865	577,294

Key :

B = Borrowing

B* = Service Funded Borrowing

B** = Borrowing for provision of loans for development projects, covered by repayments

G = Grant

R = Capital Receipts

* New Bids

6 YEAR CAPITAL INVESTMENT PLAN 2018/19 - 2023/24 (OUTCOME BASED)

HRA CAPITAL PLAN - STRATEGIC PRIORITIES & BASELINE	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	6 Yr Total £'000
HRA Strategic Priorities								
Housing Growth	H / R	4,320	4,000	4,000	4,000	4,000	4,000	24,320
New Build Phase 1 - Ashbrow Extra Care	H / G	990	3,961	1,650	0	0	0	6,601
Garage/Green Space Development Phase 1	H / R	2,038	0	0	0	0	0	2,038
Remodelling / High Rise	H / R	2,000	2,000	2,000	2,000	2,000	2,000	12,000
IT System (Universal Housing Replacement)	H	0	1,000	0	0	0	0	1,000
		9,348	10,961	7,650	6,000	6,000	6,000	45,959
HRA Baseline								
Housing Capital Plan	H	10,889	11,006	10,522	11,346	10,960	9,190	63,913
Estate Improvements (Neighbourhood Investment)	H	1,988	731	746	760	775	775	5,775
Compliance	H	2,200	1,000	1,000	1,000	1,000	1,000	7,200
* Compliance - Fire Doors	H	0	6,650	1,000	1,000	1,000	1,000	10,650
Fuel poverty	H / G	662	638	650	663	676	676	3,965
Adaptations	H	2,739	2,793	2,849	2,906	2,964	2,964	17,215
		18,478	22,818	16,767	17,675	17,375	15,605	108,718
HOUSING REVENUE ACCOUNT TOTAL		27,826	33,779	24,417	23,675	23,375	21,605	154,677

Key :

B = Borrowing

G = Grant

R = Capital Receipts

H = HRA revenue contribution/major repairs reserve

* New Bids

GENERAL FUND SUMMARY – FUNDING AND SPEND CHANGES 2019-22	19-20 £K	20-21 £K	21-22 £K
<u>FUNDING CHANGES</u>			
<u>Council Tax</u>			
Council Tax Uplift 2.99% yr 1, 1.99% thereafter (vs 1.99% uplift yr 1 in 1820 plans)	(1,872)	(5,432)	(9,062)
Taxbase Growth 1000 Band D p.a. 2021 onwards	0	(1,539)	(3,140)
	(1,872)	(6,971)	(12,202)
Business Rates Baseline (£1.3m growth offset by 2.5m realign with s31 grants)	1,200	1,200	1,200
National Funding Reduction 2021 onwards		3,203	6,144
	1,200	4,403	7,344
Unringfenced Grants - Leeds City Region Business Rates 75% Pool Gain	(2,000)		
Unringfenced Grants - other	(1,996)	(1,846)	(1,696)
	(3,996)	(1,846)	(1,696)
Business Rates Appeals Provision Adjustment – Collection Fund Transfer	(5,750)		
TOTAL FUNDING ADJUSTMENTS	(10,418)	(4,414)	(6,554)
<u>CENTRAL ADJUSTMENTS</u>			
<u>Contingencies</u>			
Insurance Fund Rebase	1,000	1,000	1,000
PFI Prepayment-Base Budget	300	300	300
Review of Superannuation Rate	0	1,600	1,600
Parish Grant - reduction in payment to Parishes	(63)	(68)	(72)
Contingencies Review	(226)	(226)	(226)
	1,011	2,606	2,602
<u>Inflation</u>			
Future Years Inflation Requirement	(400)	2,350	5,100
	(400)	2,350	5,100
<u>Joint Committees</u>			
Transport Levy Review of Contribution	(213)	(403)	(36)
	(213)	(403)	(36)
<u>Treasury Management</u>			
Treasury Management Baseline Review	(362)	(1,101)	(481)
New Capital Investment	669	1,359	2,090
CCLA investment	(150)	(300)	(300)
MRP Release to Support High needs	(5,000)	(4,000)	(3,000)
MRP Release to Support Mental Health	(1,400)	0	0
Further MRP policy change/Re-profiling	(4,400)	0	0
	(10,643)	(4,042)	(1,691)
TOTAL CENTRAL ADJUSTMENTS	(10,245)	511	5,975

GENERAL FUND SUMMARY – FUNDING AND SPEND CHANGES 2019-22	19-20 £K	20-21 £K	21-22 £K
<u>SERVICE PRESSURES</u>			
<u>Learning</u>			
High Needs Pressure	7,550	7,700	7,800
SENACT Investment	700	700	700
High Needs Funding Uplift	(2,343)	(3,343)	(4,343)
Social Care Funding Offset	(1,299)	(1,399)	(1,499)
	4,608	3,658	2,658
<u>Child protection and Family Support</u>			
Children's Demand Led Pressures	550	1,100	1,650
One Adoption Contract Pressure	118	118	118
Improvement Plan (years 3 and 4)	0	510	510
Social Care Funding Offset	(678)	(578)	(478)
	(10)	1,150	1,800
<u>Adults</u>			
Adults Demand Led Pressures	6,050	15,720	24,621
Best Partnering	300	300	300
Mental Health Housing Related Support	500	500	500
Better Care Funding and Social Care Funding Offsets	(6,260)	(8,037)	(11,828)
	590	8,483	13,593
<u>Economy and Infrastructure</u>			
Schools Transport - High Needs Pressure	1,400	1,400	1,400
Council Infrastructure	350	600	850
Increased Payment to KAL - Care Leavers Fund	45	45	45
Loss of Driver Training Contract	501	501	501
	2,296	2,546	2,796
TOTAL PRESSURES	7,484	15,837	20,847
<u>SERVICE INVESTMENT</u>			
<u>Learning</u>			
Learning Investment (Portage and Access Fund)	420	420	420
Restorative practice team investment	600	600	600
	1,020	1,020	1,020
<u>Child Protection and Family Support</u>			
Liquid Logic - post implementation support & maintenance	240	240	240
	240	240	240
<u>Economy and Infrastructure</u>			
Fire Safety/Health and Safety	310	310	310
Additional Regeneration Capacity	300	300	300
	610	610	610
<u>Corporate</u>			
Information Governance	200	200	200
Business Intelligence	130	130	130
Public Health Reserves Drawdown	(823)	(823)	
	(493)	(493)	330
TOTAL INVESTMENT	1,377	1,377	2,200

SUMMARY OF GENERAL FUND RESERVES 2018-2022

	1st Apr 18 Incl. Approved Rollover	Reserves Review 1819	Planned Use in 2018-19	Forecast Reserves 31st March 2019	Reserves Review 1920	Forecast reserves 1st Apr 2019	Forecast reserves 1st Apr 2020	Forecast reserves 1st Apr 2021	Forecast reserves 1st Apr 2022
Schools Reserves	(9,827)	-	661	(9,166)	-	(9,166)	(9,166)	(9,166)	(9,166)
Earmarked Reserves									
Financial Resilience	(37,146)	(4,400)	-	(41,546)	(4,400)	(45,946)	(45,946)	(45,946)	(45,946)
Workforce Restructure	(5,091)	5,091	-	-	-	-	-	-	-
Transformation	(4,944)	4,944	-	-	-	-	-	-	-
Rollover	(3,437)	-	1,456	(1,981)	-	(1,981)	(981)	-	-
Revenue Grants	(10,615)	703	2,236	(7,676)	20	(7,656)	(4,133)	(1,739)	(739)
Troubled Families	(1,924)	-	-	(1,924)	-	(1,924)	(1,924)	(1,924)	(1,924)
Prepayment Reserve (PFI)	(3,055)	3,055	-	-	-	-	-	-	-
Insurance	(1,900)	-	-	(1,900)	-	(1,900)	(1,900)	(1,900)	(1,900)
Ward Based Activity	(706)	-	(68)	(774)	(160)	(934)	(684)	(434)	(184)
Property and Other Loans	-	(3,000)	-	(3,000)	-	(3,000)	(3,000)	(3,000)	(3,000)
Adverse Weather	-	(4,000)	-	(4,000)	1,000	(3,000)	(3,000)	(3,000)	(3,000)
Strategic Investment Support	-	(4,000)	-	(4,000)	-	(4,000)	(4,000)	(4,000)	(4,000)
Social Care	-	(2,800)	-	(2,800)	-	(2,800)	(2,800)	(2,800)	(2,800)
Mental Health	-	-	-	-	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Business Rates	-	-	-	-	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Elections	-	-	-	-	(500)	(500)	(500)	(500)	(500)
Other	(2,905)	-	456	(2,449)	(120)	(2,569)	(2,069)	(1,569)	(1,069)
	(71,723)	(4,407)	4,080	(72,050)	(7,560)	(79,610)	(74,337)	(70,212)	(68,462)
General Balances	(7,233)	(2,793)	(1,957)	(11,983)	-	(11,983)	(11,983)	(11,983)	(11,983)
Grand Total	(88,783)	(7,200)	2,784	(93,199)	(7,560)	(100,759)	(95,486)	(91,361)	(89,611)

GLOSSARY OF RESERVES

RESERVE	DESCRIPTION
School Reserves	Statutory reserves relating to both individual schools balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure)
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks as set out in the sensitivity analysis within this report.
Rollover	To fund deferred spend commitments against approved rollover
Revenue Grants	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred.
Stronger Families	Represents deferred expenditure commitments supporting a range of Stronger Families activity.
Insurance	Mitigates against risk from increased liabilities and insurance claims.
Ward Based Activity	To fund deferred ward based activity commitments
Property and Other Loans	Set aside against the potential risk of future loan default. Arising from the introduction of a new local government accounting code intended to strengthen balance sheet transparency.
Adverse Weather	Mitigates against budget risk arising from severe weather events in the District.
Strategic Investment Support	To address the likely scale of one off costs required to support the scale of regeneration capital investment over the 2018-24 period.
Social Care	Set aside to cover a range of social care expenditure commitments as agreed at Cabinet, August 2018.
Mental Health	To support a number of local area based mental health initiatives over 2019-21.
Business Rates	Set aside against potential backdated payment with respect to national ATM business rates appeal and also to resource the Council's approved business start up and retention policy.
Elections	Set aside to accommodate potential local and national elections costs in excess of current base budget.
Other	A range of smaller reserves earmarked for specific purposes, each less than £0.6m.
General Balances	General reserve available for Council use, excluding Housing Revenue Account purposes. Minimum level proposed to be £10m going forwards.

UNRINGFENCED GRANTS 2019-22	19-20 £K	20-21 £K	21-22 £K
New Homes Bonus	(3,863)	(3,863)	(3,863)
Housing Admin Grant	(1,176)	(1,027)	(876)
Council Tax Admin Grant	(571)	(571)	(571)
Business Rates Relief - multiplier compensation grant	(2,650)	(2,650)	(2,650)
Business Rates Relief - other	(8,626)	(6,626)	(6,626)
Independent Living Fund	(810)	(810)	(810)
Lead Local Flooding	(29)	(29)	(29)
Local Reform and Community Voices	(250)	(250)	(250)
Extended Rights to Free Travel	(93)	(93)	(93)
Total Unringfenced Grants	(18,068)	(15,919)	(15,768)

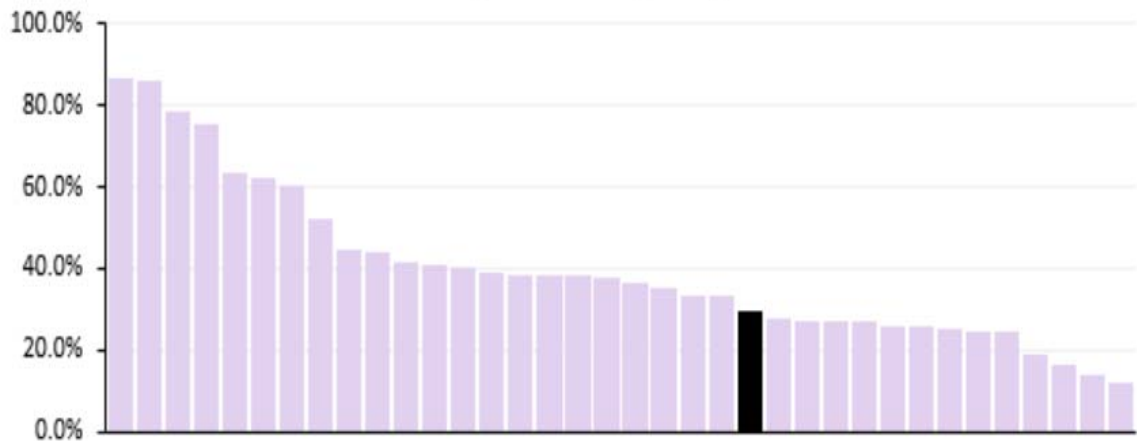
COLLECTION FUND FORECAST (COUNCIL SHARE)	COUNCIL TAX	BUSINESS RATES	TOTAL
	£000	£000	£000
(Surplus)/Deficit at 1st April 2018	(2,321)	(4)	(2,325)
Re-payments to/(from) General Fund	3,500	-	3,500
In year Financial Performance	-	(6,925)	(6,925)
(Surplus)/Deficit at 31st March 2019	1,179	(6,929)	(5,750)
Planned Repayments to/(from) general fund in 2019-20	(1,179)	6,929	5,750
Adjusted surplus/Deficit	-	-	-

FORECAST HRA RESERVES	18-19	19-20	20-21	21-22
	£000	£000	£000	£000
As at 1 April	(60,358)	(50,770)	(38,435)	(34,045)
Transfers to/from HRA	-	-	-	-
In-year capital funding	5,255	12,335	4390	895
Earmarked - business risk	4,000	-	-	-
Earmarked – working balance	1,500	-	-	-
In-year forecast (HRA)	(1,167)	-	-	-
As at 31 March	(50,770)	(38,435)	(34,045)	(33,150)

CIPFA Resilience Index – Beta (17-18 data) – Metropolitan Authorities

Individual Analysis: *Level of Reserves*

Comparator Group Analysis



- Kirklees highlighted in black. As at 31 March 2018, Kirklees general fund revenue reserves as a % of its net annual revenue budget, was 27.8% (Schools and Public Health reserves are excluded from this analysis).

Sensitivity Analysis

MORE OPTIMISTIC SCENARIO	2019-20	2020-21	2021-22
	£m	£m	£m
Baseline Scenario – Budget Gap	0.0	13.9	20.5
More Optimistic Scenario – Changes to Budget Gap:			
<u>Funding Changes</u>			
No decrease in national funding – cash limited rates retention income		(2.6)	(4.9)
No decrease in rolled in Public Health Funding – cash limited		(0.6)	(1.2)
Fair Funding review outcome - 2% increase in funding		(1.6)	(3.1)
2% uplift per annum in business rates grants	(0.2)	(0.4)	(0.6)
Further additional 100 properties per annum		(0.3)	(0.5)
Housing Benefit Grant lower reduction per annum (£100k v £150k)		(0.1)	(0.1)
	(0.2)	(5.6)	(10.4)
<u>Cost Changes</u>			
Pay Inflation 1% from 20-21 (vs 2%)	-	(1.6)	(3.2)
Treasury Management – no uplift in Bank of England base rate	(0.3)	(0.7)	(1.3)
	(0.3)	(2.3)	(4.5)
More Optimistic Scenario – Updated Budget Gap	(0.5)	6.0	5.6

MORE PESSIMISTIC SCENARIO	2019-20	2020-21	2021-22
	£m	£m	£m
Baseline Scenario – Budget Gap	0.0	13.9	20.5
More pessimistic Scenario – Changes to Budget Gap:			
<u>Funding Changes</u>			
Higher decrease in national funding – 5% reduction		2.0	4.0
Higher decrease in rolled in Public Health Funding – 5% reduction		0.7	1.3
Fair Funding review outcome – 2.5% decrease in funding		1.9	3.8
2% reduction per annum in business rates grants	0.2	0.4	0.6
100 Fewer additional properties per annum		0.3	0.5
Housing Benefit Grant greater reduction per annum (£300k v £150k)		0.2	0.3
New Homes Bonus – 5% decrease per annum		0.2	0.4
Reduction in other unringfenced grants – 2% decrease per annum		0.0	0.1
	0.2	5.7	11.0
<u>Cost Changes</u>			
Pay Inflation 1% from 20-21 (vs 2%)		1.6	3.2
No further social care funding 20-21 onwards		3.6	7.4
Treasury Management – interest rate at 3% p.a.	2.1	2.9	3.4
	2.1	8.1	14.0
More Pessimistic Scenario – Updated Budget Gap	2.3	27.7	45.5

**Name and date of meeting: Corporate Governance and Audit Committee
25 January 2019**

**Cabinet
29 January 2019**

**Council
13 February 2019**

Title of report: Treasury Management Strategy 2019-20

Purpose of report

Under the CIPFA Code of Practice on Treasury Management (2017) and accompanying Prudential Code 2017 the Council must present a Treasury Management Strategy at the start of each financial year. Alongside the Treasury Management Strategy an Annual Investment Strategy must also be approved by 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
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Key Decision: Yes Private Report/Private Appendix: N/A
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by Strategic Director and name Is it also signed off by Service Director Is it also signed off by the Service Director Legal, Governance and Commissioning	N/A Eamonn Croston – 17 January 2019 Julie Muscroft – 17 January 2019
Cabinet member portfolio	Corporate Graham Turner

Electoral wards affected: N/A
Ward councillors consulted: N/A
Public or Private: Public

1 Summary

- 1.1 The Council has formally adopted CIPFA's Code of Practice on Treasury Management (2017 Edition), and accompanying Prudential Code 2017, and is thereby required to consider a treasury management strategy before the start of each financial year. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) issued guidance on local authority investments in February 2018, which requires the Council to approve an annual Investment Strategy before the start of each financial year.
- 1.2 This report meets the requirements of the current CIPFA Codes and current MHCLG Guidance (2017 Edition).
- 1.3 Cabinet is responsible for the implementation and monitoring of the treasury management policies. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management. Recent training for members of this Committee was provided in November 2018 by the Council's treasury management advisors/consultants, Arlingclose.
- 1.4 This report will:
- (i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2019-20;
 - (ii) outline the current and estimated future levels of Council borrowing (internal and external) and recommend a borrowing strategy for 2019-20;
 - (iii) review the methodologies adopted for providing for the repayment of debt and recommend a policy for calculating the Minimum Revenue Provision from 2018-19 onwards;
 - (iv) review other treasury management matters including the policy on the use of financial derivatives, prudential indicators, the use of consultants, and the policy on charging interest to the Housing Revenue Account;
 - (v) as part of the new treasury management regulations, to recommend an annual Investment Strategy (Non-Treasury Investments) for the Council in 2019-20 in line with MHCLG (2017) guidance.

2 Information required to take a decision

The following paragraphs 2.1 to 2.4 have been provided by our Treasury Management external advisors, Arlingclose:

Economic Background

- 2.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20. UK Consumer Price Inflation (CPI) for

October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

- 2.2 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee (MPC) continues to reiterate that any further increases will be at a gradual pace and limited in extent.

Interest Rate Forecast

- 2.3 Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 2.4 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Borrowing and Investment – General Strategy for 2019-20

- 2.5 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. An authority can choose to borrow externally to fund its CFR. If it does this, it is likely that it would be investing externally an amount equivalent to its total reserves, balances and net creditors. Alternatively, an authority can choose not to invest externally but instead use these balances to effectively "borrow internally" and minimise external borrowing. In between these two extremes, an authority may have a mixture of external and internal investments / external and internal borrowing.

Table 1 below sets out the forecast CFR position for the Council as at March 2019 and forecast CFR and borrowing requirements over the following 3 years:

- 2.10 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2019-20 continues to place emphasis on the security of the Council's balances. Although credit conditions have been steadily improving, the global recovery is still fragile and regulation changes have increased local authority exposure in the event of a possible default of any financial institutions
- 2.11 It is recommended that balances should continue to be invested to a level which is perceived to be reasonably secure and which is needed to meet the day-to-day cash flow requirements of the Council (around £30 million). The remainder of the balances will be effectively invested internally, that is used to offset borrowing requirements.
- 2.12 In order to increase investment returns, alternative investment options were considered further at full Council on 12 December 2018 and as part of the Half Yearly Monitoring report on Treasury Management activities 2018/19. There was member approval to add the Local Authorities Pooled Investment Fund as an approved Council Investment, and further, for officers to continue to explore options for a potential investment of between £5m and £10m in the fund.
- 2.13 Average current Council cashflow balances remain consistent at about £42m, and officers consider that an investment of upto £10m will still enable sufficient remaining headroom to accommodate the £30m day-to-day cashflow requirement as noted at paragraph 2.11 above.
- 2.14 Given the nature of the underlying investment (UK based diversified property portfolio) and the potential for domestic economic volatility in the run up to UK's expected withdrawal from the EU on 29 March 2019, advice will be sought from the Council's external treasury advisors, as well as more detailed discussions with the LAMP's Fund Manager, CCLA. Updated Council budget plans have factored in a potential investment of upto £10m part way through 2019-20.

Borrowing Strategy

- 2.15 The Council is forecast to hold around £545.8m of external borrowing and other long-term liabilities as at 31 March 2019. This is analysed at Table 2 below:

Table 2 – year end estimate – 31 March 2019

	£m	%
PWLB loans (fixed rate)	280.4	51
LOBOs	75.0	14
Loan stock (fixed rate)	7.0	1
Other long term loans (fixed rate)	30.3	6
Temporary borrowing	50.9	9
Total external borrowing	443.6	
Other Long Term Liabilities (mainly PFI)	102.2	19
Total external debt liabilities	545.8	

- 2.16 The approved sources of borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any bank or building society authorised to operate in the UK
- Other local authorities

- Capital market bond investors
 - Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
 - UK public and private sector pension funds
 - Salix Finance Limited
- 2.17 Historically, the biggest source of borrowing for local authorities has been PWLB loans. These Government loans have offered value for money and also flexibilities to restructure and make possible savings. The Council also has LOBO (Lender's Option, Borrower's Option) loans, where 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. The Council will take the option to repay at no cost, if it has the opportunity to do so. The Council's current limit on LOBO borrowing is set at 30% of long-term debt.
- 2.18 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. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.
- 2.19 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some of the higher rate loans with new loans at lower interest rates where this will lead to an overall saving or reduce risk.
- 2.20 Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £5.9m interest free loan to part fund the £11m approved street lighting replacement scheme in the Council's approved capital plan.
- 2.21 Borrowing policy and performance will be monitored throughout the year and will be reported to Members via a Half Yearly Report and also an Outturn Report in line with approved guidance.

Investment Strategy

- 2.22 Investment guidance issued by MHCLG requires that an investment strategy, outlining the authority's policies for managing investments in terms of risk, liquidity and yield, should be approved by full Council or equivalent level, before the start of the financial year. This strategy can then only be varied during the year by the same executive body.
- 2.23 The Council will not place direct investments in companies as defined by the Carbon Underground 200 on 1 February each year.

- 2.24 A new regulatory update came into force from 3rd January 2018; the second Markets in Financial Instruments Directive (MiFID II), which meant that the Council had to formally apply to renew its status as a 'professional client' (also referred to as the 'opt up' option), but subject to certain criteria being met.
- 2.25 Following full Council approval on 13th December 2017, officers have now successfully 'opted up' the Council to professional client status, effective from 3rd January 2018. Given the size and range of the Council's treasury management activities, the Service Director Finance believes this to continue to be the most appropriate status.
- 2.26 It is recommended that the investment strategy for 2019-20 includes consideration of a potential investment of up to £10m in the Local Authorities Property Investment Fund (see also paragraph 2.12 earlier). The Council will continue to maintain a relatively low risk strategy giving priority to security and liquidity, and as such invest an average of around £30 million externally in relatively short-term, liquid investments through the money markets, for the purpose of managing day-to-day cash flow requirements. Any remaining balances, net of investment in the local authority property fund, will be used internally, offsetting borrowing requirements.
- 2.27 It is proposed to change the Council's investment criteria to increase the minimum credit rating for both UK and foreign banks in line with advice from the Treasury Management Consultants. This will raise the minimum credit rating to: A- (Fitch and S&P) and A3 (Moody's) from the previous minimum: BBB+ (Fitch and S&P) and Baa1 (Moody's). In practice this will have a minimal effect on the Council's treasury activities as all current investments meet the proposed criteria and it will bring the Council in-line with current advice from the Council's Treasury Management Consultants. The credit ratings table highlights this and is shown at Appendix B. The criteria have also been updated to reflect the potential for investment in Local Authority Pooled Investment funds. The table detailed at Appendix A reflects both of these updates and highlights the investment limits for all types of treasury investments.
- 2.28 The Council uses credit ratings from the three main rating agencies - Fitch, Moody's and Standard & Poor's to assess the risk of investment defaults (Appendix B). The lowest credit rating of an organisation will be used to help determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.
- 2.29 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria:
- No new investments will be made;
 - Any existing investments that can be recalled at no cost will be recalled;
 - Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade ("negative watch") so that it is likely to fall below the required criteria,

then no further investments will be made in that organisation until the outcome is announced. This policy will not apply to negative outlooks.

- 2.30 Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the approved criteria.
- 2.31 If the UK enters into a recession in 2019-20, there is a small chance that the Bank of England could set its Base Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short term investment options. This situation already exists in many other countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 2.32 Annual cash flow forecasts are prepared which are continuously updated. Investment policy and performance will be monitored continuously and will be reported to Members during the year and as part of the annual report on Treasury Management.

Statement of Policy on the Minimum Revenue Provision (MRP)

- 2.33 MRP is the statutory requirement for local authorities to set aside some of their revenue resources as provision for reducing the underlying need to borrow (Capital Financing Requirement – CFR), ie the borrowing taken out in order to finance capital expenditure.
- 2.34 Prior to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2008, which came into force on 31 March 2008, the set aside was specified as a percentage of a council's CFR (2% for HRA debt, 4% for General Fund). The current Regulations are less prescriptive with a requirement to ensure the amount set aside is deemed to be **prudent**, although there is accompanying current MHCLG guidance which sets out possible methods a council might wish to follow.
- 2.35 Current MHCLG guidance recommends that authorities prepare a statement of policy on making MRP in respect of the forthcoming year, with approval by full council before the start of the financial year. If these proposals subsequently need to be varied, a revised statement should be put to full council. Appendix C details the Council's policy for the provision of MRP. Within the revised MRP policy approved by Council last year, the unwinding of the previous over-provision was profiled equally over 10 years (£9.1m per year).
- 2.36 Officers are proposing a revised profile for unwinding MRP over-provision in 2018-19 and 2019-20, that will increase the un-winding for each of the next two years. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The maximum unwind allowable in 2018-19 is £13.5m and estimated to be similar in 2019-20. This

reduction in MRP charges for these 2 years has been factored into the Council's CFR calculations set out earlier at Table 1.

- 2.37 Officer recommendation is that the impact of the additional unwind, will be transferred to Council financial resilience reserves as part of the Council's broader risk strategy set out in the overall annual budget report to Cabinet on 29 January and Budget Council on 13 February 2019.

Policy on the Use of Financial Derivatives

- 2.38 Local authorities (including this Council) have in the past made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). The Localism Act 2011 includes a general power of competence that appears to remove the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.
- 2.39 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where it is confident it has the powers to enter into such transactions. They will only be used for the prudent management of its financial affairs and never for speculative purposes and where it can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.
- 2.40 Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Non-Treasury Investments

- 2.41 The Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries. Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. They are however covered by the Authority's Investment Strategy (see Appendix E).

Treasury Management Indicators

- 2.42 The Council is asked to approve certain treasury management indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs. The proposed indicators are set out in Appendix D.

Other Matters

2.43 The CIPFA Code also requires the Council to note the following matters each year as part of the treasury management strategy:

(i) Investment Consultants

The Council's adviser is Arlingclose Limited. The services received include:

- Advice and guidance on relevant policies, strategies and reports;
- Advice on investment and debt management;
- Notification of credit ratings and other information on credit quality;
- Reports on treasury performance;
- Forecasts of interest rates and economic activity; and
- Training courses.

The quality of the service is monitored on a continuous basis by the Council's treasury management team.

(ii) Investment Training

As part of the MiFID II requirements, the needs of the Council's treasury management staff for training in investment management are assessed on a continuous basis, and formally on a 6-monthly basis as part of the staff appraisal process. Additionally training requirements are assessed when the responsibilities of individual members of staff change. Staff attend training courses and seminars as appropriate.

(iii) Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. However, as this would involve externally investing such sums until required and thus increasing exposures to both interest rate and principal risks, it is not believed appropriate to undertake such a policy at this time.

(iv) Policy on charging interest to the Housing Revenue Account (HRA)

Following the reform of housing finance, the Council is free to adopt its own policy on sharing interest costs and income between General Fund and the HRA. The CIPFA code recommends that authorities state their policy each year in the strategy report.

On 1 April 2012, the Council notionally split each of its existing long term loans into General Fund and HRA pools. New long term loans borrowed will be assigned in their entirety to one pool or the other. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Interest will be applied to this balance using the authority's average investment rate.

3 Implications for the Council

3.1 Working with People

N/A

3.2 Working with Partners

N/A

3.3 Placed based working

N/A

3.3 Improving Outcomes for Children

N/A

3.4 Reducing demand of services

N/A

3.5 Other (e.g. Legal/Financial or Human Resources)

The revenue implications of the strategies outlined have been reflected in the Council's annual budget report 2019-22.

4 Consultees and their opinions

Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Treasury management performance will be monitored and reported to members during the year.

Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 29 January 2019 and then full Council on 13 February 2019.

6 Officer recommendations and reasons

That Corporate Governance & Audit Committee recommend the following for approval by Cabinet and then Council:

- (i) the borrowing strategy outlined in paragraphs 2.15 to 2.21;
- (ii) the investment strategy (treasury management investments) outlined in paragraphs 2.22 to 2.32 and Appendices A and B;
- (iii) the policy for provision of repayment of debt (MRP) outlined in paragraphs 2.33 to 2.37 and at Appendix C;
- (iv) the treasury management indicators in Appendix D;
- (v) the Investment Strategy (Non-Treasury Investments) at Appendix E.

7 Cabinet Portfolio Holder recommendation

The report and recommendations be submitted to Cabinet on 29 January 2019 and Council on 13 February 2019.

8 Contact officer

James Anderson	Senior Finance Manager	01484 221000
Rachel Firth	Finance Manager	01484 221000

9 Background Papers and History of Decisions

CIPFA’s Code of Practice on Treasury Management in the Public Services; CIPFA’s Prudential Code for Capital Finance in Local Authorities; Guidance on Local Government Investments (MHCLG 2018); The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008; Localism Act 2011. CIPFA Treasury Management Code and Prudential Code 2017

10 Service Director responsible

Eamonn Croston	01484 221000
----------------	--------------

Investment Policy for 2019-20

Investment Limits:

- The Council is able to invest an unlimited amount with the UK Government for up to 6 months.
- The Council is able to invest up to £10 million and up to three months with UK banks and building societies with a “high to upper medium grade” credit rating.
- The Council is able to invest up to £10 million and up to two months with foreign banks with a “high to upper medium grade” credit rating.
- The Council is able to invest up to £10 million and up to two months with individual local authorities.
- The Council is able to invest up to £10 million in individual MMFs (instant access or up to 2 day notice). There will be an overall limit of £40 million for MMFs (non-government funds), plus up to £10 million invested in a fund backed by government securities.
- The Council is able to invest up to £10million in Local Authority Pooled Investment Funds.

The maximum limits apply to any one counter-party and to a banking group rather than each individual bank within a group.

Note:

The limits set out above exclude any amounts held on the Council’s behalf by the Yorkshire Purchasing Organisation (YPO). The YPO (a consortium in which the Council has an interest) invest funds as part of their treasury management processes. For the avoidance of doubt, this element does not form part of the limits set above. For context, the Council’s proportion of YPO’s maximum investment with any given counterparty is approximately £155k.

The Council will not place direct investments in companies as defined by the Carbon Underground 200 on 1 February each year.

Liquidity management:

The Authority uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium-term financial plan and cash flow forecast.

	Short-term Credit Ratings / Long-Term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at Dec 2018
	Fitch	Moody's	S & P	£m	Period (2)	
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA,AA-,A+,A, A-	P-1 Aaa,Aa1,Aa2,Aa3,A1,A2,A3	A-1 AAA,AA+,AA,AA-,A+,A,A-	10	<3mth	HSBC Lloyds Group Santander UK Nationwide BS Coventry BS Bank of Scotland Yorkshire BS Leeds BS Barclays Close Bros
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1 AAA,AA+,AA,AA-,A+,A,A-	P-1 Aaa,Aa1,Aa2,Aa3,A1,A2,A3	A-1 AAA,AA+,AA,AA-,A+,A,A-	10	<2mth	Svenska Handelsbanken
MMF (1)	-	-	-	10	Instant access/ up to 2 day notice	
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth	
UK local authorities (Fixed term deposits)	-	-	-	10	<2mth	
Local Authority Pooled Investment Funds	-	-	-	10	>6mth	

- (1) Overall limit for investments in MMFs of £50 million – the assets the funds invest in are securities and structures secured on government securities
- (2) The investment period begins from the commitment to invest, rather than the date on which funds are paid over.

Credit ratings

Moody's		S&P		Fitch			
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	
Aa1		AA+		AA+		High grade	
Aa2		AA		AA		High grade	
Aa3		AA-	A-1	AA-	F1	Upper medium grade	
A1		A+		A+			
A2		A		A			
A3	P-2	A-	A-2	A-	F2	Lower medium grade	
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3	Lower medium grade	
Baa3		BBB-		BBB-			
Ba1		Not prime		BB+			B
Ba2	BB		BB				
Ba3	BB-		BB-	Highly speculative			
B1	B+		B+				
B2	B		B				
B3	B-		B-				
Caa1	Not prime		CCC+	C	CCC	C	Substantial risks
Caa2			CCC				Extremely speculative
Caa3			CCC-				In default with little prospect for recovery
Ca			CC				
C		C					
/	D	/	DDD	/	In default		
/			DD				

**STATEMENT OF POLICY ON THE MINIMUM REVENUE PROVISION
(REPAYMENT OF DEBT)**

1. Background

- 1.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 requires authorities to make an amount of MRP which the authority considers "prudent".
- 1.1 The regulation does not itself define "prudent provision". However, guidance issued alongside the regulations makes recommendations on the interpretation of that term.

2 Policy for 2018-19 onwards

- 2.1 The Service Director Finance recommends the following policy for making prudent provision for MRP:
- (i) General Fund Borrowing (pre 1st April 2008) - Provision to be made over the estimated average life of the asset (as at 1 April 2008) for which borrowing was taken - deemed to be 50 years (annuity calculation).
 - (ii) Calculations to compare this to the previous MRP charge indicated that between 2007-08 and 2015-16 the Council provided an additional £91.2m with which it will "un-wind" over 9 years from 2017-18.
 - (iii) General Fund Prudential Borrowing – Provision to be made over the estimated life of the asset for which borrowing is undertaken. Provision to commence in the year following purchase (annuity calculation). Where large loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.
 - (iv) HRA Borrowing - Provision to be made for debt repayments equal to its share of any scheduled external debt repayments.
 - (v) PFI schemes - Provision to equal the part of the unitary payment that writes down the balance sheet liability, together with amounts relating to lifecycle costs incurred in the year.

TREASURY MANAGEMENT INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

The Code requires that where gross debt is greater than the CFR, the reasons for this should be clearly stated in the annual strategy. This does not apply to this Council as its gross debt will not exceed the CFR over the forecast period (see the ‘Gross Debt and the Capital Financing Requirement table within the Capital Strategy).

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.

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2019-20, 2020-21 and 2021-22 of £680m, £720m, £754m of its net principal. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2019-20, 2020-21 and 2021-22 of £100m of its net principal.

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. It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate		
	Upper Limit (%)	Lower Limit (%)
Under 12 months	20	0
Between 1 and 2 years	20	0
Between 2 and 5 years	60	0
Between 5 and 10 years	80	0
More than 10 years	100	20

*LOBOs are classed as fixed rate debt unless it is considered probable that the loan option will be exercised.

Total principal sums invested for periods longer than 364 days

The Council is not intending to invest sums for periods longer than 364 days.

Investment Strategy 2019/20

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with Treasury Management guidance both from the Chartered Institute of Public Finance and Accountancy and MHCLG. Average cash balances in 2019/20 for the purpose of treasury management investment are expected to average £40m plus, with fluctuations between £25m and £65m.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in the treasury management strategy report 2019/20 to which this Investment Strategy is appended.

Service Investments: Loans

Contribution: The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college and local residents to support local public services and stimulate local economic growth.

The Council provided a significant loan to Kirklees College to help facilitate a new campus in Huddersfield and the delivery of a successful further education provision for post 16 students and adults across the District.

Smaller loans have also been provided to local residents to be able to provide energy efficient heating within their own homes. The Council is part of the Leeds City Region Investment Fund where all local authorities contribute to the fund which provides individual loans to support infrastructure and construction projects which help deliver economic growth and job creation.

From 19/20 the Council is planning on providing significant development finance loans to support major town centre regeneration and economic growth, up to a Council approved £38m (per the 5 year Capital Plan 2019-20 to 2023-24), through a combination of Property Investment Fund (£25m) and HD-One Fund at £13m. Amounts have been set aside in the capital plan for this type of investment.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Investment Strategy guidance states that in order to limit this risk, and ensure that total Council exposure to loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have to be set, and approved annually by Council. The proposed upper limits for Council loans are set out at Table 1 below:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Further education college	16.4	0.0	16.4	16.4
Leeds City Region revolving investment fund	2.3	0.0	2.3	3.9
Local businesses and charities	0.8*	0.0	0.8*	38.8
Local residents	2.1	0.0	2.1	2.1
TOTAL	21.6	0.0	21.6	61.2

* This is made up of numerous small investments, the largest of which are £0.2m for the Media Centre and £0.2m for KSDL.

Accounting standards require the Authority to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018-19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment:

The Authority assesses the risk of loss before entering into and whilst holding service loans. This will include the nature of the market/sector to which the loan relates, and loan security against business/sector assets. The single largest current loan relates to Kirklees College which is a public sector entity and considered to be a viable going concern. The strength of the Council's partnership with key anchor organisations in the district like the College, and ability to influence, support and monitor the College's ongoing financial position, are also key factors, including Council senior finance representation on the College's finance committee.

Development finance loans such as Property Investment Fund (PIF) and HD-One 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, including external specialist advice where appropriate, availability of credit ratings in respect of any potential loanee where appropriate, and loan security arrangements. Each individual loan offer will be the subject of a further Cabinet report.

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 development finance involvement. In many instances the Council investment would be short term to cover the construction phase of development which is the most critical period 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. 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 creation of an appropriate risk contingency.

Service Investments: Shares

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment (£0.9m) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on our behalf on a 32 year contract under PFI. The council also has a 40% shareholding in KSDL, a 14% holding in QED KMC Holdings Ltd (£0.3m) and a 50% shareholding in KHBP Ltd (£0.1m).

Updated budget plans include a £2.5m capital investment proposal for a potential 50% shareholding in a Housing Joint Venture. This is a partnership project for the building of new homes in the region.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2018 actual			2019/20
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local businesses	1.3	0.0	1.3	3.8

Risk assessment: The Authority entered into these shareholdings for the purposes of participating in the governance and control of organisations that it considered to be important for the purposes of securing economic benefits to the borough. The Council is also the sole client in respect of one of these investments. The Council assessed the risk of participation taking account of the financial and public benefits, including the opportunity to make a potential gain in the event of the business being successful, although this was not the core purpose for initial participation. The Council assesses the risk of losses whilst holding shares by continued oversight and involvement in the strategic and operational aspects of the business, and participation in decision making, although the financial risk of the investment is perhaps lower than the operational and or reputational impacts of any failure by the companies in which the Council holds share based investments.

Liquidity: The Council has entered into these shareholdings for the purposes of delivery of its public service and community leadership obligations and the investments are considered to be long term. Viability of the investments in the long term is an important part of the strategy, but as the Councils share ownership and participation is strategic rather than financial the daily or periodic value is of less concern than the overall long term health of the organisation in which the investment is held.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council invests in local commercial property such as retail town centre shops and buildings.

These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Table 3: Property held for investment purposes in £ millions

Property type	Actual	31.3.2018 actual		31.3.2019 expected	
	Purchase cost	Gains or (losses)	Fair value in accounts	Gains or (losses)	Value in accounts
Commercial Property	*See below	2.2	20.8	2.0	22.8

*The purchase cost cannot be ascertained as the majority of these assets have been owned by Kirklees for many years and purchased by Huddersfield Corporation during the 1920's from Ramsdens Estate. There is a signed legal document and also a 'book of acquisition' which is a hard backed ledger held in legal services.

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising there from.

Risk assessment: The Authority's current commercial asset portfolio held for investment purposes is largely a historical portfolio. It is monitored and reviewed annually as part of the Council's wider asset strategy including potential future appreciation and potential receipt value.

It is not the Council's intention to invest in any new commercial portfolio investments at this time. If any new investments are identified a risk assessment would be performed.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement

of its business/service objectives. Cash flow projections are prepared on a regular and timely basis.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness. The Council does not have any loan commitments, however there are some guarantees that the Council holds which are identified in the Statement of Account under Contingent Liabilities. Mainly guarantees on outstanding contributions to Pension Fund in the event of a default by certain bodies. A guarantee to the Homes & Communities Agency (HCA) in the event of a default by Kirklees Community Association (KCA) on the redevelopment of the Fieldhead Estate. The Council also act as a guarantor to a loan of £1.3m that KSDL hold in the event of default.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director Finance is a qualified accountant with extensive local government experience, the Strategic Director – Economy and Infrastructure has extensive experience of major Council regeneration schemes and partnerships with major business and 3rd party partners, as do key Service Directors. The Council pays for staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Cabinet is responsible for the implementation and monitoring of any Investment policy. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to Investment. Regular training for members of the Committee is provided by our treasury advisors to enable them to make decisions to ensure accountability and responsibility on investment decisions within the context of the Council's corporate values. Any new investment decisions are also approved at full Council.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	36.1	34.1	30.0
Service investments: Loans	21.6	22.7	39.2
Service investments: Shares	1.3	1.3	2.6
Commercial investments: Property	20.8	22.8	24.9
TOTAL INVESTMENTS	79.8	80.9	96.7
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	1.3	1.3	1.3
TOTAL EXPOSURE	81.1	82.2	98.0

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure

Table 6: Investments funded by borrowing in £m

Investments funded by borrowing	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Service investments: Loans	18.7	19.8	36.3

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	0.3%	0.7%	0.8%
Service investments: Loans	0.6%	0.6%	0.6%
Service investments: Shares	None	None	None
Commercial investments	10.7%	10.0%	10.0%
ALL INVESTMENTS	11.6%	11.3%	11.4%

KIRKLEES COUNCIL - FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

1. Government guidance allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts. It covers in-year capital receipts generated in-year, from 2016-17 to 2021-22 inclusive.
2. In-year generated capital receipts includes general fund receipts from the sale of general fund land and buildings. It also includes 'right to buy' (RTB) receipts from the sale of Council houses. These are remaining receipts that are also available to the Council, after taking account of the Council's other obligations in relation to RTB receipts generated in-year.
3. It is proposed that consideration be given to applying 'in-year' capital receipts generated, to fund the following qualifying capitalised revenue expenditure, in line with original DCLG guidance issued in March 2016, as follows :
 - i) *funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;*
 - ii) *driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;*
4. The time period relating to the above qualifying expenditure covers 2018-19 and the following 3 years. The original DCLG guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021-22, following the Autumn Statement announcement on November 17th, 2017.
5. The extent to which capital receipts will actually be applied in-year will take into account the following factors :
 - i) the amount of capital receipts actually generated in-year;
 - ii) the amount of qualifying capitalisable revenue expenditure in-year;
 - iii) the affordability of borrowing to fund the capital plan in-year, where current funding assumptions include use of in-year capital receipts to part fund the Council's annual general fund capital plan
6. The proposals set out in 3. above are 'in principle', and allow officers the 'flexibility' to consider a range of funding options in-year that meet the intended objectives set out in the Council's budget strategy update.
7. It is intended that officers will update members as part of the annual budget report to full Council each February, and finalised proposals for the flexible use of capital receipts to be incorporated into an annual early closedown review report for Cabinet consideration early April.

Introduction

This capital strategy is a new CIPFA code of practice requirement for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2019/20, the Council is planning capital expenditure of £147.5m as summarised below:

Prudential Indicator: Estimates of Capital Expenditure across years

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
General Fund services	69.8	96.9	137.2	100.7	85.2	46.9
Council housing (HRA)	27.8	33.8	24.4	23.7	23.4	21.6
Capital Investments	1.1	17.8	17.7	4.0	0	0
TOTAL	98.7	148.5	179.3	128.4	108.6	68.5

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services paid for from the general fund. HRA capital expenditure is therefore recorded separately.

Governance: The Council's annual planning cycle fully integrates the timetabling and consideration of revenue and capital resource requirements over the Council's medium term financial plan. This includes provision for Strategic Directors to submit outline bids for inclusion in the Council's capital plan. Bids are collated by corporate

finance, who advise Strategic Directors on both the financing costs (which can be nil if the project is fully externally financed) and service revenue implications.

The Corporate Strategic Capital Group appraises bids based on an assessment of Council priority outcomes, funding availability and affordability, and makes recommendations to Executive Team. There are a number of sub-officer groups with relevant specialist expertise that are also involved in shaping capital proposals for submission to the Corporate Capital Strategy Group. These include the major projects board, specialist accommodation board and housing growth board.

The final multi-year capital plan is then considered in the corporate member arena to Cabinet in January and to Council in February each year.

Council Financial Procedure Rules also set out the specific financial governance requirements for consideration with regards the Councils; capital investment, and the relevant link is set out below:

<http://www.kirklees.gov.uk/beta/your-council/pdf/constitution-part-46.pdf>

This includes the requirement for any schemes approved by Council at Programme level, to be considered subsequently for Cabinet approval through submission of a more detailed business case as required. Full details of the Council's multi-year capital plan is set out in the Council's annual 2019-22 budget report.

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

Capital financing

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
External sources	34.6	53.4	73.2	53.3	38.4	14.4
Own resources	34.4	36.6	27.4	27.3	27.0	25.3
Debt	29.7	58.5	78.7	47.8	43.2	28.8
TOTAL	98.7	148.5	179.3	128.4	108.6	68.5

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The Council's minimum revenue provision (MRP) policy is set out in the Council's Treasury Management Strategy which is appended at Appendix E to the Council's 2019-22 Annual budget report.

Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Replacement of debt finance

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
MRP (underlying cost)	13.5	13.5	13.3	13.9
MRP (unwind of over-provision)	(13.4)	(13.4)	(7.8)	(7.8)
Total	0.1	0.1	5.5	6.1

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Prudential Indicator: Estimates of Capital Financing Requirement

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
General Fund CFR- Non PFI	461.7	504.5	550.6	587.4
General Fund CFR- PFI	49.3	45.8	42.6	39.4
HRA CFR- Non PFI	175.3	170.7	165.7	162.8
HRA CFR- PFI	52.9	50.5	48.1	45.2
Capital Investments	1.1	4.4	4.4	4.4
Total CFR	740.3	775.9	811.4	839.2
Less: PFI debt liabilities	102.2	96.3	90.7	84.6
TOTAL Borrowing CFR	638.1	679.6	720.7	754.6

Asset management: To ensure that capital assets continue to be of long-term use, the Council utilises an electronic database, the 'Council Corporate Asset Management Plan (K2)' which contains detailed information about all of its assets. The Council also has in place a Disposals and Acquisition Policy, which sets out the principals, internal procedures and legal framework for asset disposals, please see the link below:

<http://democracy.kirklees.gov.uk/documents/s17743/2.%20CORPORATE%20DISPOSALS%20AND%20ACQUISITIONS%20POLICY%20FINAL%202017-03-21.pdf>

An annual report is also taken to Cabinet with the forward plan for the disposal of assets that have been declared surplus to requirements, please see the link below for the latest version:

<https://democracy.kirklees.gov.uk/documents/s24227/Item%2016.%20PUBLIC%20Disposal%20of%20Land%20and%20Property%20Assets180807.pdf>

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Government also allows Councils to apply in-year (flexible) capital receipts on permitted revenue spend, until 2021/22. The Council's current flexible capital receipts policy is appended to the 2019-22 annual budget report at Appendix F. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £3m each year over the period of the Capital Plan (2019-2024) from the sale of assets.

Treasury Management

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

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases) are shown below, compared with the capital financing requirement (see above). The estimated debt cost in 2018-19 is £19.3m.

Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
Debt (incl. PFI & leases)	551.1	597.4	638.0	670.7
Capital Financing Requirement	638.1	679.6	720.7	754.6

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table above, the Council expects to comply with this in the medium term.

Affordable borrowing limit: 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.

Prudential Indicators: Authorised limit and operational boundary for external debt

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit – borrowing	585.0	665.0	700.0	755.0
Authorised limit – other long term liabilities	110.0	101.3	95.7	90.1
Authorised limit – Total	695.0	766.3	795.7	845.1
Operational boundary – borrowing	495.0	585.0	620.0	655.0
Operational boundary – other long term liabilities	102.2	96.3	90.7	84.6
Operational boundary – Total	597.2	681.3	710.7	739.6

As part of HRA self-financing reform, the authority is now required to report the limit on HRA indebtedness. The limit was set by Department for Communities and Local Government (DCLG) at £247.6 million. It is the HRA CFR excluding PFI liabilities which is compared to this limit and the HRA is over £60 million below the limit with no current plans to increase its borrowing.

Further details on borrowing are highlighted in the Treasury Management Strategy appended at Appendix E to the Council’s annual 2019-22 budget report.

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

The Council’s policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice. The estimated investment income in 2018-19 is £0.2m.

Treasury management investments

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
Near-term investments	30	20	20	20
Longer-term investments	0	10	10	10
TOTAL	30	30	30	30

Further details on treasury investments are highlighted in the Treasury Management Strategy appended at Appendix E to the Council’s annual 2019-22 budget report.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Service Director Finance and staff, who must act in line with the treasury management strategy approved by Council/Corporate Governance and Audit Committee. Reports on treasury management activity are

presented every 6 months to Council/ Corporate Governance and Audit Committee. The Corporate Governance and Audit Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college and local residents to support local public services and stimulate local economic growth.

In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

Governance: Decisions on service investments are made by the Strategic Director - Economy and Infrastructure, in consultation with the Service Director Finance, and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on service investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix E in the Council's annual 2019-22 budget report).

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m
Financing costs (£m)	29.8	29.8	29.1	30.0	34.5	34.3
Proportion of net revenue stream	9.9%	9.9%	8.9%	9.0%	10.4%	10.3%
General Fund (excl PFI)	7.9%	7.8%	7.1%	7.4%	8.6%	9.3%
HRA	31.4%	31.0%	30.8%	30.5%	30.3%	30.0%
HRA (excl PFI)	29.5%	29.3%	29.0%	28.8%	28.5%	28.3%

Further details on the revenue implications of capital expenditure are detailed in the Council's annual 2019-22 budget report.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Service Director Finance and Council s151 Officer is satisfied that the proposed multi-year capital plan and borrowing affordability remains prudent, affordable and sustainable. The context for this current judgement is also reflected in the s151 Officer's statutory Positive Assurance statement as part of the 2019-22 annual budget report.

Liabilities

In addition to debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £546m) and its PFI finance lease obligation (total liability of all schemes £107m, offset by a net book value of assets of £82m). It has also set aside provisions of £15m to cover risks associated with Business Rates Appeals and the Council's Insurance Fund. The Council is also at risk of having to pay for a number of contingent liabilities (which are separately disclosed each year in the Statement of Accounts) and is satisfied that any potential future liabilities are covered as part of its overall financial resilience reserves.

Governance: Decisions on incurring new discretionary liabilities are taken by Strategic Directors in consultation with the Service Director of Finance and in conjunction with the Council's Financial Procedure Rules. The risk of liabilities crystallising and requiring payment is monitored by central finance and any new liabilities would be reported appropriately.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director Finance is a qualified accountant with extensive local government experience, the Strategic Director – Economy and Infrastructure has extensive experience of major Council regeneration schemes and partnerships with major business and 3rd party partners, as do key Service Directors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk
	The finances of the Council	
1	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability	<ul style="list-style-type: none"> • Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level • Escalation processes are in place and working effectively. • Alignment of service, transformation and financial monitoring. • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly (and quarterly) financial reporting
2	<p>Failure to control expenditure and income within the overall annual council approved budget leads to the necessity for unintended savings (from elsewhere)). The most significant of these risks are related to volumes (in excess of budget) of;</p> <ul style="list-style-type: none"> • Complex Adult Care services • Childrens Care Services • Educational high needs <p>& Rent Collection impact of Universal Credit rollout (H R A) And in the longer term, the costs of waste disposal.</p>	<ul style="list-style-type: none"> • Significant service pressures recognised as part of resource allocation in 2018/19 and 2019/20 • Responsibility for budgetary control aligned to Strategic and Service Directors. • Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs • Utilise supplementary resources to cushion impact of cuts and invest to save. • Continue to lobby, through appropriate mechanisms, for additional resources • Proactive monitoring as Universal Credit is introduced
3	Above inflation cost increases, particularly in the care sector, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.	<ul style="list-style-type: none"> • Monitor quality and performance of contracts. • Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices • Renegotiate or retender contracts as appropriate. • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government imposed costs

4	Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.	<ul style="list-style-type: none"> • Effective due diligence prior to granting loans and careful monitoring of investment decisions. • Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice
5	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances	<ul style="list-style-type: none"> • Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. • Consider risks and most cost effective appropriate approach to responding to these (internal or external insurance provision)
6	A future financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.	<ul style="list-style-type: none"> • Monitor government proposals and legislation, and their impact on council and partner services. • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources • Ensure that budgets anticipate likely impacts • Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services.
Community Impacts & Risks		
7	The council does not adequately safeguard children and vulnerable adults, as a result of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	<ul style="list-style-type: none"> • Disclosure & Barring Service (DBS) checking, staff training, supervision, protection policies kept up to date and communicated. • Effective management of social work (and related services); rapid response to any issues identified and from any serious case review work. • Active management of cases reaching serious case review stage, and any media interest • Review of current practices following the child sexual exploitation in Rotherham and the emerging requirements. • Ensure that workloads are balanced to resources. • Staff and skill development to minimise dependence on key individuals. • Use of agency staff and or contractors when necessary

		<ul style="list-style-type: none"> • Ideal manager training • Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally. • Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Ensure routine internal quality assessment • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as “corporate parent” • Childrens Improvement Board to assist governance and quality improvement
8	Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters.	<ul style="list-style-type: none"> • Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required. • Risk matrix and risk management approach implemented with the police and partners. • Oversight of Council risks through the CSE Member Panel. • Understand relationship with the Prevent strategy, and issues linked to counter terrorism • Take steps per risk 7 to seek to avoid ongoing issues
9	Failure to address matters of violent extremism and related safer stronger community factors create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals).	<ul style="list-style-type: none"> • Prevent Partnership Action Plan. • Community cohesion work programme • Local intelligence sharing and networks. • New status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding. • Counter terrorism local profile. • Home Office funded Counter Extremism Community Co-ordinator role
10	Significant environmental events such as severe weather impact on the Council’s ability to continue to deliver services.	<ul style="list-style-type: none"> • Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.)
11	The policy presumption of communities taking more responsibility for service	<ul style="list-style-type: none"> • Reduced demand for statutory services

	<p>provision does not deliver the hoped for outcomes, with the consequence that some community services will no longer be sustainable from the resources available, with reputational and policy risks.</p>	<ul style="list-style-type: none"> • If the reduction is not realised at the pace set out, (in change plans) then those services that are directly impacted will need to identify this early, and to help in doing so, ensure that appropriate demand management and monitoring is put in place to record the levels of service take up. Remedial action should also be identified by those services. • Successful implementation of new service models • Impact assessments for those services directly affected should be carried out to reflect the impact on citizens of losing a service as a consequence of the pace and scale of new service models not meeting demand. •
	<p>The UK exiting the EU</p>	
12	<p>The process of the UK exiting the EU lead to the following consequences and impact:</p> <ul style="list-style-type: none"> • Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income. • The potential for increased cuts in core government funding (as a result of economic pressures) in the context of ongoing increases in demand for council services. • Rising inflation could lead to increased costs. Interest rate volatility impacting on the cost of financing the council's debt. • The general uncertainty affecting the financial markets could lead to another recession. • An uncertain economic outlook potentially impacting on levels of trade and investment. 	<p>These risks are largely addressed elsewhere in the Matrix</p> <ul style="list-style-type: none"> • Monitor government proposals and legislation, and their impact on council and partner services. • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers about likely impact on prices and resources. • Ensure that budgets anticipate likely cost impacts • Utilise supplementary resources to cushion impact of any cuts and invest to save. • Ensure adequacy of financial revenue reserves to protect the council financial exposure and that they are managed effectively not to impact on the council essential services • Local intelligence sharing and networks. • Prevent partnership action plan. • Community cohesion work programme • Service and financial strategies kept under review to keep track of developments related to the UK exiting the EU. • Working Group established to consider and monitor implications.

	<ul style="list-style-type: none"> • Uncertainty about migration impacting on labour markets, particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and reported hate crimes. 	
	Other Resource & Partnership Risks	
13	<p>Council supplier and market relationships, including contractor failure leads to;</p> <ul style="list-style-type: none"> • loss of service, • poor quality service • an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed) • complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal. 	<ul style="list-style-type: none"> • Avoid, where possible, over dependence on single suppliers; • More thorough financial assessment when a potential supplier failure could have a wide impact on the council's operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Consideration of social value, local markets and funds recirculating within the borough • Understanding supply chains and how this might impact on the availability of goods and services • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors

14	Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines	<ul style="list-style-type: none"> • Thorough, understandable information security policies and practices that are clearly communicated to workforce. • Effective management of data, retention and recording. • Raised awareness and staff training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Comply with new legislation around staff access to sensitive data. • Council has a Senior Information Risk Owner ("SIRO") officer and a Data Protection Officer (DPO) who are supported by an Information Governance Board • Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate • Increased awareness of officers and members as to their obligations
15	Health and safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive.(and the potential of prosecution and corporate /personal liability)(and in particular issues of fire safety,)	<ul style="list-style-type: none"> • New Fire Safety Policy approved and being implemented with improved monitoring of fire risk • Prioritised programme of remedial works to buildings to tackle fire safety and other issues • Review work practices to address H&S risks • Monitor safety equipment • Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors • Approval of additional resources to improve corporate monitoring regime.
16	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications.	<ul style="list-style-type: none"> • Routine servicing and cleansing regimes • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy • Review of fire risks Develop management actions, categorised over the short to medium term and resource accordingly. • Prioritisation of funding to support reduction of backlog maintenance • Clarity on roles and responsibilities particularly where property management is outsourced.

17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	<ul style="list-style-type: none"> • Engagement in winter resilience discussions with NHS partners • Secure funding as appropriate • Consider extension of pooled funds • Accept that this may lead to an increase in waiting times • Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced.
18	<p>The risk of retaining a sustainable, diverse, workforce, including</p> <ul style="list-style-type: none"> • aging and age profile • encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks) • encouraging entrants to professional roles where pay is often below market levels. • and ensuring that the workforce are broadly content, <p>without whom the council is unable to deliver its service obligations.</p>	<ul style="list-style-type: none"> • Effective Workforce Planning (including recruitment and retention issues) • Modernise Human Resources policies and processes • Increased accessibility to online training managers/ employees. • Selective use of interim managers and others to ensure continuity of progress regarding complex issues • Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation.. • Understand market pay challenges • Promote the advantages of LG employment • Emphasise the satisfaction factors from service employment • Engage and encourage younger people through targeted apprenticeships, training, and career development
19	National legislative or policy changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets.	<ul style="list-style-type: none"> • Reprioritise activities • Deploy additional resources • Use of agency staff or contractors where necessary • Development of horizon scanning service

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

KIRKLEES METROPOLITAN COUNCIL
COUNCIL MEETING - 13 FEBRUARY 2019
COUNCIL TAX

1. That the Revenue Budget for the year 2019-2020, as submitted, be approved.
2. That it be noted that at its meeting on 16 January 2019 the Council calculated the following amounts for the year 2019-2020 in accordance with regulations made under Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and subject to the calculation of any consequential changes to the Council Tax Base delegated to the Director of Resources:-

(a) 118,708.56 being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its council tax base for the year

(b) Part of the Council's area

Parish of Denby Dale	5,771.84
Parish of Holme Valley	9,998.83
Parish of Kirkburton	8,910.47
Parish of Meltham	2,820.42
Parish of Mirfield	6,617.91
Kirklees (outside the Parish of Holme Valley) special expense area	108,709.73

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2019-20 (excluding parish precepts) is £179,198,000
4. That the following amounts be now calculated by the Council for the year 2019-2020 in accordance with Sections 31 to 36 of the Act:-
 - (a) £ 926,640,024 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £ 746,678,600 being the aggregate of the amounts which

Including estimated precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

- the Council estimates for the items set out in Section 31A(3) of the Act
- (c) £ 179,961,424 being the amount by which the aggregate at 4(a) exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
- (d) £ 1,515.99 being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £ 798,082 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £ 1,509.27 being the amount at 4(d) above, less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

g)

<u>Part of the Council's area</u>	Base Council Tax £	Special Expenses £	Parish Precept £	Resultant Council Tax £
Parish of Denby Dale	1509.27	0.32	37.70	1547.29
Parish of Holme Valley	1509.27	0.00	22.50	1531.77
Parish of Kirkburton	1509.27	0.32	12.37	1521.96
Parish of Meltham	1509.27	0.32	38.04	1547.63
Parish of Mirfield	1509.27	0.32	15.61	1525.20
Kirklees (outside special expense area)	1509.27	0.32	0.00	1509.59

being the amounts to be added to the amount at 4(g) (and the resultant council tax amounts), as the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b), calculated by the Council, in accordance with Section 34(3) of

Including estimated precepts from the West Yorkshire Fire & Police Authorities and Parish Councils

the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) Kirklees Valuation Bands

Part of the Council's area	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	1,031.53	1,203.45	1,375.37	1,547.29	1,891.13	2,234.97	2,578.82	3,094.58
Holme Valley	1,021.18	1,191.38	1,361.57	1,531.77	1,872.16	2,212.56	2,552.95	3,063.54
Kirkburton	1,014.64	1,183.75	1,352.85	1,521.96	1,860.17	2,198.39	2,536.60	3,043.92
Meltham	1,031.75	1,203.71	1,375.67	1,547.63	1,891.55	2,235.47	2,579.38	3,095.26
Mirfield	1,016.80	1,186.27	1,355.73	1,525.20	1,864.13	2,203.07	2,542.00	3,050.40
All other parts	1,006.39	1,174.13	1,341.86	1,509.59	1,845.05	2,180.52	2,515.98	3,019.18

Being the amounts given by multiplying the amounts at 4(g) by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

5. That it be noted that for the year 2019-2020 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings in the Council's area as shown below:-

Precepting Authority	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
West Yorkshire Fire & Civil Defence Authority	41.81	48.77	55.74	62.71	76.65	90.58	104.52	125.42
West Yorkshire Police Authority	107.23	125.11	142.98	160.85	196.59	232.34	268.08	321.70

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

6. That, having calculated the aggregate in each case of the amounts at 4(g) and 5, the Council, in accordance with Sections 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2019-2020 for each of the categories of dwelling shown below:-

Part of the Council's area	<u>Valuation Bands</u>							
	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	1,180.57	1,377.33	1,574.09	1,770.85	2,164.37	2,557.89	2,951.42	3,541.70
Holme Valley	1,170.22	1,365.26	1,560.29	1,755.33	2,145.40	2,535.48	2,925.55	3,510.66
Kirkburton	1,163.68	1,357.63	1,551.57	1,745.52	2,133.41	2,521.31	2,909.20	3,491.04
Meltham	1,180.79	1,377.59	1,574.39	1,771.19	2,164.79	2,558.39	2,951.98	3,542.38
Mirfield	1,165.84	1,360.15	1,554.45	1,748.76	2,137.37	2,525.99	2,914.60	3,497.52
All other parts	1,155.43	1,348.01	1,540.58	1,733.15	2,118.29	2,503.44	2,888.58	3,466.30

7. The Council has determined that its relevant basic amount of Council Tax for 2019-2020 is **not** excessive in accordance with principles approved under section 52ZB Local Government Finance Act 1992.

As the billing authority, the Council has **not** been notified by a major precepting authority that its relevant basic amount of Council Tax for 2019-2020 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

8. That notice of the amounts set by the Council in accordance with Section 30 of the Local Government Finance Act 1992 be published in at least one newspaper circulating in the Council's area, in accordance with Section 38(2) of the Act.

Motion to be presented by Cllr Shabir Pandor

Calculation of Council Tax for 2019-2020

Appendix I ii)

	<u>2018-19 Budget</u>		<u>2019-20 Budget</u>		<u>% change</u>
	£	£	£	£	
Total Directorate Budgets		291,226,690		286,955,000	
Adjustment for contribution to (+)/use of (-) balances		0		7,684,000	
Total Expenditure		291,226,690		294,639,000	
Less: Business Rates Local Share	99,786,000		77,497,000		
Less: Top Up / (Tariff)	-2,340,000		14,126,000		
Less: RSG	0		0		
Less: Unringfenced Specific Grants	17,660,000		18,068,000		
Less: Transfer of Collection Fund Surplus	3,500,000		5,750,000		
		118,606,000		115,441,000	
Council Tax Requirement		172,620,690		179,198,000	
Less : Special Expenses		34,658		34,658	
Balance to be raised by Council Tax (excludes special expenses)		172,586,032		179,163,342	
<i>Kirklees Taxbase</i>		117,770.00		118,708.56	
Kirklees Council Tax on Band D Properties (Holme Valley)		£1,465.45		£1,509.27	
Special Expenses * Incurred Outside Holme Valley		0.3215		0.3188	
Kirklees Council Tax on Band D Properties (excluding Holme Valley)		1,465.77		1,509.59	2.99%
Precept Figures					
West Yorkshire FCDA	£7,385,360	62.71	£7,444,217	62.71	0.00%
West Yorkshire Police	£18,943,304	160.85	£19,094,271	160.85	0.00%
Kirklees Plus Fire & Police		£1,689.33		£1,733.15	2.59%
Parish Precepts	£757,943	£6.44	£763,424	£6.44	0.00%
Council Tax at Band D		£1,695.77		£1,739.59	2.58%

Council Tax by Council Tax Band

	<u>2018-19</u>	<u>2019-20</u>	<u>Annual increase</u>	<u>Weekly Increase</u>
Band A	£1,126.22	1,155.43	29.21	0.56
Band B	£1,313.92	1,348.01	34.09	0.66
Band C	£1,501.62	1,540.58	38.96	0.75
Band D	£1,689.33	1,733.15	43.82	0.84
Band E	£2,064.74	2,118.29	53.55	1.03
Band F	£2,440.14	2,503.44	63.30	1.22
Band G	£2,815.55	2,888.58	73.03	1.40
Band H	£3,378.66	3,466.30	87.64	1.69

<u>Referendum Calculation</u>	<u>2018-19</u>	<u>2019-20</u>	
	£	£	
Council Tax Requirement	172,620,690	179,198,000	
<i>Divided by Taxbase</i>	117,770.00	118,708.56	
Average Band D Council Tax	1,465.74	1,509.56	2.99%

* Special expenses relate to expenditure incurred in respect of public seats on or adjoining highways, War Memorials and Public Clocks, outside the area of the Holme Valley Parish Council. This Parish Council provides such items within its area.

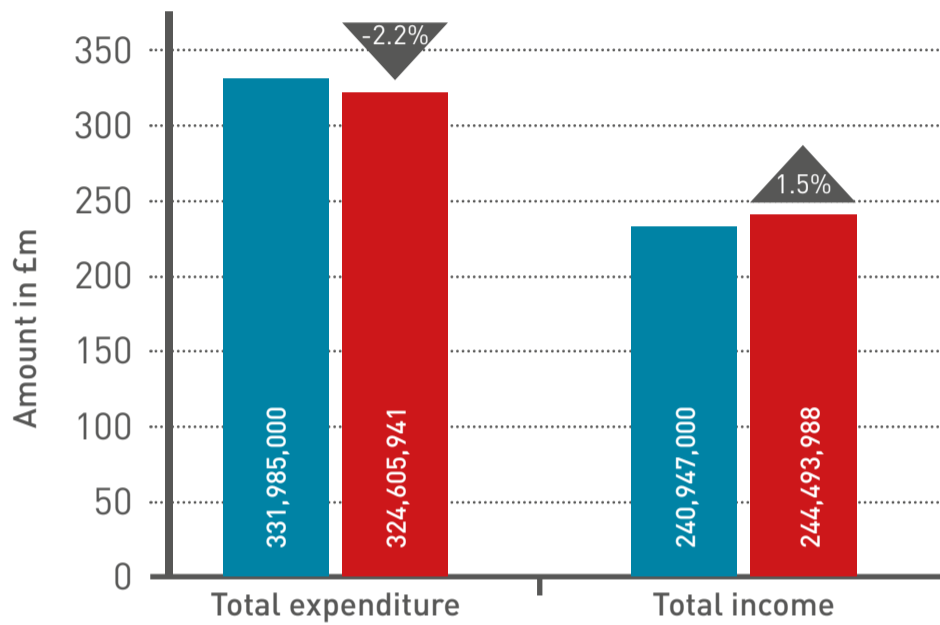


Council budget 2019 - The results

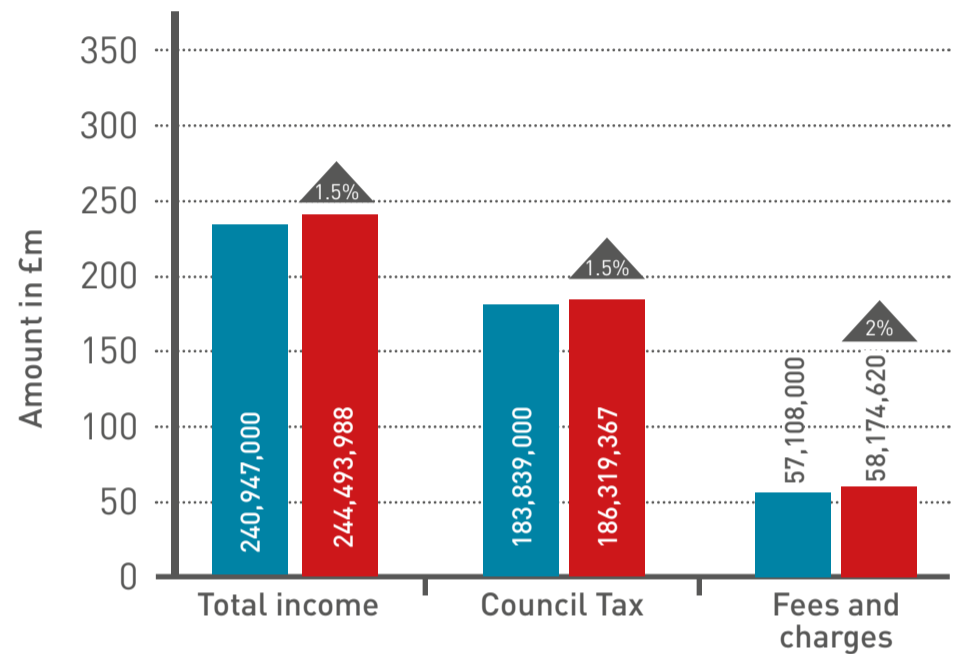
During November and December 2018, the Council ran a budget consultation which asked the public to try and balance the Council's finances. It utilised an online budget simulator and people had to achieve the required savings of **£16m**.

We had **189** budgets submitted and of these, **87%** provided their age and postcode which helps us understand the way the current financial challenges are viewed across the whole of Kirklees.

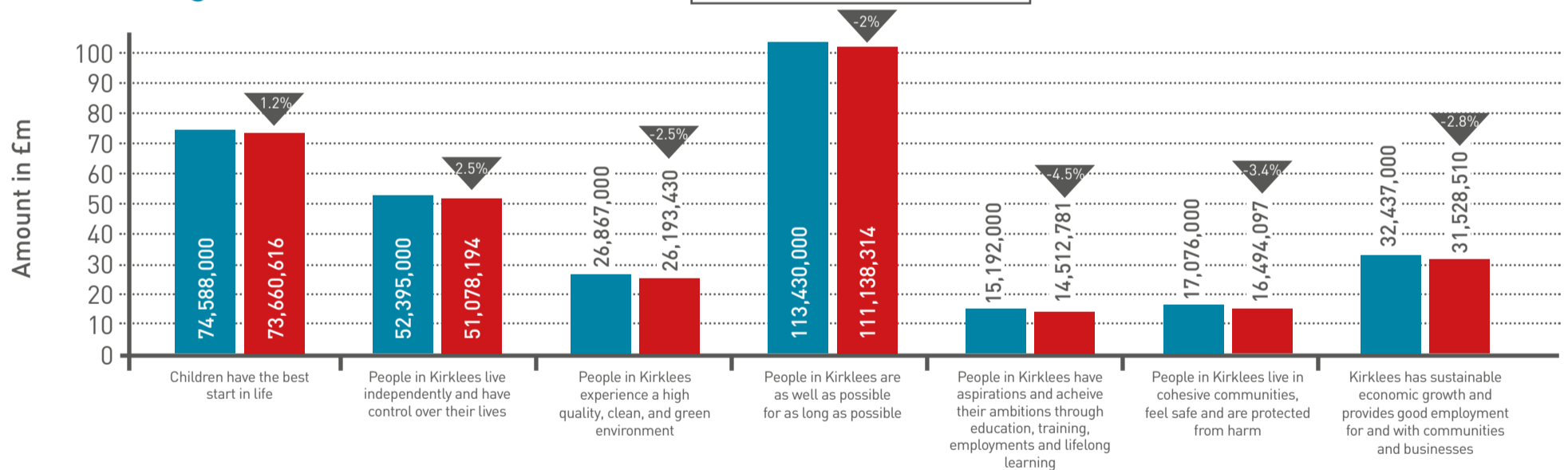
Total Budget Figures



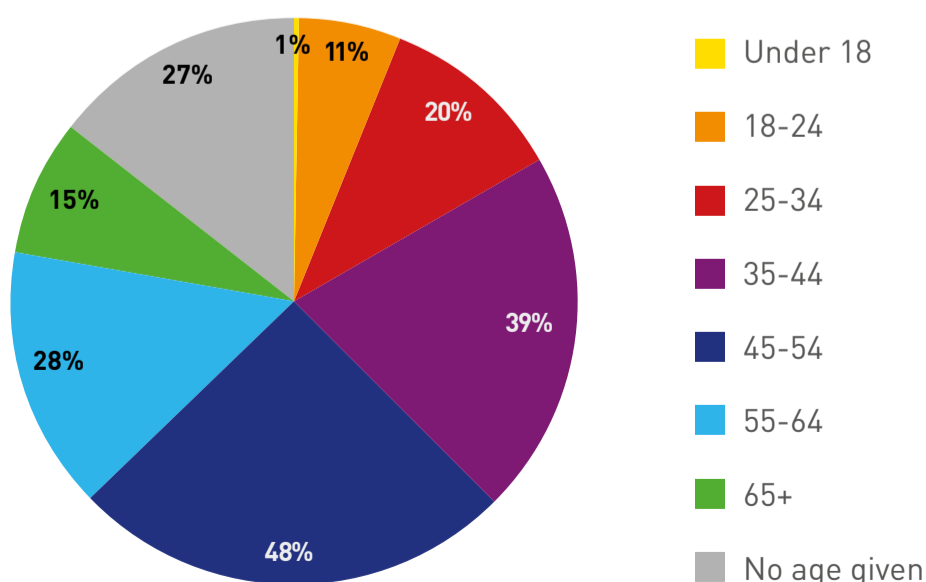
Options To Generate Income



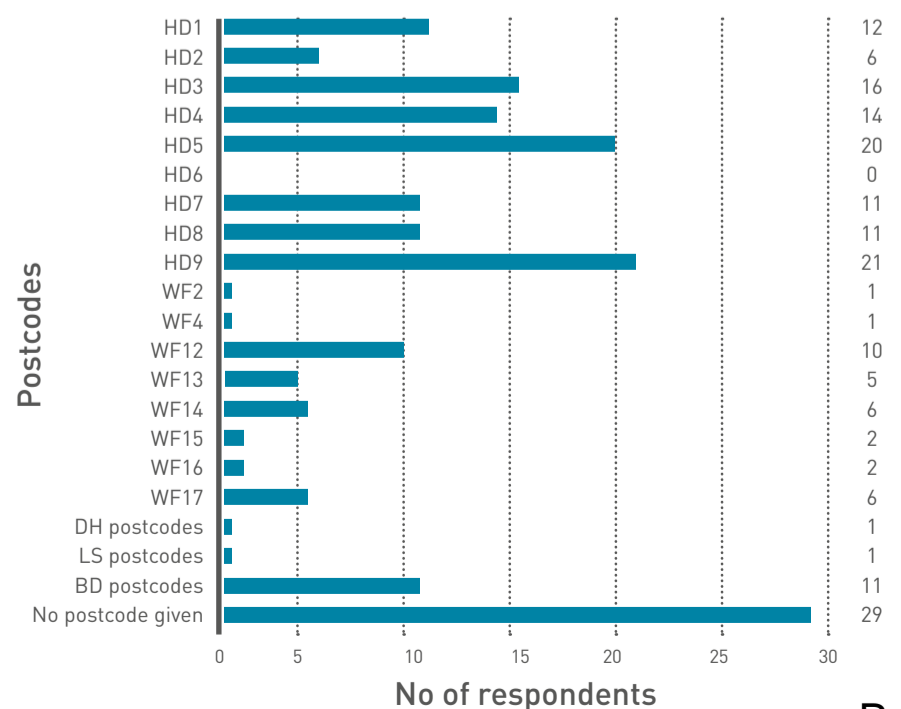
Theme Budget Breakdowns



Age of Respondents



Location of Respondents



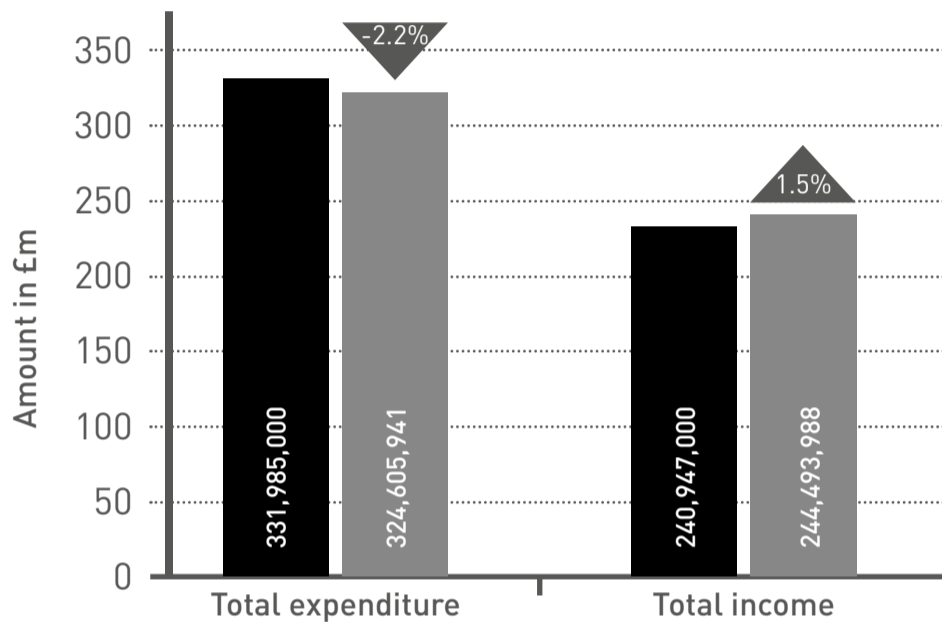


Council budget 2019 - The results

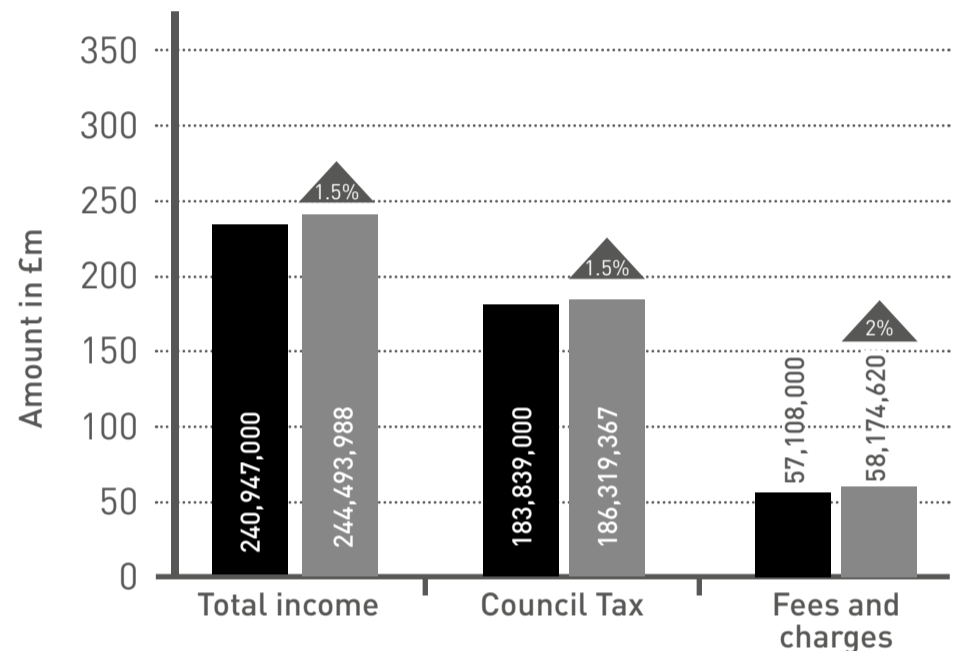
During November and December 2018, the Council ran a budget consultation which asked the public to try and balance the Council's finances. It utilised an online budget simulator and people had to achieve the required savings of **£16m**.

We had **189** budgets submitted and of these, **87%** provided their age and postcode which helps us understand the way the current financial challenges are viewed across the whole of Kirklees.

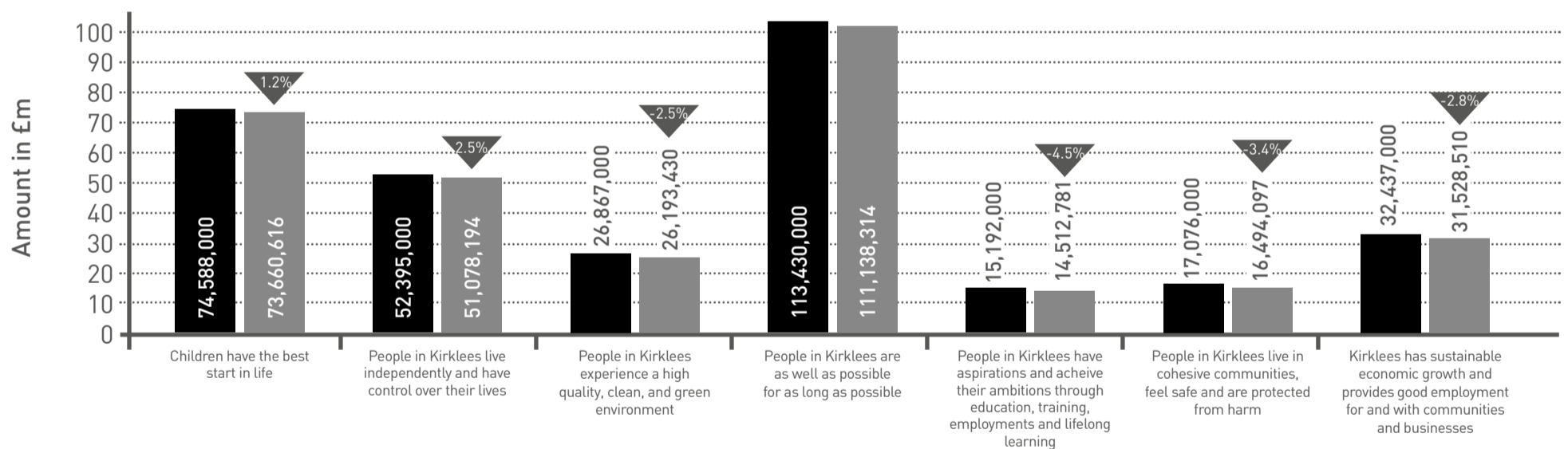
Total Budget Figures



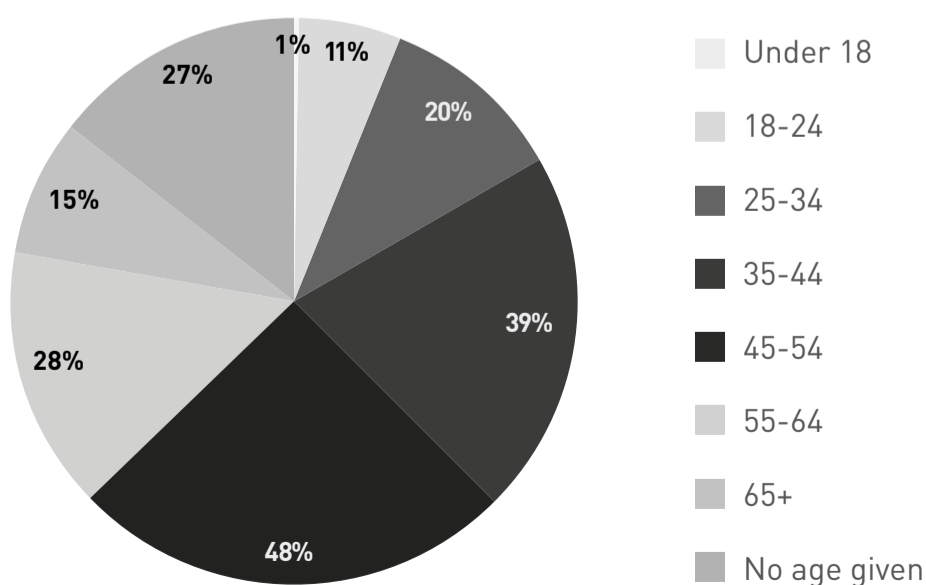
Options To Generate Income



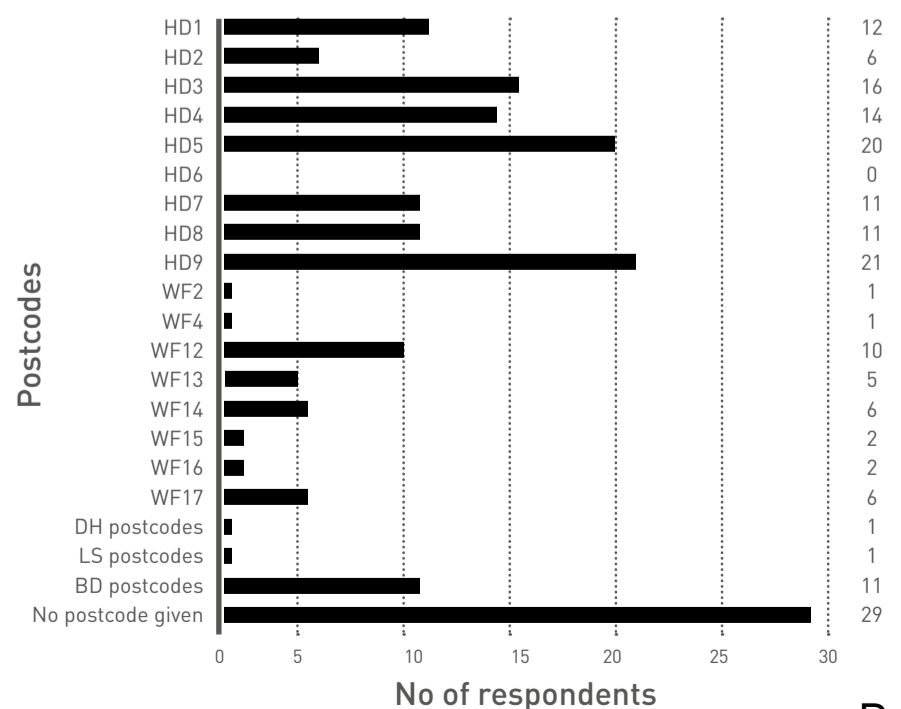
Theme Budget Breakdowns



Age of Respondents



Location of Respondents



NORTH AND WEST YORKSHIRE BUSINESS RATES POOL**GOVERNANCE AGREEMENT****1 Title**

1.1 The North and West Yorkshire Business Rates Pool.

2 Membership

2.1 City of Bradford Metropolitan District Council, The Metropolitan Borough Council of Calderdale, Craven District Council, Hambleton District Council, Harrogate Borough Council, Kirklees Council, Leeds City Council, North Yorkshire County Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, Selby District Council, The Council of the City of Wakefield and City of York Council.

3. Commencement

3.1 This governance agreement comes into force on 1st April 2019 and will continue until the Pool is dissolved, either by Government or because any one of the members formally leaves the Pool (see “Dissolving the Pool”, below).

4. Rationale and Objectives

4.1 The North and West Yorkshire Pool exists to benefit the individual members and to further the aims of the North and West Yorkshire region as a whole. The Pool has two key objectives:

- To support the financial sustainability of the member authorities, both at an individual and a regional level;
- To support regional economic growth by providing support to and working in collaboration with regional partners, with a focus on the following themes:
 - Reducing Digital Isolation
 - Inclusive Growth
 - Culture, Sport and Major Events
 - Business Support, Trade and Investment
 - Enabling Housing Growth

4.2 Member authorities will retain 75% of growth above business rates baseline income, with the remaining 25% being paid to government. The Pool will receive from members one third of the 75% of growth above business rates baseline income.

4.3 This Pool income will be shared out so that member authorities receive two thirds of the additional income generated through 75% business rate retention, one third in proportion to

their share of total growth achieved above the 75% baseline and one third in proportion to population, the remaining third of additional income being retained by the Pool. The only exceptions to this are set out in Section 8, below.

- 4.4 Any variation to the arrangements set out in 4.2 and 4.3, above, will require the formal agreement of the North and West Yorkshire Business Rates Pool Joint Committee.

5. Leadership and Accountability

- 5.1 The Pool will be led by a Joint Committee comprising of representatives of the member Authorities making up the Pool. Joint Committee representation will be as follows:

Five representatives from West Yorkshire:

- City of Bradford Metropolitan District Council
- The Metropolitan Borough Council of Calderdale
- Kirklees Council
- Leeds City Council
- The Council of the City of Wakefield

Four representatives from North Yorkshire:

- North Yorkshire
- City of York Council
- Harrogate Borough Council
- Scarborough Borough Council

- 5.2 The Joint Committee will direct expenditure and shall be responsible for:

- Allocating any excess income arising from the one third Pool share as set out in 4.3 above;
- any changes to the purposes for which the income received by the Pool should be used, but the principle that no authority should receive less than they would if not in the 75% Pool pilot, shall be maintained;
- agreeing the expenses to be deducted by the lead authority administering the Pool;
- considering any applications for other councils to join the Pool;
- any variations to the membership of the Joint Committee; and
- any other matters relating to the administration and governance of the Pool including replacement of the lead authority.

- 5.3 The members of the Joint Committee will elect a chairperson.

- 5.4 The Joint Committee will meet as and when required but no less than twice each year.

- 5.5 The quorum for the meetings will be no less than 5 members. Representatives of the member authorities will be able to nominate substitutes.

- 5.6 Member voting rights will be one vote for each member of the Joint Committee. Voting will be by simple majority. In the event of a tie, the chair of the meeting will have a casting vote.

- 5.7 The Joint Committee will be supported by officers drawn from the lead authority.

- 5.8 The Joint Committee may establish any sub-groups or any officer forums that they believe to be appropriate.
- 5.9 Minutes of Joint Committee meetings will be published as required by law.

6. Lead Authority

- 6.1 The initial lead authority responsible for the administration of the Pool shall be Leeds City Council.
- 6.2 The lead authority will normally act as such for a full year and may only be replaced at the year end. A lead authority wishing to relinquish the role at the financial year end (i.e. 31st March) must give a minimum of four months' notice.
- 6.3 Each member of the Pool will be jointly and severally liable for any payments required to the Ministry of Housing, Communities and Local Government but, notwithstanding that, the lead authority will take responsibility for all matters in relation to the administration of the Pool including (but not limited to):
- all liaison with MHCLG and other government departments including the completion of all forms and returns associated with the Pool;
 - administration of payments to and from the Pool and all calculations relating to the collection fund for the Pool;
 - producing an annual report showing how income has been distributed and preparing periodic monitoring reports for Pool members;
 - calculation of the costs of administering the Pool which are to be deducted from the rewards of the Pool. If the excess income generated by the Pool was insufficient to cover the administrative costs of the Pool in any year, then the shortfall would be shared between the Pool members in proportion to their spending baselines;
 - The lead authority will ensure that the pooling arrangements, annual reports and other financial information is published and is freely available on the lead authority's website or elsewhere as appropriate.

7. Dissolving the Pool

- 7.1 This Pool may be revoked by Government after one year.
- 7.2 If any member decides to leave the Pool the regulations require that the Pool will be dissolved.
- 7.3 Any authority seeking to leave the Pool should inform MHCLG and all other members of the Pool as soon as possible. Once the Pool has been established, this must be by 30th September in any year, to allow the remaining members time to seek designation of a new Pool for the following year (see 7.5, below).
- 7.4 The lead authority will make the necessary calculations and submit the required returns associated with the dissolving of the Pool.
- 7.5 The remaining members of the Pool may choose to form a new Pool and, if they wish, include new members for the following year (subject to new designation by MHCLG).

8. Safety Net and 'No Detriment'

- 8.1 The Pool will have a single safety net threshold set at 95% of its baseline funding level. Authorities not participating in pooling arrangements who suffer reductions in business rates income exceeding the safety net threshold would be entitled to safety net payments. If an authority is a member of a business rates pool, the safety net payment to that individual authority could be lost because the loss across the pool may not be as much as the 5% required to reach the safety net threshold.
- 8.2 Authority(s) that would otherwise have qualified for safety net(s) will have their share of Pool proceeds calculated so as to include what they would have received as a safety net payment. However in doing so, no Authority in receipt of a safety net payment shall financially benefit, taking all income streams into account, above what they would have received under the 50% retention scheme.
- 8.3 Authority(s) that would have been better off under the 50% retention scheme will have their share of Pool proceeds calculated so as to include what they would have received in a 'no detriment' arrangement, i.e. under the 50% retention scheme.

9. Treatment of Potential Losses in Income and Residual Benefits or Liabilities

- 9.1 There is also a risk that authority(s) participating in the Pool will be worse off as a result of their participation when compared with what their financial position would have been under the 50% Business Rate Retention Scheme, including receipt of Revenue Support Grant and Rural Services Delivery Grant.
- 9.2 Authority(s) that would have been better off under the 50% retention scheme will have their share of Pool proceeds calculated so as to include what they would have received in a 'no detriment' arrangement, i.e. under the 50% retention scheme.
- 9.3 Loss in income to Pool members in the circumstances set out above will be met proportionately from the Pool's one third share of the additional income generated by the authorities within the Pool and the member authorities' two thirds share of that income. If that income is insufficient then the net loss will be shared amongst all members of the Pool in proportion to their spending baselines for the year to which the safety net(s) would have applied.
- 9.4 Once such losses in income are resolved, any residual benefits or liabilities arising in regard to the Pool's one third share of additional income will be shared amongst all the members of the Pool in proportion to their two thirds share of the additional income received from the Pool. Any residual benefits or liabilities arising in regard to the two thirds share of additional income apportioned to local authorities must be dealt with by the authorities themselves.
- 9.5 Any financial benefits committed in 2019/20 for future years' expenditure shall remain under the authority of the Joint Committee until expenditure is either incurred or the Joint Committee agree to treat as "residual benefit" (see 9.4 above).
- 9.6 At the point when the Joint Committee ceases to exist, they will authorise Leeds City Council as the lead authority to make any remaining payments on their behalf.

NORTH AND WEST YORKSHIRE BUSINESS RATES POOL JOINT COMMITTEE

TERMS OF REFERENCE

AGREED MARCH 2019

The North and West Yorkshire Business Rates Pool Joint Committee is authorised to:

- Allocate any excess income arising from the one third Pool share in accordance with the North and West Yorkshire Business Rates Pool governance agreement;
- Determine any changes to the purposes for which any such excess income should be applied, subject to the principle that no authority should receive less than they would if not in the 75% Pool pilot;
- Determine the expenses to be deducted by the lead authority administering the Pool;
- Consider any applications for other authorities to join the Pool;
- Determine any variations to the membership of the Joint Committee; and
- Determine any other matters relating to the administration and governance of the Pool including replacement of the lead authority.

The Joint Committee will elect a chairperson.

The Joint Committee will meet as and when required but no less than twice each year.

The quorum for meetings of the Joint Committee will be no less than 5 members. Members will be able to nominate substitutes.

Member voting rights will be one vote for each member of the Joint Committee. Voting will be by simple majority. In the event of a tie, the chair of the meeting will have a casting vote.



Name of meeting: Cabinet
Date: 29th January 2019
Title of report: Housing Revenue Account (HRA) rent and service charge setting report and key housing challenges

1. Purpose of report

- 1.1 To seek Member approval for a 1% reduction in dwellings rents in 2019/20 and for the proposed garage rents and other service charges an annual uplift of 3.3% in 2019/20 with the exception of Extra Care services - Intensive Housing Management which has a proposed annual uplift of 6.00% and Extra Care services - Night Time Security, which has a proposed annual uplift of 20.5%.
- 1.2 To propose that a target rent is charged on all properties let to new tenants from 1st April 2019 onwards.
- 1.3 To provide context in terms of the key challenges facing the Housing Revenue Account including the 1% rent reduction.
- 1.4 To set out the full schedule of proposed weekly dwelling rent, service and other charge increases to Council tenants for 2019/20, noting that these will be calculated on a basis that matches the billing period to the number of weeks in the year (i.e. 53 weeks for 2019/20) Appendix 1.

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 reduction of -1% equates to around £24m, four year period from April 2016 to March 2020.
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	Karl Battersby - 15.01.2019
Is it also signed off by the Service Director - (Finance)?	Eamonn Croston - 18.01.2019
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Julie Muscroft - 21.01.2019
Cabinet member portfolio	Cllr Cathy Scott

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

GDPR has been considered when preparing this report and there are no implications.

2. Summary

This report provides the financial context and basis for the annual setting of rents and service charges as well as for the HRA budget which will be considered by cabinet on 29th January 2019.

3. Information required to take a decision

- 3.1 The Government has confirmed it has clear expectations of a revised national rent setting policy. The expectation is that Councils will implement a 1% reduction in rents for 4 years from April 2016 to March 2020 and then increase rents by CPI + 1% from April 2020 for five years.
- 3.2 Rent convergence was introduced from April 2002 and the key objective of this was to achieve convergence of actual property rents with a calculated formula (sometimes referred to as a “target”) based on size, value, location and local earnings levels over the restructuring period (April 2002 – March 2012, extended to March 2016). This formula rent is calculated for each property and as a general principle it was intended that by the end of the restructuring period (2015/16) this would equal the actual rent charged. Kirklees Council intend to charge a target rent on all properties re-let to new tenants, as currently rents charged for council properties are below target.
- 3.3 HRA self-financing was implemented in April 2012. National government rent policy at that time allowed for annual rent uplifts at Consumer Price Index + 1% and the longer term outlook was a financially viable HRA which would enable the Council and its ALMO partner KNH to:
 - a) Service HRA Debt.
 - b) Maintain current stock at a decency standard over the longer term.
 - c) Provide a high quality housing management and housing repair service.
 - d) Explore opportunities for additional strategic investment e.g. New Build.
- 3.4 In July 2015 the government introduced new rent setting measures under the Welfare Reform and Work Act 2016, for social housing landlords to reduce the rent payable by tenants by 1% each year between April 2016 and April 2019. As a result a fundamental review of the HRA commenced in 2016 with HRA planning now focussing on the last year of the 4 year reduction. The implications for the HRA linked to the 4 year rent reduction policy are summarised below:
 - a) The HRA is a ring fenced account and has to live within its means. Its main income source is rents
 - b) Future year HRA income forecasts prior to the July 2015 government announcement had assumed annual rent uplifts based on CPI + 1%. These forecasts have now been re-cast in light of the 1% reduction announcement and the future CPI + 1% increases from April 2020 onwards.
 - c) The change in government rent policy has meant significant financial implications for the HRA. This is set out in a simple table below:

Financial Year	Annual rent forecasts before the 1% rent reduction announcement	Annual rent forecasts after the 1% rent reduction announcement	Annual HRA rental income loss
2016-17	£84.4m	£82.8m	(£1.6m)
2017-18	£85.9m	£81.4m	(£4.5m)
2018-19	£87.8m	£79.7m	(£8.1m)
2019-20	£90.0m	£79.9m	(£10.1m)

- 3.5 The cumulative £10.1m of lost rental income cannot be recouped during the lifetime of the HRA Business Plan and continues to impact on future years well past 2019/20. In addition, whilst rents have reduced, ongoing costs in the HRA Business Plan have not reduced accordingly (for example 2018/19 saw a nationally agreed inflation salary increase). Additional pressure comes from the costs of services that are not all recouped via service charges to tenants and residents that are also subject to change beyond the council control (for example increases in gas and electricity costs). These variables continue to be modelled through the HRA Business Plan.
- 3.6 In addition to the rent reduction policy a number of key policy announcements have been made following the enactment of the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. The implications of the new legislation have been included within the 30 year financial modelling for the HRA and are summarised below in section 4. The budget proposals for 2019-2022 result from a joint review of the HRA with Kirklees Council and KNH with the key objective to deliver a balanced 30 year HRA business plan. The target, as reported in the 2017/18 report to Tenants and Residents Associations, identified a shortfall of approximately £8m, this target saving is in line with current information available on national policy changes and welfare reform.
- 3.7 Rental Income will reflect the 1% rent reduction (as in the above table) in 2019/2020, and then we assume CPI + 1% which will be applied for five years as per the Government announcement in October 2017.

4. Housing Challenges and Context

Universal Credit and Welfare Reform and Work Act 2016

- 4.1 The impact of the introduction of Universal Credit (UC) in Kirklees has not been fully felt yet. The rollout of UC started in June 2015 with new, single claimants and the second full digital rollout stage commenced in November 2017 and initially involved all new claimants and existing Housing Benefit claimants with a change of circumstances.
- 4.2 KNH Income Management resources are being made available and targeted towards new and transitioning UC claimants to ensure that they receive the support that they need to successfully make the change and keep in control of their rent accounts. Due to the waiting period of around 5 weeks before the first payment is received it is inevitable that most tenants in receipt of UC will accrue some rent arrears during this waiting period. There are significant strategic and operational challenges in dealing with the estimated total of 10,000 claimants in Kirklees Council tenancies, as UC continues to be rolled out in Kirklees over the next 4 years, with increased risks associated with managing the HRA, cashflow and income collection rates. A KNH Universal Credit Programme Board is in place to oversee the delivery of a set of action plans designed to directly mitigate the impact of welfare reform changes such as UC on tenants and the HRA.

5. Proposed Rent and Service Charge

- 5.1 The new average weekly HRA dwellings rent for 2019-2020 is £68.35 (2018 average rent = £69.04), based on a 53 week billing period and incorporating the compulsory 1% rent reduction.
- 5.2 It is proposed that the annual increases to average weekly garage rent and other service charges for 2019/20, as attached at Appendix 1, continue to be uplifted in line with the same Retail Price Index (RPI) figure (September snapshot) which for 2019/20 is 3.3%, calculated over a 53 week billing period. It is proposed that charges for Extra Care Services – Intensive Housing Management are uplifted by 6% (between £1.29 and £3.29 a week) and Extra Care Services – Night Care Service by 20.5% (£2.94 a week), this is because we are tied into external contracts to deliver the service.
- 5.3 The proposed changes to rent and service charges for 2019/20, as set out above, will be effective from 1st April 2019.
- 5.4 It is proposed that charges for properties let to new tenants with effect from 1st April 2019 will be at a target rent. This is tied to an enhancement of the Kirklees Council lettable standard, which is being reviewed and will further improve the quality of council homes offered to residents as they become new council tenants. The current standard provides for example for flooring to kitchens and bathrooms and extractor fans where required. Additional enhancements are being considered and following approval will be implemented. An indicative £1m annual allocation to cover the costs of the improved standards from 2019-20 has been proposed in the ‘Council Budget Report 2019-22; incorporating Capital, Treasury Management, General Fund and Housing Revenue Account’ being considered by Cabinet on 29.1.19.
- 5.5 The target rent is based on size, value, location and local earnings levels and will generate around £8k additional income during the first three years based on 5% of stock re-let and based on an average increase of 52p per property per annum in the first year. This would generate additional income of £627k over the 30 year life of the HRA business plan. Kirklees Council currently charge the 4th lowest average rent per week across the country (Limit rents 2018-19 England, letter dated 9th March 2018).

6. Implications for the Council

6.1 Working with People

- 6.1.1 The Council’s housing tenants will continue under these proposals to benefit from social housing rent levels which are set in accordance with Government requirements and limits and are lower than other forms of rented ‘affordable housing’. All tenants are notified of the changes in their housing charges and are provided with advice on how to access information and support in relation to covering their housing costs.
- 6.1.2 The proposed 1% rent reduction for 2019/20 will directly impact on around 35% of Council tenants not in receipt of housing benefit. Those in receipt of Universal Credit will see their housing cost element reduce in line with the rent reduction (once the claimant notifies DWP of the change).
- 6.1.3 Two extra care services charges Intensive Housing Management (“IHM”) and Night Time Security (“NTS”) provide services which are commissioned by the council by Adult

Social Care. IHM provides scheme management and housing related support and the service charge covers 80% of the total cost. NTS provides a staff presence in the extra care schemes overnight every day to make checks on the building and respond to any emergency calls made by tenants during the night. The NTS element of service charge should cover 50% of the total cost. Both of these charges are eligible for Housing Benefit. Annually these service charges are uplifted by an estimated amount; however in 2017/18 and 2018/19 the actual increases in contract costs exceeded the budgeted provisions, leaving a shortfall to be met by the HRA. Options have been considered to address the shortfall and discussed with the Lead Member for Housing. Support has been received for officers' proposals to increase these service charge elements in 2019/20 to recover the shortfall in full on the basis that:

- a. The most financially vulnerable tenants (65% of the current cohort are in receipt of housing benefit) will be protected from the increases. There are in total 140 Extra Care flats.
- b. Retendering of the current contracts providing these services is due shortly and there is a risk that contract prices will increase creating a further gap between costs and service charges which may be difficult for people on fixed incomes to manage.
- c. The HRA has a lot of calls on it already and these are likely to increase in the future.

Therefore the proposed uplift for 2019/20 for IHM is 6% (between £1.29 and £3.29) a week and for NTS is 20.5% (£2.94) a week.

In recognition of the fact that the uplift may affect some of our most vulnerable residents it is proposed that a 'Discretionary Hardship Fund' be established. This would help those not on housing benefit but struggling to pay the increased service charge transition to the new charge over a set period of time. It is estimated that resources of £10k (funded from the HRA) would provide more than sufficient funds to support 50 tenants over a period of 6 months transition to the new charges. (Based on $£3.29 + £2.94 \times 50 \times 26 = £8,099$)

6.2 Working with Partners

- 6.2.1 Kirklees Neighbourhood Housing and Pinnacle PSG housing management staff play a key role in advising council tenants about the support available to help pay rent and services charges due. This includes working with the Department of Works and Pensions (DWP) to support tenants with their housing benefit and universal credit claims and debt management services.

6.3 Place Based Working

- 6.3.1 Rent and service charge account payment records are used to identify tenants and areas where people are struggling to pay. This intelligence allows support to be targeted at those tenants most in need of assistance and for other more general activity aimed at maximising household incomes to be directed to some of our most deprived areas.

6.4 Improving outcomes for children

- 6.4.1 Households with children and on low incomes but who are not entitled to housing benefit will benefit from the reduction in rent.

6.5 Other (Legal/Financial or Human Resources)

- 6.5.1 The rent reduction and wider key housing challenges set the broader financial context for the HRA budget discussions in February 2019.
- 6.5.2 As part of HRA self-financing settlement, central government's debt allocation to Kirklees was £216 million. This was based on a nationally modelled assumption that Kirklees HRA would have sufficient future rental income streams to be able to service this level of debt, provided it continued to uplift rents annually in line with national rent guidelines.
- 6.5.3 The current HRA business plan is based on a prudent servicing of the £216 million debt settlement figure and the fact that future rental income streams need to be sufficient to enable the Council to build up resources to be able to maintain existing housing stock at a level of decency over the longer term.
- 6.5.4 The cumulative impact of the four year 1% rent reduction on the 30 year business plan represents a business risk to the Council.

This is being managed by:

- a) Implementing the new KNH staffing structure which has and will achieve savings to the management fee
 - b) Reviewing Income streams, following the successful merger of Building Services and KNH
 - c) Reviewing the improved delivery model for asset management to ensure efficiencies
 - d) Continuation of interventions which mitigate the impact of welfare reform on the HRA.
- 6.5.5 A technical issue has been raised at a national level regarding the 2016 Welfare Reform Act. This relates to the interpretation of the Act as to what a rent year is and the application of the statutory HRA 1% rent reduction in 2019-20, for the purposes of calculating housing benefit. For example, we are one of a number of Councils that have 52 week rent years, with an occasional 'catch up' 53 week rent year, which this time happens to be 2019-20 financial year.

This issue has arisen now because this is the final year of the 4 year statutory HRA 1% rent reduction, as set out in 2016 Welfare Reform Act, and a strict interpretation of the Act suggests that Councils should calculate Housing Benefit for the purposes of applying the 1% reduction in 2019-20, over 52 weeks only. This could mean that the Council will pay housing benefits over 53 weeks factoring in the 1% reduction, but the Ministry of Housing Communities and Local Government (MHCLG) considers only 52 weeks should be charged, based on a 1% rent reduction. That could lead to Department for Work and Pensions (DWP) to say that housing benefit should be allowable on 52 weeks only, notwithstanding that the Housing Benefit regulations do allow Housing Benefit to be paid for 53 weeks in such a year.

The LGA issued a briefing dated 4th January 2019 that sets out some of the implications. It is worth noting that the issue of whether a 1% reduction can be achieved in 53 weeks whilst charging for 53 weeks formed part of that briefing, which states:

“However a number of LAs and partners have investigated this issue and have reached a consensus that the definition within the legislation could be interpreted so that rent payable ‘in respect of that relevant year’ should be calculated – as it is for accounting purposes at the year-end - on a daily basis, though still charged on a weekly basis. This would allow 53 weeks’ worth of rent to be charged as normal, and still be in compliance with the Welfare Reform and Work Act requirements to reduce rents by 1%.”

Councils with Housing Revenue Accounts have, in conjunction with Local Government Association (LGA), National Housing Federation and others, raised awareness of this issue with Government and sought urgent clarification.

Ruth George, Member of Parliament (MP), raised this issue at the Work and Pensions Select Committee on 19 December 2018. The Work and Pensions Secretary, Amber Rudd, said "I agree [that paying 52 instead of 53 weeks when it is a 53-week year will put people into rent arrears] and we will address it and I will come back to you on it."

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/introductory-session-with-the-new-secretary-of-state/oral/94562.html>

In light of the Minister’s minuted statement in Parliament as above, Council officers consider this to offer sufficient assurance as to Government’s commitment to address the issue.

6.5.6 The Equality Act 2010 (Section 149) requires the Council to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

It is believed that the proposals to change rents and other charges set out in this report will not have an unduly adverse impact on any persons in any of the nine protected characteristics namely, age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion, or belief, sex and sexual orientation. All tenants affected by any approved changes to rents and other charges will be notified of the specific changes to their charges and be provided with information and guidance on how to access information and guidance on housing and other benefits.

6.5.7 Equality Impact Assessments in relation to the initial proposals for dealing with the forecast deficit outlined above are being developed and will as appropriate be considered as part of the budget setting discussions in February 2019.

7. Consultees and their opinions

7.1 Awareness of the 1% rent reduction has been communicated to Tenant and Resident Associations through a briefing sent out in December 2018, where comments and feedback was requested on the proposals contained in this report. TRA’s are supporting the HRA budget proposals set out in light of the financial challenges facing the HRA as a result of the 1% annual rent reductions to 2020 and other national policy changes. Individual tenants will be formally notified of the approved changes by letter and in accordance with the statutory 4 week notice period.

- 7.2 It is intended that there will be further Member, Portfolio Holder, Senior Officer and other key stakeholder briefings through 2019 to continue to assess the future opportunities for the HRA and key sensitivities impacting on longer term HRA business plan forecasts.

8. Next steps and timelines

In order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 to reduce rents payable for social housing by at least 1% from April 2016 and subject to Cabinet approval, Council and KNH officers will prepare for the implementation of rents and service charge changes from 1st April 2019 as set out in Appendix 1 and the issuing of prior notification letters to individual tenants in accordance with the statutory 4 week notice period.

9. Officer recommendations and reasons

- 9.1 That Members, in order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 to reduce rents payable for social housing by at least 1% from April 2016, approve the proposed rent and service charge changes from April 2019 for 2019/20, which are contained within this report.
- 9.2 That Members approve the charges for Extra Care Services – Intensive Housing Management uplifted by 6% (between £1.29 and £3.29 a week) and Extra Care Services – Night Care Service uplifted by 20.5% (£2.94 a week). Members note the proposal to establish a ‘Discretionary Hardship Fund’ for those vulnerable tenants struggling to pay the increased service charge.
- 9.3 That Members agree to charge a target rent on all properties let to new tenants from 1st April 2019 onwards. That members also note that enhancements to the Council’s lettable standard are to be made and that budget provisions are being considered as part of the ‘Council Budget Report 2019-22; incorporating Capital, Treasury Management, General Fund and Housing Revenue Account’ being considered by Cabinet on 29.1.19.
- 9.4 The approval of the above recommendations will ensure that a balanced HRA is achieved which means the Council is compliant with the Local Government and Housing Act 1989.
- 9.5 That Members note the national and local financial challenges outlined above in preparation for HRA budget discussions in February 2019.

10. Cabinet portfolio holder’s recommendations

- 10.1 That the proposed dwelling rent, garage rent, service and other charges set out in the report be approved and be effective from 1st April 2019.
- 10.2 That the proposals to establish a ‘Discretionary Housing Fund’ to support Extra Care residents not in receipt of housing benefit struggling to pay the increased IHM and NTS service charges are welcomed and approved.

10.3 That the national and local financial challenges outlined in the report are noted in preparation for the HRA budget discussions in February 2019.

11. Contact officers

Helen Geldart
Head of Housing Services - Kirklees Council
Tel 01484 221000
Email - helen.geldart@kirklees.gov.uk

Jacqui Fieldhouse
Head of Finance - Kirklees Neighbourhood Housing
Tel 01484 221000
Email - jacqui.fieldhouse@knh.org.uk

12. Background Papers and History of Decisions

Consultation with TRA's week commencing 3rd December 2018.

13. Service Director responsible

Naz Parkar - Director of Growth and Housing
Tel 01484 221000
Email - naz.parkar@kirklees.gov.uk

Schedule of Weekly Rent and Service Charges for 2019/20

	Schedule as at 2 April 2018 £	Schedule as at 1 April 2019 £	Increase %
RENTS			
Average Dwelling Rent Split:	69.04	68.35	-1.0
Average 1 Bedroom Rent	60.80	60.19	-1.0
Average 2 Bedroom Rent	71.84	71.12	-1.0
Average 3 Bedroom Rent	80.86	80.05	-1.0
Average 4 and Over Bedroom Rent	85.67	84.81	-1.0
Garage Rents (Excl VAT)	4.95	5.11	3.3
Housing Benefitable Service Charges			
Concierge	2.10 to 13.66	2.17 to 14.11	3.3
Door Entry Systems	0.37	0.38	3.3
Communal Cleaning	0.85 to 6.56	0.88 to 6.78	3.3
Communal Cleaning (contract extension)	1.45	1.50	3.3
Window Cleaning	0.18 to 2.18	0.19 to 2.25	3.3
<u>Sheltered Housing:</u>			
Scheme Management	12.02	12.42	3.3
Scheme Coordinator	4.43	4.58	3.3
PFI Service Charges			
Communal Cleaning	9.28 to 12.64	9.59 to 13.06	3.3
Communal Utilities	1.91 to 10.13	1.97 to 10.46	3.3
External Lighting (General Needs Only)	1.49 to 2.21	1.54 to 2.28	3.3
Grounds Maintenance	2.50 to 6.50	2.58 to 6.71	3.3
Intensive Housing Management (Extra Care Only)	21.49 to 54.83	22.78 to 58.12	6.0
Management and Admin	1.12 to 1.13	1.16 to 1.17	3.3
Night Time Security (Extra Care Only)	14.32	17.26	20.5
Property Management (Extra Care Only)	18.92	19.54	3.3
R&M Com fac & ut cost	4.44 to 10.15	4.59 to 10.48	3.3
Other Charges			
Parking Spaces	4.26	4.40	3.3
Older People Support	6.95, 18.13	6.95, 18.73	3.3
Sheltered heating :			
Bedsit	8.94	9.24	3.3
1 bed	10.24	10.58	3.3
2 bed	11.49	11.87	3.3
3 bed	12.61	13.03	3.3



Name of meeting: Cabinet
Date: 29 January 2019
Title of report: Report seeking approval for Kirklees' School Funding arrangements for financial year 2019-20

Purpose of the Report

- To recommend to Kirklees Cabinet the outline of the Kirklees schools funding formula for 2019-20 in terms of:
 - a. Specific funding factors to be used and the relative weightings and values of the funding factors.
 - b. Exceptions applications to the Education & Skills Funding Agency (ESFA) and approvals given.
 - c. Central budget provision within the Dedicated Schools Grant Schools Block of funding, the Central School Services Block and the Early Years Block.
 - d. De-delegation arrangements for mainstream maintained schools
- To request that the Cabinet approve the outline details of the Kirklees school funding formula for 2019-20 to be submitted to the Education & Skills Funding Agency (ESFA) by the set deadline of 21st January 2019.

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 schools funding distribution affects all schools in every ward in Kirklees
Key decision - is it in the Council's Forward Plan (key decisions and private reports)?	Yes Private report/appendix: No
The decision - is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Strategic Director & name	Mel Meggs 21 st January 2019
Is it also signed off by the Service Director for Finance, IT & Transactional Services?	Eamonn Croston 21 st January 2019
Is it also signed off by the Service Director – Legal, Governance & Commissioning Support?	Julie Muscroft 21 st January 2019
Cabinet member portfolio • Children's Services	Cllr Masood Ahmed Cllr Viv Kendrick

Electoral [wards](#) affected: All Wards

Ward councillors consulted: None

Public or private: Public

GDPR: There is no personal data contained within this report.

1. Summary

This report sets out the arrangements that have been consulted upon for the funding of local schools and academies for the funding year 2019-20. The main elements which require Cabinet approval are: -

- The specific funding factors to be used and the relative weightings and values of the funding factors.
- To note any exceptions applications to the Education & Skills Funding Agency (ESFA) and approvals given.
- Central budget provision within the Dedicated Schools Grant Schools Block of funding, the Central School Services Block and the Early Years Block.
- De-delegation arrangements for mainstream maintained schools

2. Information required to take a decision

A. Background

i) Dedicated Schools Grant

Dedicated Schools Grant (DSG) is the funding that is provided to Councils to fund statutory school age education (4-16 year olds). DSG funding is also provided in respect of children and young adults from birth to age 25 having Special Education Needs & Disability (SEND). The DSG also provides funding for free early education and childcare provision for 3 and 4 year-olds and for disadvantaged 2 year olds. Councils are also allocated DSG funds to pay for some of the statutory and regulatory duties they have for all pupils educated within the borough.

All four funding blocks within the Dedicated Schools Grant – Schools, High Needs, Early Years and Central School Services – are now largely determined by National Funding Formula (NFF) calculations. With the exception of Early Years, the NFF outcomes are each being phased in over different timescales

ii) Schools Forum and Council responsibilities for DSG

Every local authority must have a Schools Forum to act as the main consultative group on revenue funding issues affecting local schools and related providers. The Schools Forums (England) Regulations determine the role, powers and responsibilities of the Forum. The local authority proposes and decides upon the shape and effect of school funding arrangements on an annual basis but must consult with the Schools Forum about changes to be made. There is also a requirement to consult annually with the Forum on both High Needs and Early Years funding arrangements.

The Schools Forum also has some decision-making powers enshrined by regulation. The local authority makes an annual proposal, ahead of the new financial year, setting out the central expenditures it plans to make from the Schools Block, the Early Years Block and the Central Schools Services Block. (Central expenditure from the High Needs Block is formally a Council decision – the Forum is not required to be consulted but it is good practice to keep them regularly informed of developments). The Forum then decides, through consultation with constituent groups, whether to accept, amend or reject the proposal. Similarly, the local authority makes an annual proposal to the Forum, for the schools it maintains, to de-delegate funding from maintained mainstream primary and secondary schools to operate a number of central budget arrangements. The maintained primary and secondary representatives to Forum

decide on the arrangements that will apply for their phase (having consulted their constituencies). In cases where the LA and the Forum cannot reach an agreement on central retention and de-delegation issues the Secretary of State for Education would adjudicate.

iii) Formal submissions to the Education & Skills Funding Agency

Exceptions requests for permission to make minor variations to the operation of the schools funding formula were made before the ESFA deadline of 30th November 2018.

The structure of the local 2019-20 schools funding arrangements and factor values used are required to be submitted to the ESFA by 21st January 2019, based upon a dataset provided by the ESFA which is derived largely from October 2018 pupil census information. The return to the ESFA is required to show that political approval has been or will be secured for the funding allocations reported.

iv) Schools revenue funding issues for 2019-20 discussed with Schools Forum and constituent groups are...

- The changes made to the National Funding Formula for schools for 2019-20
- The minimum per pupil funding increase of 1% compared to 17-18 baselines
- Exceptions applications to the Education & Skills Funding Agency to make variations to how the formula operates at three Kirklees schools
- Central budget provision within the Dedicated Schools Grant funding blocks
- De-delegation arrangements for mainstream maintained schools
- High Needs Block funding
- Early Years Block funding

These topics are covered in more detail in sections B to H below, with the Forum's recommendations to Cabinet shown at section I below.

B. Movement towards National Funding Formula in the 'soft' NFF years of 2018-19 to 2020-21

- i) The National Funding Formula for Schools began to influence Dedicated Schools Grant Schools Block funding allocations with effect from financial year 2018-19. The NFF formula factors and common values were used to determine DSG Schools Block allocations for local authorities in England for 2018-19. Financial years 2018-19 and 2019-20 were described by the Education & Skills Funding Agency (ESFA) as 'soft' NFF years – the NFF would calculate the overall allocation to Councils but how that funding was to then be distributed amongst local schools and academies remained a matter for local consultation and decision. [The 'soft' NFF period has subsequently been extended for another year, 2020-21. The 'hard' National Funding Formula, where local decision-making over the funding distribution largely ceases, is currently expected to start in April 2021].
- ii) The government also decided upon a gentle implementation of the redistributive effects of the National Funding Formula calculation. Whilst those local authorities and their schools gaining from the change to the NFF are being allowed to benefit from significant increases to their funding levels, this has not so far been at the expense of those areas of the country where the NFF delivered a lower level of funding than before. Instead, a new cash floor increase was introduced to ensure that no school would receive less than a 0.5% increase in funding per pupil compared to its 2017-18 baseline.

funding level. This meant that in 2018-19 Kirklees Council received a Schools Block funding settlement which was significantly higher (£11.8m) than the figure determined by the pure application of the NFF calculation. The Council's 2019-20 Schools Block allocation will also contain a significant amount of protection with the cash floor to be set at a minimum 1% increase per pupil compared to those individual school 2017-18 per pupil baseline amounts.

- iii) Following a period of detailed consultation with schools last year on how, whether and to what extent to move to the National Funding Formula factors and values, it was decided to fully adopt the NFF in Kirklees with effect from 2018-19. Making this move, it was felt, would make transparent the level of any temporary cash protection included within the Budget Share allocation to each school and help schools to consider what the potential implications of a hard NFF allocation could eventually mean for them. [It should be acknowledged that a handful of Kirklees schools receive an increase in their funding level from the move to the NFF in comparison to previous allocations and therefore are not receiving temporary cash protection].
- iv) Having taken the decision to adopt the National Funding Formula factors and values from 2018-19 there will be very little change to the main schools funding formula for 2019-20. The only changes to note are as follows: -
 - The minimum per pupil funding checks within the formula will increase in 2019-20 to £3,500 (from £3,300 in 2018-19) for primary schools and to £4,800 (from £4,600) for secondary schools.
 - A new funding factor, the cash floor, will deliver the minimum 1% increase in funding per pupil (compared to each school's 2017-18 per pupil baseline).
 - The introduction of the cash floor will mean further movement in 2019-20 should be possible towards the NFF lump sum value of £110,000 per school.
 - The Minimum Funding Guarantee mechanism will effectively need to be deployed as a balancing factor in 2019-20, with the percentage set at a level which allocates at the final stage of the formula calculation the remaining balance of available funding.

[Please see Annex A for a comparison of how the funding factors and values have changed over the three year period starting with 2017-18]

C. Exceptions applications to the Education & Skills Funding Agency:

i) Lump sum transitional protection for amalgamated schools:

Schools Forum agreed an exceptions application to the ESFA to seek permission to allocate a second year of transitional lump sum funding in 2019-20 to a recently-amalgamated primary school. **Honley CE(VC) Junior Infant & Nursery School** came into existence on 1st May 2017, bringing together Honley CE(VC) Infant & Nursery School and Honley CE(VC) Junior School. The Infant and Junior Schools would each receive a lump sum amount of £123,282 (the 2018-19 lump sum price) when funded as separate schools but

Honley CE(VC) J I & N, as a single school, only receives the one lump sum value. The funding method automatically provides some transitional support for the lost lump sum in the first funding year following an amalgamation. This adds back 85% of the withdrawn lump sum as follows...

Previous lump sum total £246,564 x 85% = £209,579 less the continuing lump sum = a transitional allocation of £86,297.

Transitional lump sum protection is not automatic in the second funding year following an amalgamation, so permission has to be requested to apply a reduced amount. This works from 70% of the previous lump sum total, ie

Previous lump sum total £246,564 x 70% = £172,595 less the continuing lump sum = a transitional allocation of £49,313.

ii) Adjustment to the Minimum Funding Guarantee (MFG) calculation to prevent an anomalous outcome

The Luck Lane primary provision which is part of the all-through Royds Hall Community School continues to grow by one year group each academic year. In 2018/19, pupils joined the primary provision in Year 4 for the first time. In 2019-20 additional funding will need to be factored in for pupils in Year 5 from September 2019. The standard MFG calculation defines the all through school as a secondary provision and attempts to protect pupils at the higher secondary school funding rate. An exceptions application was submitted to ensure that the effect of the additional primary pupils is taken account of in the calculation at the appropriate primary-age funding rate.

The Education & Skills Funding Agency responded on 2nd November 2018 to signal their intention to approve both the above requests.

iii) Adjustment to the Minimum Funding Guarantee baseline to address an historic element of overfunding

A third disapplication request was submitted in line with the second window which closed 30th November 2018. Ashbrow Primary School was formed from the technical closure of Ashbrow Junior School and the expansion of the age range of Ashbrow Infant & Nursery School to admit the displaced pupils of the Junior School. The amalgamation took place at September 2012. This was before the ESFA introduced the methodology described at C i) above to transition to a single lump sum payment in cases of a school amalgamation. This has meant that the school's baseline funding has effectively continued to include the effect of two lump sum payments ever since and this over-stated position has been made worse by growth in the School's roll number from 261 pupils in 2012 to 403 in 2018.

The Schools Forum requested that further investigation of Ashbrow Primary School's funding level be carried out, given the School's exceptional level of accumulated reserves. As a result of that investigation and subsequent discussions with the head teacher and chair of governors of the school, a disapplication request was submitted seeking permission to amend the School's funding baseline starting from 2019-20. To give the school time to adjust its expenditure plans it is proposed to adjust the baseline to produce a funding outcome which, as a first step, removes in 2019-20 one quarter

(approx. £64k) of the identified element of overfunding. The ESFA's response is awaited.

D. Central budget provision within the Dedicated Schools Grant funding blocks (see Annex B)

- i) The **Central School Services Block** within the DSG allocates funding to Councils for a range of statutory and regulatory duties relating to all pupils within the authority no matter what type of school they attend. Although this funding comes directly to the Council, Schools Forum has the responsibility for making an annual decision about the budget provision in response to local authority proposals.
- ii) The only retained central funding **within the DSG Schools Block** is related to (pre-16) pupil growth. Local authorities can propose to operate both a **Pupil Growth Fund** and a **Falling Rolls Fund** and can also propose to retain funding to deal with the consequences of pupil growth. 2019-20 will see the introduction of a new formula-based method to include an element of growth funding for local authorities within the DSG Schools Block allocation. The Forum again has an annual decision to make about the operation of these funding elements and the level of funding set aside for them. The Pupil Growth Fund meets pre-opening costs for new schools opened in response to a basic need for places; supports schools experiencing a mid-year growth in pupil numbers that is of sufficient scale to trigger a new class arrangement and the Fund supports primary schools struggling to meet the KS1 class size regulation. Growth Fund support is only given where a school cannot afford to meet the costs from its own resources. The Forum has agreed to the removal of the Falling Rolls Fund with effect from 2019-20 and to return the £50,000 of funding to the general schools allocation budget. The criteria for the operation of a Falling Rolls Fund as set by the ESFA make it very difficult for any school to make a justifiable case for support funding so the budget is better deployed to other purposes.
- iii) Central budget provision can also be retained within the **Early Years funding block** up to a maximum of 5% of the EY block total. Kirklees' level of retention is below this at less than 2.5% of the total. The majority of the retained amount funds the Free Early Education and Childcare Team who ensure that the right funding reaches schools and other providers, contribute to sufficiency place planning and to supporting the attainment of good standards among providers.
- iv) Decisions about central spend within the **High Needs funding block** rest with the local authority. The Schools Forum has no formal role in that process.
- v) The detail of Central School Services Block budgets and growth provision within the Schools funding block were agreed with Schools Forum, at their meeting on 11th January 2019. Central retention within the Early Years Block budget for 2019-20 will be the subject of consultation with all providers over the next few weeks and will be considered at the next Forum meeting on 8th February. [Please refer to Annex B below for details of the retained budgets].

E. De-delegation arrangements for mainstream maintained schools (see Annex C)

- i) Annual proposals on de-delegation are made by the local authority to maintained primary and secondary schools. The ESFA only permits de-delegation against a number of specified headings. The maintained primary and secondary school Forum representatives formally decide on de-delegation issues on behalf of their phase.
- ii) The de-delegated budget arrangements proposed for 2019-20 are: -
 - Schools contingency
 - Free school meals eligibility checks
 - Maternity, paternity and adoptive leave costs
 - Trade union facilities time *
 - Public duties
 - International new arrivals service *
 - School Improvement Commissioning *

[* Schools Forum receives additional, regular monitoring reports in prioritised areas].

- iii) De-delegation arrangements for 2019-20 were agreed with the maintained school representatives to Schools Forum at their meeting on 11th January 2019. [Please refer to Annex C below for details of 2019-20 de-delegation deductions].

F. High Needs Block Funding 2019-20

- i) With the introduction of the new national funding formula for High Needs, Kirklees' allocation is projected to increase by nearly 22%, equating to an eventual gain of £7m. However, the maximum annual gain Councils can receive is limited to a 3% increase and the situation may be less certain from 2020-21 as a new spending review period commences then. The pace of the increase in funding is not helpful given the mounting pressure within Kirklees' high needs account. If the new High Needs formula provides an objective measure of the local need to spend then that projected funding increase is needed now. It should also be noted that approximately half of the High Needs NFF funding method still uses the historic level of high needs funding to each local authority. A pure High Needs NFF allocation would see Kirklees receive a much larger funding increase.
- ii) All local authorities have recently been required to undertake a strategic review of their local High Needs arrangements. The main aim of the review was to show how the Council will ensure that its SEND provision is suitable to meet changing needs, how any gaps in provision will be addressed and how the Council will allocate resources to deliver provision and ensure sustainability within future high needs funding allocations. A project board has been established to work on delivering the action plan which arose out of the strategic review.

G. Early Years Block Funding 2019-20

Early Years Funding: 3-4 year olds:

- i) All 3 and 4 year olds are eligible for 15 hours per week of free early education. This is a universal entitlement for all children. A new entitlement to '30 hours of childcare' was introduced in September 2017. This is an additional 15 hours of free childcare for children that are eligible. The additional 15 hours is available subject to application (to HM Revenue and Customs) to families where both parents are working (or the sole parent is working in a lone parent family), and each parent earns, on average, a weekly minimum equivalent to 16 hours at national minimum wage or national living wage and less than £100,000 per year.
- ii) There have been no changes to the Early Years National Funding Formula for 2019/20. As a result it is proposed that the funding rate of £4.14 remains in place as there are limited options to make any changes.
- iii) **Supplements and additional factors** - there have been no changes to the permitted supplements, therefore it is proposed to continue with just the mandatory deprivation supplement.

Early Years funding for disadvantaged 2 year olds: Funding for the most disadvantaged 2 year olds was set in 2017/18 at £5.00 per child per hour. Again, with no change to the Early Years National Funding Formula, the proposal is to retain this rate.

H. Dedicated Schools Grant funding settlement 2019-20

DSG Schools Block:

- i) The 2019-20 per pupil units of funding (PUF) for the DSG Schools Block are £4,134 per primary pupil and £5,303 per secondary pupil. These rates include the second 0.5% increase in funding per pupil following on from the first for 2018-19. The ESFA requires that at least 80% of this funding block is allocated via pupil-led factors. In Kirklees in 2018-19 90.49% of the available total was pupil-led.
- ii) The confirmed Schools Block allocation for Kirklees for 2019-20 has increased by £6.9m (£288.37m in 2018-19 to £295.27m for 2019-20), due to a combination of increased pupil numbers in the system, another 0.5% per pupil cash increase on 2017-18 baselines and an increase in the amount of provision for future growth within the allocation.
- iii) The Schools Block funding factors to be used in the 2019-20 funding allocation will largely be those prescribed by the National Funding Formula (see Annex A below). Each school's outcome from this calculation will first be adjusted by a new cash floor funding factor to ensure that the 1% increase in funding per pupil in comparison to

individual school 2017-18 per pupil baselines is passed on. A second adjustment is then possible via the Minimum Funding Guarantee (MFG).

- iv) Minimum funding guarantee - as local authorities work towards the implementation of the National Funding Formula for schools, the ESFA has allowed local authorities scope for flexibility in setting their own MFG percentage within the range minus 1.5% to plus 0.5% per pupil, without further reference to the Secretary of State. Using the new 1% cash floor factor means that the MFG effectively becomes a balancing item, set at whatever percentage is needed to exactly spend up the available funding total.

Central School Services Block:

- v) Kirklees will be allocated £33.99 for every 4 to 16 year old pupil attending schools and academies in the borough (a reduction from the £34.86 received in 2018-19). A sum of £170,400 will then be added to reflect historic annual pension commitments charged to the DSG. A breakdown of budget provision supported by the CSSB can be found at Annex B below. A significant portion of the CSSB relates to funding for the range of statutory and regulatory duties (which were previously supported by Education Services Grant) the Council has for all local pupils whether educated in maintained schools or academies.

DSG High Needs Block:

- vi) The continuing roll-out of the National High Needs Funding Formula has resulted in a £1.17m increase to Kirklees Council's allocation for 2019-20. This is part of a projected 22% gain in High Needs Block funding for Kirklees under the new national funding formula starting from 2017-18, although there is a 3% maximum increase cap being applied to annual gains.
- vii) In addition to the latest annual staged increase from the High Needs national formula, the Secretary of State for Education has recently announced additional revenue funding of £250m nationally for local authorities to help offset rising High Needs budget pressures. For Kirklees this adds another £1.04m to our 2019-20 High Needs funding figure – a total increase of £2.21m [£34.78m originally announced for 2018-19 rising to £36.99m for 2019-20]. Kirklees has also received increased funding of £1.04m in the current financial year to help mitigate the situation.

DSG Early Years Block:

- viii) The Early Years' national funding formula values have not changed since 2017-18. Within the 2019-20 EY Block allocation there are some variations associated with the change in pupil numbers – funding for the universal (base) 15 hours free nursery offer is affected by a fall of around 200 part-time equivalent (pte) children and funding received for disadvantaged 2 year olds has reduced due to around 70 part-time equivalent pupils fewer than last year. However, the funding for the extended 15 hours entitlement for children of eligible working families has increased due to an increase by around 56 pte children. The total

allocation in the Early Years block for 2019-20 is £28.09m (in 2018-19 the allocation was £28.70m).

I. Recommendations for the 2019-20 DSG schools funding formula from Kirklees Schools Forum

- a. To note the ESFA-approved exceptions applications.
- b. To note the consultative process undertaken in collaboration with head teachers through the Kirklees Schools Forum to agree the details of the Kirklees funding formula.
- c. To support the decisions, in principle, relating to central budgets and de-delegated budgets for 2019-20 and acknowledge the systematic monitoring of the expenditure and impact by Schools Forum.
- d. To approve, in principle, the final details of the Kirklees' school funding formula for 2019-20 submitted to the Education & Skills Funding Agency by 21st January 2019.

3. Implications for the Council

• **Working with people**

The Schools Forum continues to support schools working collaboratively to effectively manage resources, particularly focussing on early intervention and prevention, reducing inequalities and overcoming barriers to learning for children in their communities.

• **Working with Partners**

Through Schools Forum the Council works in partnership with local maintained schools, academies and other providers to try to ensure the optimum distribution of dedicated schools grant within Kirklees. The Schools Forum includes representation from the Private, Voluntary and Independent nursery and childcare sector and post-16 provider representation.

• **Place-based working**

The schools funding allocation recognises that the needs of different communities within Kirklees vary widely. The allocation contains additional need funding factors to target support towards children from particularly disadvantaged backgrounds and also directs additional funds to support children in their first three years in the school system who have English as a second language.

• **Improving outcomes for children**

Schools Forum seeks to ensure that the fairest approach to funding across the schools system is in place, particularly at a time when financial pressures for schools are increasing. Maximising resources for teaching and learning, alongside the role that schools play in supporting children and their families and the wider community is crucial in ensuring that children have the best start in life.

- **Other (eg Legal/Financial or Human Resources)**

The schools system is funded by the Council's annual Dedicated Schools Grant funding allocation and is managed in accordance with the Schools Finance (England) regulations and the terms and conditions of the grant.

4. Consultees and their opinions

i) The Education and Learning Partnership Board sits alongside Schools Forum as a 'sister' consultative group. The two operate together in a complementary approach to work in partnership with our schools and settings. The Forum Chair is a member of the Education and Learning Partnership Board. The work of each body is supportive of a single strategic oversight of the system.

ii) Schools Forum consults with school groups through Kirklees High School Head teachers, Primary Head teacher groups and School briefings. Non-school members from the early years' private, voluntary and independent sectors, trade unions, and the Post 16 sector ensure consultation and feedback from their representative groups. Current discussions are focussed on the decisions required by the ESFA for the funding year 2019-20.

iii) The Early Years Reference group consists of representatives from all sectors of the childcare market. This group consider proposals for the Early Years Funding Formula and monitors spending of the Early Years Block. The views of this group are reported to Schools Forum.

iv) Updates for the Portfolio Holders for Children's Services are provided regularly.

5. Next steps and timelines

i) Schools Forum will continue to help shape schools funding arrangements at their meeting on 11th January 2019, prior to the deadline for submission of the school funding allocations for 2019-20 to the ESFA on 21st January 2019.

ii) Based on the ESFA funding timeline, it is expected that the local authority will inform maintained schools of their 2019-20 budget shares by 28th February 2019. The ESFA will inform academies of their budget allocations for the academic year 2019/20 by the 31st March 2019.

6. Officer recommendations and reasons

Members are asked to...

- Note the consultative process undertaken in collaboration with head teachers, through Schools Forum, to determine the ongoing local approach to the distribution of DSG Schools Block funding for 2019-20, the second year of a 'soft' National Funding Formula approach.
- Note the exceptions applications made to the ESFA and subsequently approved.
- Approve the submission of the schools funding formula for 2019-20 (based upon a guaranteed funding rise of at least 1% per pupil in comparison to each school's 2017-18 per pupil baseline) to the Education & Skills Funding Agency.

7. Cabinet portfolio holder's recommendations

- To note the changes to schools funding arrangements for 2019-20, the second year of 'soft' application of the National Funding Formula, leading up to the full introduction of the National Funding Formula for Schools from April 2021.
- To note the ongoing local consultation with schools and other providers to ensure an appropriate local response to national funding formula developments.
- To support the officer recommendations above, and to thank Schools Forum members for their work.

8. Contact officer:

David Gearing
Finance Manager (Schools), Senior Finance Officer, Financial Management, Risk,
IT and Performance
Riverbank Court
01484 221000
david.gearing@kirklees.gov.uk

9. Background papers and history of decisions See Annex E below

10. Service Directors responsible

Jo-Anne Sanders
Service Director - Learning & Early Support
Directorate for Children and Young People
Civic Centre 3
01484 221000
jo-anne.sanders@kirklees.gov.uk

Eamonn Croston, Chief Financial Officer
Service Director, Finance, IT and Transactional Services
Civic Centre 3
01484 221000
Eamonn.croston@kirklees.gov.uk

ANNEX A: Comparison of Kirklees' 2017-18 funding factors with those used by the National Funding Formula in 2018-19 and 2019-20

Funding factor	Kirklees 17-18 per pupil	NFF values per pupil 18-19	NFF values 2019-20	Notes
Primary basic per pupil	£2,794	£2,747	£2,747	
Key Stage 3 per pupil	£3,996	£3,863	£3,863	
Key Stage 4 per pupil	£4,933	£4,386	£4,386	
Primary Free School Meals Ever 6	£553	£540	£540	
Sec'y Free School Meals Ever 6	£553	£785	£785	
Primary current FSM	Nil	£440	£440	
Secondary current FSM	Nil	£440	£440	
Prim IDACI Band F	£437	£200	£200	
Prim IDACI Band E	£536	£240	£240	
Prim IDACI Band D	£795	£360	£360	
Prim IDACI Band C	£795	£390	£390	
Prim IDACI Band B	£795	£420	£420	
Prim IDACI Band A	£795	£575	£575	
Sec'y IDACI Band F	£341	£290	£290	
Sec'y IDACI Band E	£821	£390	£390	
Sec'y IDACI Band D	£884	£515	£515	
Sec'y IDACI Band C	£1,011	£560	£560	
Sec'y IDACI Band B	£1,011	£600	£600	
Sec'y IDACI Band A	£1,011	£810	£810	
Looked-after Children	£1,500	Nil	Nil	Now funded as Pupil Premium Plus
Primary English as an Additional Language	£974	£515	£515	Kirklees' method looked at the last census, NFF looks at the last three censuses
Secondary English as an Additional Language	£974	£1,385	£1,385	As per Primary EAL above
Primary low prior attainment	£1,661	£1,050	£1,022	NFF value applies to an increasing number of pupils
Secondary low prior attainment	£1,210	£1,550	£1,550	
Minimum per pupil Primary	Nil	£3,300	£3,500	
Minimum per pupil Secondary	Nil	£4,600	£4,800	
School Lump Sum	£130,000	£123,282	£110,000	

ANNEX B: DEDICATED SCHOOLS GRANT: CENTRAL BUDGET RETENTION 2019-20 [for mainstream maintained schools and academies]

1) Growth funding within the Schools Block

Budget provision	£	Notes
Pupil Growth Fund	600,000	Supports mid-year basic need pupil growth of sufficient scale to trigger a new class arrangement. Also support to schools struggling to meet the KS1 class size regulation. PGF is only allocated where a school cannot fund from own resources
Falling Rolls Fund	Removed	It has been decided to cease to operate a Falling Rolls Fund, returning the £50,000 budget provision to the Schools Block funding formula. The criteria set by the ESFA for use of the fund effectively precluded any allocation of support from the Fund.
Future pupil growth	£698,500	In 2019-20 the Schools Block allocation includes for the first time funding towards the cost of future pupil growth within the system. This has been calculated from a comparison of the October 2018 and October 2017 pupil census returns to provide a proxy measure of future growth for individual local authorities. This element of funding needs to be retained by the LA to support those schools in the system affected by planned changes to address demand for pupil places in the area, eg new schools growing by one year group per annum, schools asked to vary their admission number to take in additional pupils in a 'bulge' class arrangement.
TOTAL	£1,298,500	

2) The Central School Services Block

Budget provision	£	Notes
Servicing of Schools Forum	31,000	
Pupil Admissions Service	401,900	
School Organisation & Planning	139,600	
School Reorganisation Support	292,000	
Historic DSG pension commitments	170,400	Fixed historic commitment, the budget cannot be increased
National Copyright Licence charge	323,500	Forum approval is not required
(Former Education Service Grant retained duties) Per pupil allocation to the Council in respect of statutory and regulatory duties for all children in Kirklees	943,300	
TOTAL	£2,301,700	

In comparison to 2018-19, the national copyright licence charge has increased from £311,000 to £323,500 due to the combined effect of rising pupil numbers and price inflation; the former-ESG retained duties element in 2018-19 was £994,800 – the decrease for 2019-20 reflects the next phased step towards a lower CSSB level provided by this particular national funding formula.

3) Funding retained within the Early Years Block

Budget provision	Proposed £	Notes
Early Learning and Childcare	585,000	Free Early Education & Childcare Team – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	71,200	Finance, payroll, HR, Legal, IT etc
Inclusion Support	40,400	Contribution to the Inclusion Officer team
Miscellaneous	12,000	Contribution to admissions, maternity, union duties etc
TOTAL	£708,600	

The introduction of '30 hours free childcare' and the resulting increase in the number of providers eligible to claim funding for the free entitlement (mainly after school-clubs and childminders) has placed unprecedented volume pressures on the teams which support children, families and early learning and childcare providers. Efficiency improvements have helped ensure that these pressures can continue to be met with existing resources. The proposed Early Years Block retention is less than 2.5%, well within the 5% level permitted by the government.

Consultation about 2019-20 Early Years funding and retention arrangements were held with the Early Years Reference group on 28th November 2018. There are no proposals to change these arrangements. This position will be considered by Schools Forum on 8th February 2019.

ANNEX C: DE-DELEGATION 2019-20 [Maintained Mainstream Schools only]

Budget	Primary per pupil	Secondary per pupil	Notes
School Contingency	-£13.29	-£16.65	Used to correct funding errors, support schools facing emergencies, pick up costs it would be unfair to ask schools to meet, one-off financial interventions in schools in financial difficulty to help them secure necessary savings.
Free school meals eligibility checks	-£1.03	-£1.29	Customer & Exchequer service checks to identify children eligible to claim free school meals – helps schools maximise their deprivation-related funding
Maternity, paternity and adoptive leave	-£29.32	-£29.32	Central payment of salary costs during these leave periods so the school only pays the replacement costs
Trade union facilities time	-£5.72	£0.00	Pays for the release from schools of local TU officials to manage casework (competence, attendance, disciplinary etc) involving school staff
Public duties	-£0.16	-£0.20	School cover costs re staff on jury service, appearing as witnesses in court proceedings, serving as magistrates, serving as governors at another school etc
International new arrivals	-£1.58	-£1.98	Support to schools dealing with language-related issues of children admitted from different parts of the world
School Improvement Commissioning	-£4.50	-£12.01	Supports improvement interventions in schools – appropriate support to schools for the cost of implementing improvement action plans, brokering school-to-school support by meeting the cost of releasing staff from other schools to work with the school in need of support.
TOTALS	-£55.60	-£61.45	

The above picture of per pupil de-delegation is unchanged from financial year 2018-19, with the exception of the de-delegation charge per pupil to operate a central fund to meet maternity, paternity and adoptive leave costs. The charge per pupil has had to be increased to match the level of expenditure being claimed from the arrangement. The pattern of de-delegation shown in the above table was agreed by the maintained primary and secondary school representatives to the Schools Forum on 11th January 2019.

ANNEX D: Meeting Schedule

Consultation meetings with Schools Forum, Headteacher groups and Early Years Providers

Schedule

Consultation focus	Meetings	Meeting date	ESFA response date
Schools block and Central schools services block Implications of National Funding Formula for the Council and schools from 2019-20	HT briefings	13 th and 28 th November 2018	21 st January 2019
	Consultation by email with schools	w/c 7 th January 2019	
	Schools Forum	11 th January 2019	
	Schools Funding paper to Cabinet	29 th January 2019	
Early years block	Early Years Reference group	28 th November 2018	28 th February 2019
	Schools Forum	8 th February 2019	

ANNEX E: KEY REFERENCE DOCUMENTATION

The following key reference documents are available on the GOV.UK website. Other, related documentation is also available on these web links.

1. Schools Funding
<https://www.gov.uk/government/publications/pre-16-schools-funding-guidance-for-2019-to-2020>
2. Early Years [Link to insert when published](#)
3. [High needs funding arrangements: 2019 to 2020 - GOV.UK](#)

A link to the Cabinet report on the Kirklees Schools funding formula for 2018-19 is provided below. The report is at Item 7

<https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=139&MId=5273&Ver=4>

Name of meeting: Cabinet
Date: 29 January 2019
Title of report: Consolidation of Kirklees Council delivered Early Support Services

Purpose of report To request a decision from Cabinet to end the current commissioned contracts delivering early support services and bring the services in-house

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?)	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name Is it also signed off by the Service Director (Finance)? Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	Mel Meggs – 18.01.2019 Eamonn Croston - 18.01.2019 Julie Muscroft - 21.01.2019
Cabinet member portfolio	Cllr Masood Ahmed (Learning & Aspiration) Cllr Viv Kendrick (Children's Services)

Electoral wards affected: All

Ward councillors consulted: None

Public or private: The report is Public with a private appendix

1. **Summary**

In Kirklees we recognise the importance of providing support early and have worked closely with our partners to develop a strategy that outlines the way that we will work together to provide 'right person, right service, right time' support that will improve outcomes for children, young people & families across the authority.

The Early Support Strategy refers to a way of working that means providing interventions early to support and build resilience amongst children, young people and their families – particularly those that may be vulnerable.

The approach outlined in the strategy is based on building communities, developing resilience and establishing networks. As well as developing a place based offer around four geographical and diverse areas, it is recognised that some services work best across the authority as a whole. We are developing a unifying, but not uniform, offer that will reflect the needs and strengths of children, young people, families and communities.

Cabinet approved the Early Support Offer in January 2017 in a report entitled 'Proposal for Early Help for Children, Young People and Families'.

Both of the current commissioned contracts have been extended to the maximum length legally possible. Further negotiated extensions with these providers are not permissible.

We recognise the importance of continuity of services for families whilst working towards consolidating these contracts to ensure they are in line with the agreed early support model.

2. **Information required to take a decision**

This is an update report highlighting the ending of the current contract arrangements and implications for TUPE arrangements for existing, eligible staff.

Details are included in the accompanying private report.

3. **Implications for the Council**

Implications for the council are considered in the accompanying private report.

4. **Consultees and their opinions**

A range of service areas, partners and staff have been consulted. Further information is included in the accompanying private report.

5. **Next steps and timelines**

The current arrangements are due to cease on 31st March 2019. Once agreed, any TUPE arrangements will have to be arranged for affected staff.

6. **Officer recommendations and reasons**

Officers recommend that Cabinet approve the proposal to consolidate services and align the Early Support Strategy, giving consistency & value for money

7. **Cabinet portfolio holder's recommendations**

The Cabinet Portfolio Holders, Cllr Masood Ahmed and Cllr Viv Kendrick, support the officer recommendation.

8. **Contact officer**

Michelle Wheatcroft – Head of Early Support
michelle.wheatcroft@kirklees.gov.uk

Martin Green – Head of Localities Offer – Children & Families
martin.green@kirklees.gov.uk

9. **Background Papers and History of Decisions**

September 2016 Cabinet report – item 7

January 2017 Cabinet report – item 12

Kirklees Early Support Partnership Strategy

Draft Transition Plan – within the private report

10. **Service Director responsible**

Jo-Anne Sanders – Service Director – Learning & Early Support
jo-anne.sanders@kirklees.gov.uk

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank