

# Public Document Pack



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

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Thursday 12 September 2019

## Notice of Meeting

Dear Member

### Corporate Scrutiny Panel

The **Corporate Scrutiny Panel** will meet in the **Council Chamber - Town Hall, Huddersfield** at **10.30 am** on **Friday 20 September 2019**.

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', on a light-colored background.

**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 Corporate Scrutiny Panel members are:-**

### **Member**

Councillor Andrew Cooper (Chair)

Councillor Mahmood Akhtar

Councillor James Homewood

Councillor John Lawson

Councillor Will Simpson

Councillor John Taylor

Philip Chaloner (Co-Optee)

Nathan Paul (Co-Optee)

# Agenda

## Reports or Explanatory Notes Attached

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**Pages**

**1: Membership of the Committee**

This is where Councillors who are attending as substitutes will say for whom they are attending.

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**2: Minutes of the Previous Meeting**

1 - 4

To approve the Minutes of the meeting of the Committee held on 12 July 2019.

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**3: Interests**

5 - 6

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.

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**4: Admission of the Public**

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

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**5: Deputations/Petitions**

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

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

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**6: Public Question Time**

The meeting will hear any questions from the general public.

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**7: Preparations for leaving the European Union (EU)**

7 - 14

This paper provides an update for the Panel on Kirklees' preparations as the UK gets ready to leave the EU, with a particular focus on a "No Deal" scenario.

Contact: David Bundy – Corporate Policy Officer, Strategy and Policy  
Tel 01484 221000

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**8: Financial Management Update 2019-20**

15 - 46

The report provides a high level overview of the Council's financial monitoring, incorporating the current position in 2019-20 and an update on preparation for the forthcoming budget strategy update report to Cabinet/Council in early/mid-October.

Contact: James Anderson – Head of Service – Accountancy  
Sarah Hill – Finance Manager  
Tel: 01484 221000

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**9: Work Programme 2019-20**

47 - 52

The Panel will review its Work Programme for 2019/20.

Contact: Sheila Dykes –  
Principal Governance and Democratic Engagement Officer  
Tel: 01484 221000

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Contact Officer: Penny Bunker

## KIRKLEES COUNCIL

### CORPORATE SCRUTINY PANEL

**Friday 12th July 2019**

Present: Councillor Andrew Cooper (Chair)  
Councillor John Lawson  
Councillor Will Simpson  
Councillor John Taylor

Co-optees Nathan Paul

Apologies: Councillor Mahmood Akhtar  
Councillor James Homewood  
Philip Chaloner (Co-Optee)

**1 Minutes of the Previous Meeting**

The minutes of the meeting held on 12 April 2019 were approved as a correct record.

**2 Interests**

No interests were declared.

**3 Admission of the Public**

It was agreed that all agenda items would be considered in public session.

**4 Deputations/Petitions**

There were no deputations or petitions received.

**5 Public Question Time**

No public questions were received.

**6 Request for Late Urgent Item**

It was agreed that the late item entitled Leaving the EU Preparations be considered at the meeting.

**7 Work Programme 2019/20**

The scrutiny panel considered areas of work for inclusion in the work programme for 2019/20. A draft programme was attached to inform the discussion.

Councillor Graham Turner, Cabinet Member for the corporate portfolio informed the panel that his priorities for his portfolio were, financial planning and monitoring to deliver the budget; the Asset Strategy including Kirklees Active Leisure; Corporate landlord issues and access to services, including the Library service. Councillor Turner also advised that the Commercial Strategy was currently being developed and would be available for discussion with the panel in the autumn.

## Corporate Scrutiny Panel - 12 July 2019

The panel agreed to adopt the draft work programme and add the development of the Commercial Strategy to it. Cllr Taylor also suggested that the Panel should look at the evolving work to support councillors in their wards and localities. Councillor Cooper advised that the Overview and Scrutiny Management Committee would be considering how best to scrutinise place based working as a number of panels had identified it as a potential issue. He would feedback to the panel on the outcomes of that discussion.

### **RESOLVED -**

- (1) That the key priorities identified by Cllr Turner for the Cabinet corporate portfolio in 2019/20 be noted.
- (2) That the Development of a Commercialisation Strategy be added to the work programme with a view to the panel considering a more detailed proposal later in 2019.
- (3) That the Corporate Panel would like to look at the development of the strands of Place Based Working, subject to the views of the Overview and Scrutiny Management Committee.
- (4) That the proposed work programme as set out in the agenda be agreed, with the inclusion of the additional issues identified at the meeting.

### **8 Leaving the EU Preparations**

The Panel considered a late agenda item which provided a position statement on Kirklees Council's preparations in respect of the UK leaving the European Union on 31 October 2019.

The report advised that a tactical group involving officers from the Council and partner organisations had been operational for several months. The group provided updates to the Council's Executive on the level of preparedness and likely scenarios following the UK's exit from the EU. A tactical plan had been developed, supported by an action plan which helped to monitor and address key issues such as:

- Business continuity
- Businesses
- Supply chains and logistics
- Workforce
- Vulnerable people
- Cohesion
- Communication

The Council actively participated in the West Yorkshire Resilience Forum which contributed to regional returns to government on key issues affecting local authorities in the region.

In considering the report the panel asked if national government was carrying out any impact analysis work with local authorities. It was noted that this was being

## **Corporate Scrutiny Panel - 12 July 2019**

done at sector level with West Yorkshire Combined Authority working with Chambers of Commerce to regularly gather business intelligence.

The panel discussed the financial risk and asked how the Council's Treasury Team was planning to mitigate risk. It was agreed that the panel would look at this as part of its financial monitoring work. The panel also asked for information on critical processes or systems within the Council that are dependent on EU partners.

Whilst recognising that there were a lot of unknowns the panel asked to understand the immediate impacts at its November panel meeting, immediately after the EU exit date. A report could also be brought to an earlier meeting if there was anything further to report.

The panel recommended that the preparation work with looked after children should be extended to care leavers up the age of 25.

### **RESOLVED -**

- (1) The Panel noted the report and supporting the tactical plan and corporate risk register.
- (2) That a future report include financial risks as part of treasury management preparation; details of critical processes within the Council that are currently dependent on partners in the EU
- (3) The Panel recommended that the care leavers age range within the report be extended to 25.
- (4) That the Panel consider a further report, once detail is available, prior to the 31 October exit date.

### **9 Dates Of Meetings 2019/20**

The Panel considered the schedule of meetings for the 2019/20 municipal year. It was agreed that meeting of the panel would be held on:

- Friday 20 September 2019 – 10.00am
- Friday 18 October 2019 – 10.00am
- Friday 15 November 2019 – 2.00pm
- Friday 10 January 2020 – 10.00am
- Friday 28 February 2020 – 10.00am
- Friday 27 March 2020 – 10.00am

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<b>KIRKLEES COUNCIL</b>					
<b>COUNCIL/CABINET/COMMITTEE MEETINGS ETC</b>					
<b>DECLARATION OF INTERESTS</b>					
Corporate Scrutiny Panel					
<b>Name of Councillor</b>					
<b>Item in which you have an interest</b>	<b>Type of interest (eg a disclosable pecuniary interest or an "Other Interest")</b>	<b>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]</b>	<b>Brief description of your interest</b>		

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:** Corporate Scrutiny Panel

**Date:** 20 September 2019

**Title of report:** Brexit Preparations

## Purpose of report

This paper provides an update for the Scrutiny Panel on ongoing Kirklees' preparations, as the UK gets ready to leave the EU with a particular focus on a "No Deal" scenario, following the election of a new Prime Minister who has placed a much a greater focus and urgency on preparations for a no deal Brexit.

<b>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?</b>	N/A
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	N/A
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	N/A
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	Rachel Spencer-Henshall
<b>Is it also signed off by the Service Director (Finance)?</b>	N/A
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	N/A
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Councillor Graham Turner</b>

**Electoral wards affected:** All

**Ward councillors consulted:** N/A

**Public or private:** Public

**No personal information contained in report.**

## 1. Summary

- 1.1 The new Prime Minister has stated that the UK will leave the EU on 31 October 2019 whether or not an agreement has been reached. There will be risks and opportunities for Kirklees whatever the final outcome of ongoing negotiations; however, at present the full local, regional and national impacts of the UK leaving the EU are unknown.
- 1.2 The national picture is a rapidly evolving one, with, for example, the government being defeated on a number of key votes in the past week. Nonetheless the Council continues to plan for a no deal scenario with an emphasis on supporting vulnerable people.

## 2. Information required to take a decision

### 2.1 National Developments

Preparations for no deal by the new government have been given a renewed focus however, for local government the picture remains that of uncertainty with challenges in planning for a multitude of different possible outcomes.

#### 2.1.1 The New Brexit Team

The national team is led by Stephen Barclay Brexit Secretary, with Michael Gove chairing the new cabinet no deal committee. They are joined by Priti Patel as Home Secretary and Dominic Raab the Foreign Secretary.

#### 2.1.2 Brexit Lead Officer

The new Communities and Local Government Secretary has asked each council to designate a Brexit lead to work with central government and oversee “teams who will work with stakeholders in their area to plan intensively for Brexit” – our nominated lead is Naz Parkar, Service Director for Housing Economy & Infrastructure. The government wants to formalise relationships and communications.

The key aspects of the role are:

- Ensuring the council has taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for our exit from the EU on 31 October. This should include clear communication to local residents and businesses to support their own preparations for Brexit and a plan for how the council would communicate important messages to stakeholders;
- Ensuring the council has a team in place which is equipped to support the delivery of Brexit, ready for the period around 31 October;
- Overseeing the expenditure of the specific Brexit funding allocated to their council and ensuring it is effectively contributing to local preparations;
- Playing a full part in the Local Resilience Forum to ensure that its plans for no deal take account of relevant local circumstances and potential impacts on local communities.
- Bringing together local public service providers, the voluntary and community sector, community groups and businesses to effectively prepare for the potential local impacts of leaving the EU without a deal;
- Acting as the principal contact point for the regional lead chief executive and central Government;
- Proactively raising with central Government or the regional chief executive representative any emerging trends, issues and other local intelligence that might assist in no deal preparations.

### 2.1.3 No Deal New Funds

The government announced an extra £2.1bn of funding to prepare for Brexit, doubling the amount of money it has already set aside this year.

The Communities Secretary, Robert Jenrick, also announced a £20 million fund to help councils prepare for a no deal – £10 million is new cash from the Treasury, while £10 million is money held over from Brexit funding announced earlier this year. The allocation to Kirklees will be £104,984.

The main additional cash, announced by the Chancellor, Sajid Javid, provides a new immediate cash boost of £1.1 billion and makes a further £1 billion available if necessary, taking the total allocation of spending this year up to £6.3 billion. Around £344 million will go to border operations; another 500 officers will be added to the 500 already promised this year. The aim is to improve processing of passport applications, increase training for customs staff to help businesses with declarations, and improve readiness for transport disruption around Kent ports.

Another £434 million will go towards ensuring continuity of vital medicines and medical products, covering freight capacity, warehousing and stockpiling, while £108 million will be spent on helping businesses understand the challenges they face.

Around £138 million is allocated to a new public awareness campaign (which has now been launched as 'Get Ready') involving advertising, consular help for British citizens living abroad and support for local areas, including Northern Ireland.

The new money allocated to local government for no deal preparations should be used to support a "range of activity" including communications, training and recruitment of staff. The Secretary of State reassured councils that they had a 'vital role' in making Brexit successful and it was 'absolutely right that together we intensify preparations in every community'.

### 2.1.4 No Deal Consequences

There are many commentators on the impact of a no deal exit, and a leaked confidential document compiled under the code name Operation Yellowhammer and obtained by the *Sunday Times* sets out the following:

- Trucks could face 2.5 day delays at ports, with significant disruption lasting up to three months, which would affect fuel supplies in London and the southeast of England, it is estimated that it may take 40% longer at crossing points according to the document.
- Medical supplies will also be vulnerable to "severe extended delays," since about three-quarters of the UK's medicine comes across the English Channel.
- Fresh food will become less available, and prices will rise, according to the document. That outcome is expected to especially hit vulnerable groups.
- The government anticipates the return of a hard border with Ireland, which could spark protests and roadblocks.
- It also forecasts the closure of two oil refineries after import tariffs are eliminated, causing an expected loss of 2,000 jobs, worker unrest and disruptions to fuel supplies.

Local government has now to plan for a possible no deal as the working assumption and as the most likely scenario. It is, though, hard to plan for something unknown in both its impact and the uncertainty of it occurring.

Home Secretary, Priti Patel, has recently announced plans to end freedom of movement for EU citizens immediately after a no deal Brexit.

Downing Street confirmed rules allowing EU nationals to live and work freely in the UK would end if the UK leaves the bloc without an agreement on 31 October. The rights of EU citizens who have permanent residence in the UK should not be affected and they will continue to be allowed to apply for settled status – granted if they can prove they have lived in the UK for five years – until the end of December 2020.

We are continuing with our promotion of support to communities and employees on the EU Resettlement Scheme but we now need to give more active consideration to the impact this will have on workforce planning for both us, our providers and our partners.

Our position in Kirklees regarding supply chain issues on food, focusing on vulnerable people, is that we have undertaken resilience stress tests on supplies for schools and adult social care. The main outcome was that supplies for a basic meal could be maintained. We are also working with the voluntary and community sector to map the provision and support around food banks which more and more people are becoming reliant on.

With supplies of medication, this is primarily within the remit of the NHS who have a distinct work stream in place to address medical supplies. Nonetheless, we are collaborating with Health colleagues to help plan provisions to people who are in the greatest need. We have been assured supplies would not be an issue.

## **2.2 The Regional Position**

Our link into MHCLG from a regional basis remains the chief executive of Leeds City Council, Tom Riordan. At present we are reporting regionally on an exception basis.

In addition, WYCA have also introduced a monthly Leaders of Business Support meeting which reports into the regional group. This group has met twice and is looking at the business communication and support measures which need to be in place pre and post Brexit to ensure business resilience.

## **2.3 The Kirklees Position**

### **2.3.1 Current Economic Data/Analysis**

The LCR Economic Update for May 2019, presents some more up to date intelligence from the MYCC survey Q1 and other sources on Brexit. The key points in relation to Brexit are:

- Some Brexit-related issues appear to have given a short-term boost to national and local economies of late, with stockpiling helping to drive business activity, particularly in the manufacturing sector.

- There are signs that the stockpiling-driven momentum may have been tailing off, however, recent government announcements are beginning to reverse this.
- HMRC data suggests that our region remains more reliant than the country as a whole on the EU as an export market, and while the value of exports has increased the number of businesses exporting has not increased significantly.
- While the recent trend towards growth in full-time permanent employment is undoubtedly positive, it is also clear that there has been a persistent lull in capital investment. Given the critical role that investment plays in productivity growth, this could have longer term implications for economic competitiveness.

The MYCC Quarterly Economic Survey for Q1 done in Feb/March asked businesses about their preparedness and confidence in handling no deal. 51% said they were confident in handling the impacts. 71% said they had considered impacts at management level and 55% had mapped their customer/supplier base and tried to consider impacts – so most businesses had taken action.

Some of the specific headlines are:

- Overall, 11% of businesses in LCR expect Brexit to have a beneficial impact; 33% a detrimental impact. While there is some difference in Kirklees (14% vs. 29%).
- The proportion expecting a positive impact is about the same as in 2017, but the detrimental impact number is up from 28% (this increase has come as a result in fewer “don’t knows”)
- 16% of businesses in Kirklees export, the same as in LCR as a whole

### 2.3.2 Opportunities and risks

The majority of commentators and economists predict a downturn in the event of a no deal. However, recent figures from the Bank of England suggest this might not be as severe as previously thought. Reporting to the Treasury Select Committee last week, Governor Mark Carney said he now believed GDP would fall by 5.5%, as opposed to the 8% contraction the Bank had previously forecast. His revised assessment also saw an increase in unemployment of 7%, with inflation peaking at 5.25%.

At a local level, the Council is planning and actively engaging with business in respect of the economic impact of a no deal Brexit. The forthcoming Medium Term Financial Plan (MTFP) update report to Cabinet/Council in October will take account of potential Brexit scenarios in setting out the financial planning framework for subsequent member consideration; both short and medium term.

There are potential opportunities for business in a no deal scenario:

- Increased scope for inward investment – the decline in the pound could be a catalyst for encouraging inward investment.
- Expanding international markets – as a result of fluctuations in the pound the cost of British goods and services are more affordable for international buyers.

There is an opportunity to encourage increases in the use of online sales by smaller businesses, not just those who currently export. It is a good time for small businesses to adapt their online presence to allow international customers to browse in their own language and pay in their own currency.

- Opportunities for micro and small business owners - entrepreneurs and small business owners have thrived during previous periods of financial instability, largely due to being leaner and more flexible than more established organisations so they can quickly and effectively adapt to changes in the market, picking up new opportunities to help them to grow.
- Plugging the talent gap with skilled domestic workers - there could be a shortfall in our imported workforce, which means that UK business owners are more likely to focus on up-skilling and cross-skilling their current staff, filling any talent gaps with skilled workers from the UK.

There are significant risks at a local level, particularly as SMEs make up over 90% of Kirklees' businesses.

Manufacturing relies on long-term investment and planning to ensure it remains competitive and the underpinning confidence needed to unlock investment has taken a knock from the uncertainty around Brexit. Anecdotal evidence suggests manufacturing firms are increasing labour costs in order to compensate for delayed capital investment in the short-term. Although this has created jobs in the short-term, it will not address the long-term productivity challenge facing the sector, and this is particularly the case for SMEs, who have had to invest heavily in building up and maintaining stockpiles of parts and materials.

Given the delay to Brexit, many of these firms are now having to pay for warehousing and storage for many months to come, hindering their potential to invest elsewhere in boosting their productivity. Losing access to the EU single market and investment that might otherwise have been bound for the UK, is expected to have a long-term impact on the sector locally. However, reshoring practices could increase investment by firms into the UK (instead of producing goods overseas).

### 2.3.3 Business continuity

To ensure our services and work with partners is assessed for a no deal Brexit, Business Continuity Champions have been asked partly to identify critical Council processes that are currently dependent on EU partners. To do this, they were asked a series of questions designed to identify responses to the potential business disruptions that may arise as a result of Brexit; these being:

- People Issues
- Premises Issues
- Process Issues
- Provider Issues (including fuel, suppliers, contractors and commissioned services)
- Equipment Issues



No significant issues were identified outside business continuity plans as a result of this exercise.

Local partnership working continues to be a critical part of our Brexit preparedness:

- Kirklees Council continues to work on a multi-agency basis as part of the West Yorkshire Resilience Forum (WYRF). This includes working to understand the consequences of a no deal Brexit for the area and to prepare proportionate contingency plans.
- The WYRF has moved to weekly teleconference calls as of 5th September. This might escalate to daily conference calls, depending on events, at the start of October.
- WYRF are in the process of completing a submission to MHCLG on preparedness for a no deal Brexit. This aims to allow Ministers and others to easily see and compare preparations in different locations to identify gaps and highlight areas where additional support may be required.
- WYRF are also developing a C3 plan (command, control and coordination) for the planning and response to a no deal Brexit.
- A Communications plan is being developed (led by West Yorkshire Fire and Rescue Service) to coordinate messages to the public and businesses (Government expectation is that this will be done locally).

### **3. Implications for the Council**

#### **3.1 Working with People**

We have established channels through which we conduct a weekly temperature check of community issues and potential tensions. This route will be used to check whether there are any Brexit related issues arising in our communities.

We will be signposting residents and businesses to government information, such as the Get Ready for Brexit [site](#), to ensure they have the most up to date information.

#### **3.2 Working with Partners**

As above in the local partnership working section, there are some key partner arenas into which our preparations connect, in order to ensure a joined-up response in both Kirklees and the wider region.

#### **3.3 Place Based Working**

The recommendation around communication to ward members are based on an understanding of their critical role as place leaders, able to provide appropriate assurance messages within our diverse communities.

#### **3.4 Improving outcomes for children**

As corporate parent we are working to ensure the residency status of EU national looked after children. We actively track care leavers after the age of 18 up to the age of 25. We will be ensuring they are supported in terms of the EU settlement scheme and appropriate documentation.

3.5 **Other (e.g. Legal/Financial or Human Resources)**

Kirklees received £210,000 in the spring, split across 2018/19 and 2019/20 which has been put into reserves, to be accessed when a need arises that cannot be met from within existing service resources. As stated in section “2.1.3 No Deal New Funds” Kirklees will receive £104,984.

4. **Consultees and their opinions**

We have actively engaged with local businesses, partners and colleagues in the region to ensure we understand the potential impact on all sectors.

5. **Next steps and timelines**

Weekly updates to Executive Team, including themed discussions.

Continue to work on a multi-agency basis as part of the WYRF.

Continue to attend the Regional Business Support Leads Brexit Meeting and influence design of support programmes to be introduced pre/post Brexit.

6. **Officer recommendations and reasons**

For the panel to note and comment on the preparedness of the Council in planning for Brexit.

7. **Cabinet portfolio holder’s recommendations**

Portfolio Holder has been briefed and agrees with the report to be submitted to Scrutiny in this format.

8. **Contact officer**

David Bundy - Corporate Policy Officer, Strategy and Policy

9. **Background Papers and History of Decisions**

Leaving the EU Preparedness Update, Corporate Scrutiny Panel, 12 July 2019

Leaving the EU Preparedness Update, Economy and Neighbourhoods Scrutiny Panel, 17 July 2019

Discussion at Full Council on the implications of Brexit, 12 December 2018.

10. **Service Director responsible**

Naz Parkar - Service Director for Housing Economy & Infrastructure



**Name of meeting:** Corporate Scrutiny Panel  
**Date:** 20 September 2019  
**Title of report:** Financial Management Update 2019-20

## Purpose of report

High level overview of the Council's financial monitoring, incorporating the current position in 2019-20, and update on preparation for the forthcoming budget strategy update report to Cabinet/Council early/mid-October.

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 <u>Council's Forward Plan (key decisions and private reports)?</u>	Key Decision – Yes
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by <u>Strategic Director</u> & name	Rachel Spencer-Henshall : 9 September 2019
Is it also signed off by the Service Director for Finance IT	Eamonn Croston : 9 September 2019
Is it also signed off by the Service Director for Legal Governance and Commissioning	N/A
Cabinet member <u>portfolio</u>	Cllr Graham Turner

Electoral wards affected: All

Ward Councillors consulted: All

Public or private: Public

Has GDPR been considered? Yes

## 1. Summary

**Current year financial monitoring position; 2019-20**

### Quarter 1 monitoring 2019-20

- 1.1 Appendix 1 attached for reference is the detailed Quarter 1 financial monitoring report to Cabinet on 13 August 2019.

## Key highlights below :

Forecast overspend of £2.0m against £287.1m revised budget at Quarter 1, equivalent to 0.7% ;

- forecast delivery of £7.8m planned savings against target £10.9m; equivalent to 72%
- transfer of forecast high needs (net) overspend of £4.2m through the Dedicated Schools Grant (DSG) funding account, which is within allowable Gov't rules
- forecast £1.1m 'net' underspends elsewhere

Quarter one monitoring tends to be quite prudent, and it is expected that Strategic Directors, through the remainder of the year, work to identify opportunities for spending plans to be collectively brought back in line within the Council's overall budget by year end.

- 1.2 In-year Collection Fund performance currently on-line with budget.
- 1.3 The Housing Revenue Account is projecting a **surplus of £0.9m** (equivalent to just **1.0%**) against annual turnover of **£91m**.

## Capital

- 1.4 Overall Capital Plan allocation of £115m; anticipated spend £113m. It is anticipated that some of this year's plan may slip into later years, and any recommendations to re-profile spend into later years of the existing plan will be considered later in the year. Council financial procedure rules now allows Cabinet delegation to re-profile the Plan in this way.

## Revenue Reserves

- 1.5 The Table below summarises the Council's general fund revenue reserves position as at Quarter 1 monitoring :

	As at 1 April 2019	Planned movement in-year	Unplanned movement in-year	Forecast reserves 31 March 2020
	£m	£m	£m	£m
<b>Statutory (schools)</b>	<b>(9.8)</b>	-	-	<b>(9.8)</b>
Earmarked :				
<i>Financial resilience</i>	(37.2)	-	2.0	(35.2)
<i>Other</i>	(55.4)	3.3	-	(52.1)
<b>Total earmarked</b>	<b>(92.6)</b>	<b>3.3</b>	<b>2.0</b>	<b>(87.3)</b>
<b>General Balances</b>	<b>(10.2)</b>	<b>0.2</b>	-	<b>(10.0)</b>
<b>Grand Total</b>	<b>(112.6)</b>	<b>3.5</b>	<b>2.0</b>	<b>(107.1)</b>

- 1.6 The Council's approved reserves strategy is directed at strengthening organisational flexibility and financial resilience over the medium to longer term, especially in light of the current national political, economic and funding context and potential range of

impacts on public services, including local government sector and at an individual Council level.

- 1.7 The forthcoming budget strategy update report to Cabinet/Council in October will further reflect on current reserves strategies, in light of any emerging budget and other risks, as well as taking account of emerging issues highlighted through Quarter 1 financial monitoring.

## **2 Information required to take a decisions**

### **Budget Strategy Update – annual re-refresh of the medium term financial plan (MTFP)**

- 2.1 The annual re-refresh of the medium term financial plan or MTFP will set out the financial planning framework or forecast resources available over the Council's forward plans. This in turn will inform consideration of budget proposals through the remainder of the budget round, to deliver a 'balanced budget' requirement in 2020-21 and updated spend and funding forecasts for following years.
- 2.2 The financial planning framework underpinning the forthcoming budget strategy update report to Cabinet/Council, will take into account the following in setting out updated spending plans :
  - i) Corporate Plan, Strategies and Priorities
  - ii) Current year 2019-20 performance
  - iii) demographic and other key service pressures over the medium term
  - iv) key assumptions relating to inflation, borrowing costs, pay award, national living wage impacts
  - v) review of existing planned savings over the 2019-22 period
  - vi) early review of further investment considerations (revenue and capital)
  - vii) emerging regional and national intelligence
- 2.3 On the funding side, the following will be reviewed and incorporated as appropriate :
  - i) The Chancellor's one year spending review announcement (SR19) on 4 September 2019 which has set out a number of Government department spend proposals for 2020/21 financial year;  
  
See also, Appendix 2 for high level key SR19 headlines, including increased funding on schools (including high needs), additional social care grant funding, and 2% adult social care precept flexibility for 2020/21.
  - ii) Council tax base – likely growth over the medium term, and forecast annual council tax increases; informed by current year performance, Government council tax increase threshold limits, informed by relevant Council strategies and plans.
  - iii) Business Rates – informed by current year performance, appeals volatility and likely growth over the medium term,
  - iv) Income review and other specific grants, including potential regional and national funding opportunities (both revenue and capital)

### **3 Implications for the Council**

- (i) Working with people
- (ii) Working with partners
- (iii) Place based working
- (iv) Improving outcomes for children
  
- (v) Other (eg Legal/Financial or Human Resources):

- 3.1 The current national scrutiny and concern on the general state of Council finances, sectoral financial sustainability and financial resilience over the medium term; in particular with regard to Councils with statutory responsibilities for children and adult services, has been taken into consideration in the headline Spending Review 2019 (SR19) announcement on 4 September, albeit acknowledging this is a one year settlement for 2020/21, and that a further 3 year Spending Review would follow the following year.
  
- 3.2 However, there remains continued uncertainty on the national funding landscape for local government beyond 2020/21, against a current backdrop of Brexit uncertainty, what this means politically and economically, and as well, the prospect of a likely general election before the end of 2019.
  
- 3.3 The budget strategy update will also incorporate some scenario modelling, informed as well by the updated corporate risk register.
  
- 3.4 Budget assumptions underpinning the updated financial planning framework to be presented to Cabinet/Council in October, will continue to be reviewed and refined through the remainder of the current budget round, alongside emerging budget proposals for member consideration in due course.
  
- 3.5 Appendix 3 (attached) sets out headline budget milestone dates for the remainder of this budget round.

### **4. Consultees and the opinions**

Portfolio holder and Cabinet

### **5. Next steps and timelines**

As per budget timetable attached at Appendix 3

### **6. Officer recommendations and reasons**

For Corporate Scrutiny panel to note and discuss the contents of this report.

### **7. Cabinet Portfolio holder's recommendations**

As above

### **8. Contact Officer**

James Anderson, Finance Manager

[james.anderson@kirklees.gov.uk](mailto:james.anderson@kirklees.gov.uk)

Tel: 01484 221000

**9. Background Papers and History of Decisions**

Appendix 1-3 attached

**10. Service Director responsible**

Eamonn Croston, Service Director for Finance

**Name of meeting:** Cabinet

**Date:** 13th August 2019

**Title of report:** Corporate Financial Monitoring Report, Quarter 1, 2019-20

**Purpose of the Report**

To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 1 (month 3), 2019-20.

<b>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?</b>	<b>Yes</b>
<b>Key decision - is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</b>	<b>Key decision - Yes</b>
<b>The Decision - Is it eligible for “call in” by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director &amp; name</b>	<b>Rachel Spencer Henshall – 2 August 2019</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Eamonn Croston – 31 July 2019</b>
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning?</b>	<b>Julie Muscroft – 2 August 2019</b>
<b>Cabinet member portfolio - Corporate</b>	<b>Give name of Portfolio Holders Cllr Graham Turner</b>

**Electoral wards affected: None Ward**  
**Councillors Consulted: None**

**Public or private: Public**

**GDPR:** This report contains no information that falls within the scope of General Data Protection Regulations.



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## 1. Summary

### 1.1 General Fund

- 1.1.1 The Council's revised General Fund controllable (net) revenue budget for 2019-20 is **£287.1m**. The budget includes planned (net) revenue savings in-year of £10.9m.
- 1.1.2 The revised budget includes a number of planned transfers from reserves during the year, with the most significant being £2.8m from the revenue grants reserve which includes £0.8m from the Public Health reserve.
- 1.1.3 There is a forecast overspend of £2.0m against the £287.1m revised budget at Quarter 1; equivalent to 0.7%. This represents the following:
- i) forecast delivery of £7.8m planned savings against the target £10.9m ; equivalent to 72%;
  - ii) proposed transfer and roll forward of unbudgeted forecast in-year high needs pressure of £4.2m, through the Dedicated Schools Grant (DSG) funding account, within allowable Government rules;
  - ii) forecast £1.1m net underspends elsewhere

A detailed breakdown of the planned savings can be found at Appendix 6.

- 1.1.4 The forecast revenue outturn as at Quarter 1 is summarised at Appendix 1 and also in Table 1 below.

**Table 1 - Overview of 2019-20 general fund forecast revenue outturn position as at Quarter 1**

	<b>Revised Budget</b>	<b>Outturn Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children & Families	80,317	80,751	434
Adults & Health	100,315	101,265	950
Economy & Infrastructure	40,997	43,765	2,768
Corporate Services	32,068	32,044	(24)
Central Budgets	33,382	31,282	(2,100)
<b>Grand Total</b>	<b>287,079</b>	<b>289,107</b>	<b>2,028</b>

- 1.1.5 It is expected that Strategic Directors continue to ensure as far as possible that management actions are taken between now and year end to manage down the forecast £2.0m forecast overspend, to deliver an overall balanced position for the Council for 2019-20. Headline variances are described in more detail in sections 1.2 to 1.5 below and a summary of all key variances can also be found at Appendix 4.
- 1.1.6 Cabinet has started work with the Executive Team to develop the budget for 2020-21 and beyond. After an initial review of the implementation of this year's agreed budget, the Cabinet will be looking to develop proposals that continue to build on their ambition for investment that supports the Council's priorities. A report will be submitted to Cabinet and the Council in early autumn which will set out the financial planning framework to inform the Council's budget strategy for 2020-21 and beyond.

## 1.2 Children & Families

### Learning – High Needs

- 1.2.1 The Dedicated Schools Grant (DSG) High Needs funding allocation for 2019-20 is £38.0m. The forecast in-year pressure on High Needs spend in excess of the DSG funding allocation is £9.2m (equivalent to 24.2%). This pressure has been part offset from the planned release of Central Budget Minimum Revenue Provision (MRP) budget of £5m in-year. The current Medium Term Financial Plan (MTFP) strategy is to continue to release MRP over-provision budget over the medium term, but on a reducing basis.
- 1.2.2 Government's 2017 review of the National Funding Formula (NFF) acknowledged that Kirklees was underfunded in relation to existing high needs support from birth through to age 25, and identified a £7m high needs funding increase requirement (equivalent to 21% uplift against the existing high needs allocation). However, maximum annual increases have been capped at 3%, which translates to around to £1m uplift per year from 2018-19, over a seven year period. The current MTFP strategy set out in paragraph 1.2.1 above is intended to compensate for the fact that the full £7m funding requirement is only being released gradually by Government, over the 7 year period. It also takes into account a supplementary extra £250m national high needs funding announcement by Government late in 2018-19; £125m in 2018-19 and £125m 2019-20. Kirklees share of this is £1m per annum.
- 1.2.3 Net of the planned release of £5m MRP over-provision in-year, there is still a balance of £4.2m forecast unfunded in-year pressure. Of this, £2.2m relates to additional funding required to address structural funding pressures within the Council's Special Schools provision.
- 1.2.4 The remaining £2m High Needs pressure relates to a forecast increase in the overall number of children with Education, Health and Care Plans (EHCP's) and increased levels of top up funding for children already with an EHCP.
- 1.2.5 There has already been a 44% rise in the number of EHCP's within Kirklees in the last four years (2015-2019) since the 2014 Children and Families Act was implemented (47% nationally). The rising demand and cost pressures show no sign of slowing down, with continued growth of EHCP numbers expected in future years (over 10% in each of the last three years nationally).
- 1.2.6 It is not known at this stage whether any additional High Needs funding will be allocated by Government later in the year in response to the growing pressures noted at paragraph 1.2.5 above. 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.
- 1.2.7 It is proposed at Quarter 1 that the projected unfunded High Needs pressure of £4.2m is carried forward on the balance sheet as a funding deficit against Dedicated School Grant (DSG). This is allowable under current Department for Education (DfE) DSG grant conditions. Should the deficit rolled forward comprise greater than 1% of the Council's total DSG allocation, the DfE will require the Council to agree a plan to return the DSG account to a balanced position within a specified time period (up to a maximum of three financial years). Kirklees received an overall DSG allocation of £362.65m for financial year 2019-20 so a deficit of £4.2m equates to 1.16%.
- 1.2.8 To put the above approach into context, most recently the Association of Local Authority Treasurers wrote to the Secretary of State for Education on 28<sup>th</sup> June 2019 outlining the issues facing the 152 Councils with statutory education responsibilities, in managing this additional demand, and asking Government for a further injection of funding into the system alongside a review of the Children and Families Act. Based on a survey response of 88 Authorities, the letter sets out an indicative estimate that by the end of 2018/19, the cumulative High Needs deficit across the 152 authorities would be in the region of £500m, and that through 2019-20, 88% of the 152 authorities will be in a deficit high needs funding position. The proposals set out in paragraph 1.2.7 above would also result in an equivalent Kirklees DSG £4.2m forecast

deficit carried forward equivalent to 11.0% of the Council's annual high needs funding allocation.

- 1.2.9 High Needs is an area of significant and growing pressure on Council budgets nationally and officers will continue to review and update current and future year forecasts through 2019-20, informed by local and national intelligence. It is anticipated that medium term, growth pressures may be mitigated at least in part through other measures included in the Kirklees-wide High needs Strategic review, with the Council currently working on the implementation of an action plan with key education partners across the district. Medium term, the approved capital budget plans for 2019-24 include £25m to support increased District high needs specialist placement sufficiency.
- 1.2.10 However, the above measures in themselves will not be enough to recover the overall position, and there is an expectation both locally and across the sector that Government has to fundamentally review High Needs funding requirements through any forthcoming Spending Review process, with some potential for a further supplementary in-year High Needs funding allocation as well, in 2019-20.

#### Learning and Early Support

- 1.2.11 There is a forecast pressure of £0.5m on Post -16 Home to School Transport due to an increase in the number of pupils with Education Health and Care Plans (EHCP's) requiring transport. Currently there are 245 children with EHCP's using this service which is an increase of 48 from the previous year and 91 from 4 years ago. This pressure also links in to other schools transport pressures highlighted in paragraph 1.4.2 further below, and the Council is currently exploring a range of alternate approaches, working with pupils, parents, schools sector and providers, to deliver more innovative and tailored transport options while reducing overall cost pressures.

#### Child Protection and Family Support

- 1.2.12 Child Protection and Family Support has an estimated underspend of £0.7m on demand led placement costs; with planned moves agreed to reduce External Residential Placement (ERPs) from 37 to 16 during the year. This underspend is offset in part by other net social care pressures totalling £0.3m, including investment in Social Work practice and staff development.

### **1.3 Adults and Health**

- 1.3.1 Within Adults and Health there is a planned saving on independent sector home care of £1m, and this is anticipated to be achievable, in part due to strengths based approaches having an impact. However there is a further projected £1.3m home care underspend; mainly due to current capacity challenges in the Independent Sector Home Care market which is resulting in causing alternate spend on placements and short term packages of £500k; and also some re-direct of anticipated Home Care spend to self-directed support, at £600k.
- 1.3.2 The other main projected variance in Adults relates to employee costs at £461k. A Programme is currently being shaped around the means of achieving the 19-20 savings targets. This will involve further developing understanding around demand and growth predictions, levels of productivity and the workforce shape required to best deliver pathways. It will also enable an intelligence led approach to vacancy management.
- 1.3.3 Government confirmed a national in-year (2018-19) package of social care funding to ease pressure on the NHS over the winter months as part of the Autumn Budget announcement on 29 October 2018. Kirklees' share of this additional in-year funding was £1.86m. The 2019-20 finance settlement confirmed the continuation of this funding in 2019-20. This is built into Adults base budgets alongside £1.2m Social Care Grant, originally announced as a one-off grant for 2018-19 but subsequently rolled into a new funding allocation for 2019-20 to be spent on Adult's

and Children's social care.

- 1.3.4 An additional £2.8m resource was set aside in reserves for Social Care Investment and Transformation in 2018-19; the funding made up of £1.6m additional income from the 2018-19 100% business rates pilot plus £1.2m additional Adult Social Care (ASC) grant from government (2018-19 allocation). Specific resource allocation recommendations for this additional funding were approved at Cabinet on 18th August 2018 with plans to draw the reserve down over a two year period to match actual spend. £2.5m of this reserve is still available to draw down in 2019-20.
- 1.3.5 The revised budget for Public Health includes a planned transfer of £823k from the Public Health reserve in-year, approved as part of the Annual Budget report in February 2019. This resource is being used to allow continued investment in substance misuse and sexual health activities that would otherwise have been subject to savings in 2019-20.

## **1.4 Economy and Infrastructure**

1.4.1 Within Commercial, Regulatory & Operational Services (CROS) there is a projected overall income shortfall of £1.2m in Car Parking. As part of 2019-20 budget, car parking charges were frozen, and have been for a number of years. This means that the income targets within the budget cannot be achieved. Parking studies are underway, taking into account the Council's town centre and climate change ambition, which will enable a more realistic figure to be built into the budget process for 2020-21.

1.4.2 Also within CROS there is a projected overspend of £0.5m on Schools Transport; in the main linked to special educational needs demand (links also to the Learning-High Needs Section 1.2 of the report earlier), and a £0.4m short-term pressure in Bereavement due to a revised income shortfall projection relating to the Cremator Replacement project.

## **1.5 Central Budgets**

1.5.1 Approved Central Budgets for 2019-20 include the set aside of £2.7m minimum revenue provision (MRP) over-allocation budget, as in-year contingency. This report reflects the intended release of £2.1m of this contingency over-provision at Quarter 1, to part mitigate the balance of £3.1m, or 28%, of the planned £10.9m savings unlikely to be achieved by current year end (see also Appendix 6). This leaves a contingency of £600k within Central Budgets; the further release of which will be reviewed in subsequent monitoring reports.

## **1.6 General Fund Reserves**

1.6.1 The reserves position at Appendix 2 reflects the Council's reserves strategy and approach reported and approved at Budget Council on 13 February 2019 and subsequently updated as part of the 2018-19 Outturn report to Cabinet and Council in June and July 2019 respectively.

1.6.2 General fund reserves and balances are estimated to reduce through 2019-20 by £5.5m; from £112.5m at the start of the year to £107.0m as at 31 March 2020. The movement is made up of planned drawdowns in the year of £2.8m from the Revenue Grants reserve and £0.5m from the Rollover Reserve, together with the forecast overspend in year of £2m. However, this is a very early indicative forecast movement, and will be re-freshed and updated later in the year.

1.6.3 The revenue rollover of £189k approved at Council on 17<sup>th</sup> July has been transferred from general balances to the rollover reserve in-year to leave a revised General Balances figure of £10.0m.

1.6.4 The forecast reserves as at 31st March 2020, includes £9.7m relating to statutory schools reserves (which cannot be re-directed for non-school uses), leaving £10.0m general balances

and £87.3m usable reserves.

- 1.6.5 Total forecast usable reserves at 31<sup>st</sup> March 2020 is equivalent to 30.4% of the 2019-20 £287.1m (net) revenue budget. This represents a net increase of over 2% in this particular indicator, over the past 12 months, from 28%. For comparator purposes, the median percentage across the 26 metropolitan Councils on this particular indicator was 36% as at 31 March 2018.
- 1.6.6 The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators being developed to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector.
- 1.6.7 Forecast financial resilience reserves as at 31<sup>st</sup> March 2020 will remain at just over £35m, which is net of the forecast £2m overspend and therefore £2m below the minimum financial reserves requirement recommendation by the Chief Financial Officer at least to the start of 2020-21. This recommendation was set out in the original 2019-22 budget strategy update report to Council in October 2018, informed by the Council's corporate risk register.
- 1.6.8 Regular monitoring and review of corporate reserves will be undertaken as part of the standard monitoring cycle and factored into the budget update due to Cabinet and Council in early Autumn 2019.
- 1.6.9 The Strategic Investment Support Reserve stands at £5.4m but there will be a review of the profile of commitments against this reserve for Quarter 2. Current commitments total £5.35m across the period 2019-24. These include managing the medium term revenue impact associated with the strategic acquisitions of key assets in support of the Council's broader Blueprint agenda for the major transformation of our key Town Centres. These reserves commitments will be monitored on an ongoing basis.
- 1.6.10 Kirklees had previously been allocated £210k funding from Government to help Councils with preparations for the UK's planned withdrawal from the EU; £105k for 2018-19 and a further £105k for 2019-20. This is being held within earmarked reserves in the first instance. Any costs incurred relating to planning, for example for increasing capacity and resilience, will be monitored and funding drawn down from the reserve to cover these costs in due course. Another potential impact on service budgets is the slow release build-up of costs through changes in prices/shortages in supply etc. These costs will also be monitored as required.

## **1.7 Collection Fund**

- 1.7.1 The Collection Fund accounts separately for council tax and business rates income and payments. At Quarter 1, both elements of the collection fund are projecting an in-year performance in line with budget for 2019-20.
- 1.7.2 Taking into account the opening balance and repayments to the general fund in year, this results in a forecast deficit of £0.4m at 31<sup>st</sup> March 2020 for council tax; equivalent to 0.2% of Kirklees annual council tax requirement, and a forecast surplus of £1.8m for business rates; or 2.4% of planned income. See also the collection fund summary at Table 2 below.

**Table 2 – Collection Fund Summary**

<b>Collection Fund forecast (Council Share)</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Surplus)/Deficit at 1st April 2019	<b>1,621</b>	<b>(8,700)</b>	<b>(7,079)</b>
Re-payments to/(from) General Fund 19-20	(1,179)	6,923	5,744
In year Financial Performance	-	-	-
<b>(Surplus)/Deficit at 31st March 2020</b>	<b>442</b>	<b>(1,777)</b>	<b>(1,335)</b>

- 1.7.3 Business Rates annual appeals bad debt provision requirement was reduced in the 2019-20 budget round as a reflection of the new, more stringent, appeals system implemented from April 2017 onwards. Based on Quarter 1 forecasts, this revised level is robust, however officers will continue to review and update appeals provision assumptions throughout the remainder of the financial year as further intelligence emerges from the new system.

### **2018-19 Leeds City Region Business Rates Pool Surplus**

- 1.7.4 The Leeds City Region Pool (LCR) was disbanded on 31st March 2019, with the new North and West Yorkshire 75% Pilot arrangement beginning on 1st April 2019. At the final meeting of the LCR Pool's Joint Committee on 27th March, a projected surplus of £1.5m was noted and this was notionally allocated to member authorities in accordance with the Governance Agreement. Kirklees' allocation of the surplus was calculated to be £164k.
- 1.7.5 A meeting of the Leaders was held on 11th April to discuss how to utilise this surplus. Leaders agreed to fund the following from the 2018-19 surplus position:
- i) 2019-20 Leeds City Region Secretariat £620k
  - ii) 2019-20 Combined Authority Transport Fund £696k
  - iii) 2019-20 WYCA China/India Desk £150k

Governance arrangements require individual members of the LCR Pool to formally approve the proposed utilisation of the LCR Pool Surplus funds as set out above. Cabinet is therefore asked to approve the proposals set out here, as part of this overall report.

## **1.8 Housing Revenue Account**

- 1.8.1 The Council's Housing Revenue Account (HRA) accounts for all Council housing related revenue expenditure and income in a separate statutory (ring-fenced) account. The forecast revenue outturn at Quarter 1 is a surplus of £0.9m against an annual turnover budget of £92.0m in 2019-20; equivalent to just 1%. This largely reflects a planned re-payment to the HRA by Kirklees Neighbourhood Housing of £1.1m fee underspend rolled forward from 2018-19, against repair and maintenance activity.

- 1.8.2 Forecast HRA reserves at 31 March 2020, net of set asides for business risks and investment needs and a minimum working balance, is £61.2m. A summary of the HRA outturn and reserves position can be found at Appendix 3. Key variances are highlighted as part of Appendix 4.

## **1.9 Capital**

- 1.9.1 The Council's revised capital budget for 2019-20 is £114.8m. The forecast capital outturn at Quarter 1 is £113.4m; forecast £1.4m variance.
- 1.9.2 The quarter 1 position is summarised in Table 3 below, categorised by Council primary outcomes as set out in the Corporate Plan, which illustrates 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.

**Table 3 – Forecast Capital Outturn 2019-20 at Quarter 1**

<b>By Category</b>	<b>Revised Budget £000</b>	<b>Actuals to Date £000</b>	<b>Annual Forecast £000</b>	<b>Variance £000</b>
Achieve & Aspire	16,031	157	14,632	(1,399)
Children	200	0	200	0
Independent	2,673	13	2,673	0
Sustainable Economy	59,746	10,357	59,746	0
Well	4,029	68	4,029	0
Safe & Cohesive	180	0	180	0
Clean & Green	1,789	360	1,789	0
Efficient & Effective	4,456	166	4,456	0
<b>General Fund</b>	<b>89,104</b>	<b>11,121</b>	<b>87,705</b>	<b>(1,399)</b>
Independent –Strategic Priorities	6,790	287	6,790	0
Independent - Baseline	18,892	389	18,892	0
<b>Housing Revenue Account</b>	<b>25,682</b>	<b>676</b>	<b>25,682</b>	<b>0</b>
<b>Total Capital Plan</b>	<b>114,786</b>	<b>11,797</b>	<b>113,387</b>	<b>(1,399)</b>

- 1.9.3 A more detailed breakdown of the capital outturn position is provided at Appendix 5, along with key variances highlighted.
- 1.9.4 Noting that Quarter 1 is an early capital forecast, officers will continue to review capital budget profiles in year, including any more detailed recommendations for potential re-profiling of scheme budgets between years (allowable under Financial Procedure Rules 3.10-3.15), as part of Quarter 2 financial monitoring. Any such recommendations would reflect the growing complexities and challenges over the next 5 years in delivering to this scale of ambition.
- 1.9.5 Future capital plan updates will also be presented periodically to Council as part of the annual budget strategy update and annual budget approval reports to Cabinet and Council as a matter of course, as part of the annual planning cycle.
- 1.9.6 The overall capital funding position will also be updated for Quarter 2 monitoring, based on the actual spending to that point. It should be noted that early indicators of actual expenditure as at Quarter 1 are £3.8m ahead of last year (£11.8m for 2019-20 compared to £8m in 2018-19), which highlights the progress to date in delivering the capital plan.
- 1.9.7 Approval is requested for a Council contribution to counter terrorism work in Kirklees Stadium Development Ltd (KSDL) relating to various grades of telescopic bollards. The Council's share (40%) of the planned expenditure for this scheme is likely to be up to £60k. It is intended that this can be absorbed within existing capital funding (re-direct from flexible capital receipts activity line).

## **2 Information required to take a decision**

- 2.1 The Appendices accompanying this report provide a more detailed breakdown of the Quarter 1 financial monitoring position, as follows:
- i) Appendix 1 sets out by service area, the forecast general fund revenue outturn position in 2019-20;

- ii) Appendix 2 summarises the forecast general fund reserves and balances movements in-year,
- iii) Appendix 3 summarises the forecast HRA financial position including movements in HRA reserves in-year;
- iv) Appendix 4 highlights the more significant general fund and HRA variances across service areas;
- v) Appendix 5 sets out by Outcome area the forecast capital outturn position in 2019-20 and the reasons for the more significant forecast capital variances across strategic priority and baseline capital schemes.
- vi) Appendix 6 shows forecast performance against planned savings at Quarter 1.

### **3 Implications for the Council**

3.1 The report provides summary information on current and forecast financial performance against annual Council revenue and capital budgets, as at Quarter 1. These budgets support the overall delivery of the following Council objectives and Priorities within available resources:

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

#### **3.2 Working with People**

#### **3.3 Working with Partners**

#### **3.4 Place Based working**

#### **3.5 Improving Outcomes for Children**

#### **3.6 Financial, Legal & Other Implications**

3.6.1 The financial climate facing local government remains challenging; in particular with regard to Council's 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 cost of services continues to increase.

3.6.2 This challenge is exacerbated by the uncertainty surrounding the local government funding landscape post 2020. The political indecision created by the delay in the withdrawal of the UK from the European Union, is causing disruption to many decisions throughout Whitehall.

3.6.3 The Chancellor announced that the 2019 Spending Review would be revealed later in the autumn and would cover the period 2020-21 to 2022-23, however due to protracted uncertainty around the nature and timing of the UK's intended withdrawal from the EU, this could be cut to a single year. In turn, this could potentially impact the planned timeline for the business rates re-set and fair funding reviews, currently intended to be in place for 2020-21. In isolation, these reviews are already a source of great uncertainty for councils going forwards that, upon their conclusion, will result in a redistribution of funding between individual authorities.

3.6.4 Existing approved budget plans for 2019-22 include further target savings proposals of £6.2m over the 2020-22 period. However, given the uncertainties outlined above, there is significant



volatility in future years funding forecasts from 2020-21 onwards, and the Council at least needs to ensure that it achieves overall delivery of its existing planned savings over the 2019-22 period, including corrective action or alternative proposals.

- 3.6.5 Quarter 1 monitoring forecasts indicate the delivery in year of £7.8m net savings compared to planned savings of £10.9m; equivalent to 71% against target savings, and an overall £2.0m projected overspend. Note that these forecasts are net of High Needs unfunded pressures now assumed to be rolled forwards on the balance sheet as a deficit against DSG.
- 3.6.6 It is expected that Strategic Directors ensure as far as possible that management actions are taken between now and year end to manage down the remaining net overspend position to a nearer overall break-even position.
- 3.6.7 The Council's refreshed reserves strategy approved in the 2019-22 budget plans and since reaffirmed in Outturn and Rollover report to Cabinet and council in June and July 2019, are directed at strengthening organisational flexibility and financial resilience over the medium to longer term in account of the continued funding uncertainty for Councils post 2020. Any projected overspend would in the first instance effectively be transferred to reserves at year end and offset by financial resilience reserves, as indicated at Appendix 2.
- 3.6.8 It is intended that the forthcoming annual budget strategy report to Cabinet and Council in early autumn will incorporate a more detailed review, quantification and sensitivity analysis on a range of emerging budget and other risks to help inform the Council's financial planning framework and overall reserves requirement as part of the refreshed Medium Term Financial Plan (MTFP).
- 3.6.9 The above will factor in as appropriate, emerging issues highlighted through in-year financial monitoring reports.

#### **4 Consultees and their opinions**

This report has been prepared by the Service Director Finance, in consultation with the Executive Team.

#### **5 Next Steps**

To present this report to Cabinet as part of the Quarterly financial monitoring reporting cycle.

#### **6 Cabinet portfolio holders recommendations**

The portfolio holder agrees with the recommendations set out in this report.

#### **7 Officer recommendations and reasons**

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

##### General Fund

- 7.1 approve the roll forward of the £4.2m High Needs overspend through the DSG mechanism for the reasons set out in the narrative of this report ;
- 7.2 note the 2019-20 forecast revenue overspend of £2.0m as at quarter 1; net of the proposal set out at 7.1 above;
- 7.3 note the expectation that Strategic Directors work to identify opportunities for spending plans to be collectively brought back in line within the Council's overall budget by year end;

- 7.4 note the forecast year end position on corporate reserves and balances;
- 7.5 note the regular monitoring and review of corporate reserves in 2019-20 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;
- Collection Fund
- 7.6 note the forecast position on the Collection Fund as at Quarter 1;
- 7.7 approve the allocation of the Leeds City Region pool surplus against the schemes highlighted in section 1.7 of the report.
- HRA
- 7.8 note the Quarter 1 forecast HRA surplus at £0.9m and forecast year-end reserves position of £61.2m;
- Capital
- 7.9 note the Quarter 1 forecast capital monitoring position for 2019-20;
- 7.10 to note the intention to bring back to Cabinet a more detailed review of the in-year capital forecast for Quarter 2, including any recommendations for scheme re-profiling across years ;
- 7.11 approve the capital expenditure for KSDL as highlighted in paragraph 1.9.7.

## **8 Contact Officer**

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Sarah Hill, Finance Manager  
sarahm.hill@kirklees.gov.uk

## **9 Background papers and History of Decisions**

Outturn and Rollover Report 2018-19  
Early Closedown Review 2018-19  
Annual budget report 2019-22  
Budget Strategy Update Report 2019-22  
Annual budget report 2018-20

## **10 Service Director responsible**

Eamonn Croston, Service Director Finance.

Corporate Revenue Budget Monitoring 2019-20 – Month 3								
	Year To Date			Annual				
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Actuals	Variance	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	14,700	13,183	(1,517)	58,486	29	58,515	58,007	(508)
Learning & Early Support & Schools	8,363	8,935	572	21,417	385	21,802	22,744	942
<b>Sub Total (Children &amp; Families)</b>	<b>23,063</b>	<b>22,118</b>	<b>(945)</b>	<b>79,903</b>	<b>414</b>	<b>80,317</b>	<b>80,751</b>	<b>434</b>
Adults Social Care Operation	14,325	14,609	284	33,375	18	33,393	33,151	(242)
Policy, Intelligence & Public Health	1,122	1,450	328	(2,632)	1,186	(1,446)	(1,473)	(27)
Commissioning, Quality and Performance	16,088	15,721	(367)	60,428	-	60,428	61,717	1,289
Service Integration	538	559	21	7,940	-	7,940	7,870	(70)
<b>Sub Total (Adults &amp; Health)</b>	<b>32,073</b>	<b>32,339</b>	<b>266</b>	<b>99,111</b>	<b>1,204</b>	<b>100,315</b>	<b>101,265</b>	<b>950</b>
Economy, Regeneration & Culture	1,748	1,792	44	8,543	908	9,451	9,495	44
Commercial, Regulatory & Operational Services	1,296	2,921	1,625	31,570	(24)	31,546	34,270	2,724
<b>Sub Total (Economy &amp; Infrastructure)</b>	<b>3,044</b>	<b>4,713</b>	<b>1,669</b>	<b>40,113</b>	<b>884</b>	<b>40,997</b>	<b>43,765</b>	<b>2,768</b>
Finance & Transactional Services	17,958	17,879	(79)	19,797	917	20,714	20,635	(79)
Governance & Commissioning	518	573	55	1,970	-	1,970	2,025	55
Corporate Services (OCE)	941	941	(0)	9,240	144	9,384	9,384	(0)
<b>Sub Total (Corporate Services)</b>	<b>19,417</b>	<b>19,393</b>	<b>(24)</b>	<b>31,008</b>	<b>1,061</b>	<b>32,068</b>	<b>32,044</b>	<b>(24)</b>
Central	3,151	3,319	168	33,487	(105)	33,382	31,282	(2,100)
<b>General Fund Total</b>	<b>80,748</b>	<b>81,882</b>	<b>1,134</b>	<b>283,621</b>	<b>3,458</b>	<b>287,079</b>	<b>289,107</b>	<b>2,028</b>

## Appendix 2

	General Fund Earmarked Reserves						
	As at 1st April 2019	Reserves Review (annual budget)	Revised Balance	Planned drawdown in-year	Movements in-year	Unplanned use	Forecasted Reserves 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>	<b>(9,744)</b>		<b>(9,744)</b>	-	-	-	<b>(9,744)</b>
<b>Earmarked</b>							-
<b>Financial Resilience</b>	<b>(32,746)</b>	<b>(4,400)</b>	<b>(37,146)</b>	-	-	<b>2,028</b>	<b>(35,118)</b>
<b>Earmarked (Other)</b>							
<b>Workforce Restructure</b>	-	-	-	-	-		-
<b>Rollover</b>	(2,160)	-	(2,160)	473	(189)	-	(1,876)
<b>Revenue Grants (various)</b>	(15,014)	21	(14,993)	2,796	-		(12,197)
<b>Stronger Families Grant</b>	(1,817)		(1,817)	-	-	-	(1,817)
<b>Insurance</b>	(1,900)		(1,900)	-	-	-	(1,900)
<b>Other</b>	(3,913)	(120)	(4,033)	139	-	-	(3,894)
<b>Ward Based Activity</b>	(1,067)	(160)	(1,227)	50	-	-	(1,177)
<b>Social Care Reserve</b>	(2,496)	-	(2,496)	-	-	-	(2,496)
<b>Property and Other Loans</b>	(3,000)	-	(3,000)	-	-	-	(3,000)
<b>Adverse Weather</b>	(4,000)	1,000	(3,000)	-	-	-	(3,000)
<b>Strategic Investment Support</b>	(5,400)	-	(5,400)	-	-	-	(5,400)
<b>Waste Management</b>	(11,000)	-	(11,000)	-	-	-	(11,000)
<b>Mental Health</b>	-	(1,400)	(1,400)	-	-	-	(1,400)
<b>Business Rates</b>	-	(2,000)	(2,000)	-	-	-	(2,000)
<b>Elections</b>	-	(500)	(500)	-	-	-	(500)
<b>One venue Dev't Plan</b>	(500)	-	(500)	-	-	-	(500)
<b>Total – Earmarked Other</b>	<b>(52,267)</b>	<b>(3,159)</b>	<b>(55,426)</b>	<b>3,458</b>	<b>(189)</b>	-	<b>(52,157)</b>
<b>Sub-total Earmarked Reserves</b>	<b>(85,013)</b>	<b>(7,559)</b>	<b>(92,572)</b>	<b>3,458</b>	<b>(189)</b>	<b>2,028</b>	<b>(87,275)</b>
<b>General Balances</b>	(10,215)	-	(10,215)	-	189	-	(10,026)
<b>Grand Total</b>	<b>(104,972)</b>	<b>(7,559)</b>	<b>(112,531)</b>	<b>3,458</b>	-	<b>2,028</b>	<b>(107,045)</b>
<b>Total usable reserves (excluding schools)</b>	<b>(95,228)</b>	<b>(7,559)</b>	<b>(102,787)</b>	<b>3,458</b>	-	<b>2,028</b>	<b>(97,301)</b>

## HOUSING REVENUE ACCOUNT 2019-20 - MONTH 3

	Year to Date			Annual		
	Controllable Budget	Actuals	Variance	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & Maintenance	7,851	6,779	(1,072)	23,549	23,549	(0)
Housing Management	11,252	10,350	(902)	34,187	33,974	(213)
Other Expenditure	466	438	(28)	27,568	27,595	27
<b>Total Expenditure</b>	<b>19,569</b>	<b>17,567</b>	<b>(2,002)</b>	<b>85,304</b>	<b>85,118</b>	<b>(186)</b>
<b>Rent &amp; Other Income</b>	<b>(23,024)</b>	<b>(20,426)</b>	<b>2,598</b>	<b>(91,999)</b>	<b>(91,497)</b>	<b>502</b>
Revenue Contribution to Capital Funding	0	0	0	6,695	6,695	0
Planned transfer to HRA Reserves	0	0	0	0	(1,200)	(1,200)
<b>Total</b>	<b>(3,455)</b>	<b>(2,859)</b>	<b>596</b>	<b>0</b>	<b>(884)</b>	<b>(884)</b>

## HRA RESERVES

	Balance at 31 March 2019	Approved Movement in Reserves	Balance at 31 March 2020
	£'000	£'000	£'000
Set aside for business risks	(4,000)	-	(4,000)
Forecast in Year Surplus	-	(884)	(884)
Set aside to meet investment needs (as per HRA Business Plan)	(54,858)	-	(54,858)
Working balance	(1,500)	-	(1,500)
<b>Total</b>	<b>(60,358)</b>	<b>(884)</b>	<b>(61,242)</b>

## Key Highlights – Child Protection & Family Support

Appendix 4

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Service wide	Employee related	11,374	(299)	(299)	Vacancy/ turnover savings
Service wide	Social Care demand budgets	20,988	(675)	(665)	Estimated underspending on demand led placement costs due to improvements in service delivery, review of high cost placements and reduced numbers of Looked After Children
Service wide	Other social care pressures	10,322	404	589	Includes investment in Social Work practice and staff development & provision for slippage against planned demand led savings

## Key Highlights – Learning & Early Support & Schools

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Early Years Quality & Improvement	Review support to early learning	39	(12)	247	Balance of 2019-20 MTFP budget savings not achieved
Post 16 Services	Post-16 Transport	508	134	549	Overspending on Post-16 Home to School Transport due to increase in number of pupils with EHC plans requiring transport.

## Key Highlights – Adults Social Care Operation

## Appendix 4 (continued)

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Assessment & Care Management	Employee related	4,378	713	461	Potential for partial achievement through vacancy management, and efficiency work-streams.
Self-Directed Support – Older People	Demand led budgets.	9,489	(244)	(1,020)	Lack of capacity in the Independent Sector Home Care market is resulting in lower home care spend, and alternate spend on placements/short-term packages, and direct payments.
Contracted Services	Independent Sector Daycare - Review of contracts	1,634	(95)	266	Work ongoing to identify means of achieving savings, alongside possible use of additional funding streams.

## Key Highlights – Commissioning, Quality & Performance

## Appendix 4 (continued)

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Self-Directed Support	Apply proportional spend on direct payments	15,702	(478)	423	Higher activity and costs than anticipated.
Assessment & Care Management	Employee related	2,933	125	354	Mainly use of agency

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Car Parking	Income	(3,994)	486	1,200	Ongoing income shortfall on parking charges; parking studies underway; to be reviewed as part of the 2020-21 budget process
Bereavement Services	Income	(860)	371	371	Planned closures for cremator replacement works. Estimated shortfall for the year to be reviewed each month.
Schools Transport		3,968	167	501	Budget savings in previous years not achieved due to high volumes of clients linked to high needs. Service offer being reviewed.



	Revised Budget £'000	Actuals to Date £'000	Forecast £'000	Variance £'000	Variance %
<b>General Fund</b>					
Achievement	16,031	157	14,632	(1,399)	(9)
Children	200	0	200	0	0
Independent	2,673	13	2,673	0	0
Sustainable Economy	59,746	10,357	59,746	0	0
Well	4,029	68	4,029	0	0
Safe & Cohesive	180	0	180	0	0
Clean and Green	1,789	360	1,789	0	0
Efficiency & Effectiveness	4,456	166	4,456	0	0
<b>GENERAL FUND TOTAL</b>	<b>89,104</b>	<b>11,121</b>	<b>87,705</b>	<b>(1,399)</b>	<b>(2)</b>
<b>Housing Revenue Account</b>					
Strategic Priorities	6,790	287	6,790	0	0
Baseline	18,892	389	18,892	0	0
<b>HOUSING REVENUE TOTAL</b>	<b>25,682</b>	<b>676</b>	<b>25,682</b>	<b>0</b>	<b>0</b>
<b>CAPITAL PLAN TOTAL</b>	<b>114,786</b>	<b>11,797</b>	<b>113,387</b>	<b>(1,399)</b>	<b>(1)</b>

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
<b>Strategic Priorities</b>			
<b>District Sufficiency (SEND)</b>	999	(499)	SEN High Level Review to be undertaken to assess best outcome for district sufficiency programme.
<b>Delivery of Autistic Spectrum Disorder School</b>	500	(400)	Scheme delayed due to changing priority outcomes of the SEN High Level Review.
<b>Achieve &amp; Aspire Total</b>	<b>1,499</b>	<b>(899)</b>	

## Planned Savings Table

## Appendix 6

Reference	Service Activity	Headline Proposal	Forecast Saving	Planned Saving	Variance Month 3
			£000	£000	£000
EX CP3	Management and Regulatory	Planned reduction in Legal Disbursement charges	-398	-175	-223
EX CP4	Service Wide	Planned reduction in the use of Agency Social Workers	-609	-636	27
<b>TOTAL CHILD PROTECTION AND FAMILY SUPPORT</b>			<b>-1,007</b>	<b>-811</b>	<b>-196</b>
EX LE4	Education services for vulnerable children	Part of a broader strategic review of services to vulnerable children	-46	-84	38
EX LE5	Early Learning	Review support to early learning (sufficiency and development)	2	-300	302
<b>TOTAL LEARNING &amp; EARLY SUPPORT</b>			<b>-44</b>	<b>-384</b>	<b>340</b>
EX IN1	Access Strategy & Delivery – Library and Information Centres	Re-shape Library and Information Service	-312	-300	-12
EX IN2	Access, Strategy & Delivery – Access to Services	New ways of working; customer service centres/Kirklees Direct	-107	-100	-7
EX IN3	Access Strategy & Delivery – Library and Information Centres	Organisation wide – cross-cutting savings from Place based working	-316	-300	-16
<b>TOTAL INTEGRATION, ACCESS &amp; COMMUNITY HUB</b>			<b>-735</b>	<b>-700</b>	<b>-35</b>
EX AS1 / 2 / 10 / 12 / 13	Assessment and Care Management	Staff Realignment within Adult Social Care	-266	-740	474
EX AS3	Demand Led Services	Reduce spend on independent sector home care and apply proportional spend on direct payment	-988	-988	-
EX AS4/5	Independent Sector Residential & Nursing Placements	Reduction of older people and physical disability placements	-296	-387	91
EX AS6	Day care and Contracted Services	Review all existing contracts	133	-133	266
EX AS7	Day care and Contracted Services	Older People's Independent Sector Day Services	-50	-50	0
EX AS8	Other demand led services	Community equipment	-33	-33	0
EX AS 9	Care Phones & Assistive Technology	Care Phones – Increased Income	-9	-20	11
New AS1	Care Phones & Assistive Technology	Additional savings	0	-250	250
New AS2	Other demand led services	Change in bad debt provision requirement	-200	-200	0
<b>TOTAL ADULT SOCIAL CARE OPERATION</b>			<b>-1,709</b>	<b>-2,801</b>	<b>1,092</b>
EX CQ1	Demand led services	Apply proportionate spend on direct payments	11	-412	423

Reference	Service Activity	Headline Proposal	Forecast	Planned	Variance Month 3
			£000	£000	£000
EX CQ2	Independent sector residential and nursing placements	Reduction in high cost learning disability placements	-207	-423	216
EX CQ3	Independent sector residential and nursing placements	Mental Health Placements	93	-67	160
EX CQ4	Day care and contracted services	Review of all existing contracts	-152	-234	82
<b>TOTAL COMMISSIONING, QUALITY &amp; PERFORMANCE</b>			<b>-255</b>	<b>-1,136</b>	<b>881</b>
EX ER3	Strategic Investment - Planning	Increase in Planning Fees	-61	-120	59
EX ER4	Markets	Closure of Heckmondwike & Holmfirth markets and other increase income	-20	-40	20
NEW ER1	Management & Regulatory	Reduction in the events budget	-100	-100	0
<b>TOTAL ECONOMY, REGENERATION AND CULTURE</b>			<b>-181</b>	<b>-260</b>	<b>79</b>
EX CR1	Transport Services	Smarter practices/efficiencies	-91	-103	12
EX CR2	Bereavement Services	Additional income potential, 20%, through smarter marketing/product offer	-16	-50	34
EX CR3	Parks & Open Spaces	Increased cost recovery on services from KNH	-25	-25	0
EX CR4	Schools Facilities Management – Catering/Assets	Meal price increase/reduced subsidy on living wage	-106	-55	-51
EX CR5	Schools Facilities Management - Cleaning	Realignment to current performance	-42	-25	-17
EX CR6	Corporate Landlord	New ways of working	-280	-300	20
EX CR7	Parking	Income	0	-750	750
NEW CR1	Management & Regulatory	Income generation initiatives ; 10% booking fee – town hall tickets	-47	-50	3
NEW CR2	Management & Regulatory	Increase income collection efficiency thereby reducing bad debt requirement	-56	-50	-6
NEW CR3	Management & Regulatory	Increased contribution from HRA/KNH for housing management service	-1,500	-1,500	0
<b>TOTAL COMMERCIAL, REGULATORY AND OPERATIONAL SERVICES</b>			<b>-2,163</b>	<b>-2,908</b>	<b>745</b>
EX PI1	Sexual Health	Incorporating additional schemes into integrated sexual health services main contract	-72	-100	28
EX PI2	Substance Misuse	Reducing payments in primary care and ongoing contract efficiencies	-80	-100	20

Reference	Service Activity	Headline Proposal	Forecast £000	Planned £000	Variance Month 3 £000
EX PI3 / 4 / 5	Obesity, Physical Activity, Healthy Child	Incorporating additional schemes into healthy child programme	-123	-103	-20
<b>TOTAL POLICY, INTELLIGENCE AND PUBLIC HEALTH</b>			<b>-275</b>	<b>-303</b>	<b>28</b>
EX CS1	Transformation team	Organisation wide – cross-cutting reduction in sickness absence	-859	-859	0
EX CS2	Legal Services	Further savings to be identified	13	-122	135
EX CS3	Finance and Accountancy	Efficiency Savings	-184	-201	17
EX CS5	Welfare and Exchequer	More automation on back office services	-56	-50	-6
EX CS6	Finance and Accountancy	Income generation	-100	-100	0
NEW CS1	Management & Regulatory	Strategy & Commissioning review	-250	-250	0
<b>TOTAL CORPORATE SERVICES</b>			<b>-1,436</b>	<b>-1,582</b>	<b>146</b>
<b>TOTAL GENERAL FUND PLANNED BUDGET SAVINGS</b>			<b>-7,806</b>	<b>-10,885</b>	<b>3,079</b>

## Spending Review 2019

Document title:	Spending Review 2019
Author:	Chris Rowe
Confidentiality/Sensitivity:	
Recipient/Audience:	
<p>Chancellor Sajid Javid announces the “end of austerity,” on the grounds that no government department faces a budget cut next year.</p> <p>The chancellor outlined £13.8bn of investment on areas including health and education in what he described as the fastest increase for 15 years.</p> <p>The chancellor laid out the spending plans against the background of Brexit – it is fair to say that the spending review was overshadowed by the unfurling parliamentary crisis and the possibility of a general election.</p>	

### At a glance:

#### Brexit

- Sajid Javid announces £2bn for Brexit delivery next year. There will be more support for business readiness and to prepare Britain’s ports for a no-deal Brexit.
- The Treasury will work with the Bank of England to coordinate a fiscal and monetary response for the UK economy.

#### Spending

- Mr. Javid says that day-to-day spending will increase by £13.8bn next year.
- The chancellor says £1.7bn will be added to capital spending.
- He says the increase in spending is the fastest accounting for inflation for 15 years.

#### Fiscal rules

- The chancellor says he will “review our fiscal framework to ensure it meets the economic priorities of today, not of a decade ago”.
- Mr. Javid says the rule change comes ahead of the budget.

## **Policing and criminal justice**

- Mr. Javid says there will be a 6.3% increase in real terms Home Office spending – £750m - to fund the first year of the government's plan to recruit 20,000 new police officers. There will also be an extra £45m provided so recruitment can start immediately getting 2,000 officers in place by end of March.
- He also announced a 5% real terms increase in resources budget for the Ministry of Justice as well as confirming the extra £80m for the Crown Prosecution Service (CPS).
- To protect religious and minority communities, the chancellor says he will double a fund to protect places of worship.

## **Local authorities**

- Mr. Javid says local councils will get £1.5bn for social care next year "to help stabilise the system". £500m will be raised through a 2% council tax precept. Mr. Javid said the increase was a "down payment" for more extensive reforms to "fix" adult social care in the autumn.
- He says the overall departmental spending on local authorities will be the largest increase in local government spending power since 2010.
- Mr. Javid promises £54m of new funding to address homelessness and rough sleeping.
- There will be £241m next year from the new towns fund to help regenerate town centres' high streets.

## **Environment**

- The chancellor says there will be £432m in additional funds for the Department for Environment, Food and Rural Affairs to tackle climate issues.
- Mr. Javid says there will be money earmarked for climate issues when the government publishes an infrastructure strategy review later this year.

## **Education**

- Mr. Javid says school spending will increase over three years by £7.1bn.
- The chancellor says every secondary school will be allocated a minimum of £5,000 for every pupil next year. Every primary school will be allocated at least £3,750 per pupil, on track to reach £4,000 per pupil next year.
- The government will provide an additional £700m to support children with special educational needs next year.
- Teachers' starting salaries will rise to £30,000 a year by 2022-23.
- There will be a £400m increase in further education funding next year.

## Transport

- Mr. Javid promises to “put the wheels back on the Great British bus” with more than £200m to transform bus services across the country, funding low-emission buses and trialling on-demand services.

## Health

- The chancellor says he will increase NHS spending by £6.2bn next year.
- He says there will be £210m for frontline NHS staff.
- The Treasury will invest more in training and professional development for doctors and nurses.
- Mr. Javid says there will be more than £2bn of new capital funding – starting with an upgrade to 20 hospitals this year, and £250m for new artificial intelligence technologies.

## Defence

- Mr. Javid promises an extra £2.2bn for defence next year, a real-terms increase of 2.6%.
- This ensures that defence spending not only stays above the Nato target level of 2% of GDP but increases its share from the existing 2.1%.
- He also announces £7m of funding for the Normandy Memorial Trust and confirms funding for new Office for Veterans’ Affairs, previously announced at £5m.

## Next steps:

- More in depth briefing on the spending review and in particular implications for local authorities to follow.

## Data sources and links:

<https://www.bbc.co.uk/news>

<https://www.local.gov.uk/parliament/briefings-and-responses/spending-round-2019-day-briefing>

<https://www.lgiu.org.uk/briefing/spending-round-2019-headlines-from-the-chancellors-speech/>



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**Corporate Strategy**

Kirklees Council, 3<sup>rd</sup> Floor North, Civic Centre 1

DATE	Forum	MILESTONE ACTIVITY
2019		
Mid- Aug	Cabinet	Quarter 1 financial monitoring 2019-20; revenue/capital
4 Sept	Central Gov't	Spending Review 2019 announcement
Oct	Cab/Council	Budget Strategy Update Report 2020-21
2020		
Mid-Jan	Cabinet/ Council	Council Tax (CT) base including CT reduction scheme report, Schools funding report, HRA rent setting report
Late Jan	Cabinet	Council annual budget report 2020-21
Late Jan	Nat Gov't	Finalised Financial Settlement 2020-21
Mid-Feb	Council	Council annual budget report 2020-21

## CORPORATE SCRUTINY PANEL – WORK PROGRAMME 2019/20

**MEMBERS:** Councillors Andrew Cooper (Lead Member), Mahmood Akhtar, James Homewood, John Lawson, Will Simpson, John Taylor  
Co-optees: Nathan Paul, Philip Chaloner

**SUPPORT:** Sheila Dykes, Principal Governance & Democratic Engagement Officer

<b>FULL PANEL DISCUSSION</b>		
<b>ISSUE</b>	<b>APPROACH/AREAS OF FOCUS</b>	<b>NOTES</b>
<b>1. Financial Monitoring</b> (To include training)	Timeline for updates:  <b>September</b> Further review of MTFP - headline assumptions / financial resilience / budget risk  <b>November</b> Financial Management Update - current monitoring/ budget update  <b>January</b> Provisional financial settlement / Autumn Budget/Story so far  <b>March</b> Financial Management Update + end of year summary /start of next year monitoring plan; include link to corporate plans and service plans & budgets	See separate work programme at Appendix 1  Future report in respect of the management of the Capital Plan in terms of re-profiling and the availability of resources and capacity to deliver its ambitions.
<b>2. Corporate Plan</b>	Corporate Plan refresh  Embed and implementation	Living in Kirklees survey to be shared with the Panel before its next distribution and Panel to incorporate a discussion on citizen engagement as part of this item;
<b>3. Libraries Review</b> (to include Access to Services)		<ul style="list-style-type: none"> <li>• Update on progress.</li> <li>• Briefing in relation to work with the University of Huddersfield on the development of an archiving plan.</li> </ul>

**FULL PANEL DISCUSSION**

ISSUE	APPROACH/AREAS OF FOCUS	NOTES
<p><b>4. Procurement</b></p>	<p>Work streams to include:</p> <ul style="list-style-type: none"> <li>- Procurement Strategy</li> <li>- To understand the changes being made to procurement and monitor the impacts of savings being made.</li> </ul>	
<p><b>5. Commercialisation Strategy</b></p>	<p>To scrutinise the development of a Commercialisation Strategy for the Council</p> <ul style="list-style-type: none"> <li>- Informal introduction – 12.07.19</li> <li>- Initial proposals for approach to future meeting, to include case studies</li> </ul> <p><i>Training session by LGA on Commercialisation to be arranged.</i></p>	<p>Informal discussion with Panel held on 12.07.19</p>
<p><b>6. People Strategy</b></p>	<p>Delivery of the People Strategy</p> <p>Work streams:</p> <ul style="list-style-type: none"> <li>• Attraction and retention – to do</li> <li>• <i>Development (11 October 2018)</i></li> <li>• <i>Health &amp; Wellbeing (12 April 2019)</i></li> </ul>	<ul style="list-style-type: none"> <li>• Panel to regularly receive a copy of the organisation’s performance dashboard;</li> <li>• Noted that the work strand of the Kirklees People Strategy focussing on ‘Attraction and Retention’ will include a review of the induction process.</li> <li>• Future reports to include information on the development and progress of the ‘Workplace Wellbeing Champions’ initiative; the development of work to identify and address any areas of particular pressure within the organisation; and a breakdown of the sickness figures into long term and short term absence.</li> </ul>

**FULL PANEL DISCUSSION**

ISSUE	APPROACH/AREAS OF FOCUS	NOTES
<p><b>7. IT Strategy Development</b></p>	<p>Maintain overview of development of the IT Strategy</p> <ul style="list-style-type: none"> <li>• New approach to digital transformation</li> <li>• How residents interact with the Council/customer experience</li> </ul>	
<p><b>8. Leaving the EU preparations</b></p>	<p>To maintain an overview of the work of the Council to plan for the potential implications of leaving the EU</p> <ul style="list-style-type: none"> <li>- Introductory discussion – 12.7.19</li> <li>- Further discussion – 20.9.19</li> </ul>	<p><u>12<sup>th</sup> July 2019</u></p> <ul style="list-style-type: none"> <li>• Requested that future report(s) include financial risks as part of treasury management preparation; details of critical processes within the Council that are currently dependent on partners in the EU.</li> <li>• Recommended that the care leavers age range within the report be extended to 25.</li> </ul> <p><u>20<sup>th</sup> September 2019</u> Update report</p>
<p><b>9. Organisational Communications Strategy</b></p>	<p>To examine the principles of managing internal/external communications</p>	
<p><b>10. Cabinet Member – Priorities</b> Councillor Graham Turner</p>		<p><u>12<sup>th</sup> July 2019</u> Portfolio Holder provided brief update on priorities.</p> <p>Panel requested that the next update include some narrative to illustrate whether projects had achieved their aim, such as increased footfall or an increase in creative and digital start-up businesses, whether this was to the extent that had been anticipated and the wider impact of any achievements.</p>

**FULL PANEL DISCUSSION**

ISSUE	APPROACH/AREAS OF FOCUS	NOTES

**LEAD MEMBER BRIEFING/MONITORING**

ISSUE	APPROACH/AREAS OF FOCUS	NOTES
<p><b>11. Land and Property Lettings Policy</b></p>	<p>To consider the policy and how it applies to community groups and the consistency of approach with other council strategies.</p>	<p>Asset transfers and asset divestment Link with place based agenda (OSMC)</p>

## Financial Scrutiny – Work Programme

### Appendix 1

Topic	Areas of focus	Actions	Anticipated Outcomes
<b>Financial Planning</b>	<ul style="list-style-type: none"> <li>• MTFP</li> <li>• Annual Council Budget</li> <li>• Reserves Policy</li> </ul>	<ul style="list-style-type: none"> <li>• How is the Corporate Plan informed by financial strategy</li> <li>• Are all of the Council’s strategies in sync?</li> <li>• Consider if the Annual Budget set in accordance with MTFP?</li> <li>• Have targets been met and how are these measured?</li> <li>• Outline of any overspends/underspends and how these have been considered for future budget planning</li> <li>• Outline of any implications arising from service plans</li> <li>• Is the level of reserves in line with the MTFP?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the impact of resource allocation, decisions and spending measured?</li> <li>• Are financial targets appropriate in relation to the MTFP forecast and monitored regularly?</li> <li>• Is Social Value of spending measured, where appropriate?</li> <li>• Are targets being achieved?</li> </ul>
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>• Budget Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Consider revisions to current budget, including pressures and arising issues and compare to last year’s statements.</li> <li>• Consider Executive’s proposals for next financial year.</li> <li>• Consider provisional settlement and Executive’s response.</li> <li>• Consider final budget proposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Have planned service outputs been achieved? (<i>Link to performance monitoring</i>)</li> <li>• What has been achieved from additional resources?</li> <li>• Have resources been managed effectively throughout the year?</li> <li>• Where does this year’s outturn leave the council finances for next year?</li> </ul>
<b>Savings and Efficiency Plans</b>	<ul style="list-style-type: none"> <li>• MTFP</li> <li>• Council Budget</li> </ul>	<ul style="list-style-type: none"> <li>• Are efficiency plans being managed with adequate resources?</li> </ul>	<ul style="list-style-type: none"> <li>• Were objectives outlined and achieved?</li> <li>• What savings were not</li> </ul>

## Financial Scrutiny – Work Programme

### Appendix 1

		<ul style="list-style-type: none"> <li>• What variances have arisen during the year?</li> <li>• Are variations reviewed and linked back to original strategy?</li> <li>• How is the impact on services being monitored?</li> </ul>	<p>achieved and how is the impact of this being managed?</p>
<p><b>Citizen Participation</b></p>	<ul style="list-style-type: none"> <li>• Public Participation</li> </ul>	<ul style="list-style-type: none"> <li>• How engaged are the public with the Council's financial processes?</li> <li>• Do items on the forward plan reflect interests and concerns of the public (and service users)?</li> <li>• How is social media used to enable public participation?</li> <li>• How do decision makers take into account the views of the public currently?</li> </ul>	<ul style="list-style-type: none"> <li>• Has there been an increase in participation of the public?</li> </ul>