Public Document Pack

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Monday 13 January 2025

Notice of Meeting

Dear Member

Cabinet

The **Cabinet** will meet in the **Council Chamber - Town Hall, Huddersfield** at **1.30 pm** on **Tuesday 21 January 2025.**

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

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

Samantha Lawton

Service Director – Legal, Governance and Commissioning

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

The Cabinet members are:-

Member	Responsible For:
Councillor Carole Pattison	Leader of the Council
Councillor Moses Crook	Deputy Leader of the Council, Cabinet Member - Transport and Housing
Councillor Beverley Addy	Cabinet Member - Adult Social Care and Health
Councillor Munir Ahmed	Cabinet Member - Environment and Highways
Councillor Tyler Hawkins	Cabinet Member - Corporate
Councillor Viv Kendrick	Cabinet Member - Children' Services (Statutory Responsibility for Children)
Councillor Amanda Pinnock	Cabinet Member - Education and Communities
Councillor Graham Turner	Cabinet Member - Finance and Regeneration

Agenda
Reports or Explanatory Notes Attached

		Pages
1:	**Membership of Cabinet** To receive any apologies for absence.	
2:	**Minutes of Previous Meeting** To approve the Minutes of the Meeting of the Cabinet held on 10 December 2024.	1 - 14
3:	**Declaration of Interests** Members will be asked to say if there are any items on the Agenda in which they have any disclosable pecuniary interests or any other interests, which may prevent them from participating in any discussion of the items or participating in any vote upon the items.	15 - 16
4:	**Admission of the Public** Most agenda items take place in public. This only changes where there is a need to consider exempt information, as contained at Schedule 12A of the Local Government Act 1972. You will be informed at this point which items are to be recommended for exclusion and to be resolved by the Committee.	
5:	**Deputations/Petitions** The Cabinet will receive any petitions and/or 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 submit a petition at the meeting relating to a matter on which the body has powers and responsibilities.	

In accordance with Council Procedure Rule 10, Members of the Public must submit a deputation in writing, at least three clear working days in advance of the meeting and shall subsequently be notified if the deputation shall be heard. A maximum of four deputations shall be heard at any one meeting.

6: Questions by Members of the Public

To receive any public questions.

In accordance with Council Procedure Rule 11, the period for the asking and answering of public questions shall not exceed 15 minutes.

Any questions must be submitted in writing at least three clear working days in advance of the meeting.

7: Questions by Elected Members (Oral Questions)

Cabinet will receive any questions from Elected Members.

In accordance with Executive Procedure Rule 2.3 (2.3.1.6) a period of up to 30 minutes will be allocated.

8: Our Cultural Heart, part of the Huddersfield Blueprint - Phase 2 Gateway 3

17 - 94

To consider the approval of progress to the design and pre-construction works for Phase 2 from Gateway 3 to Gateway 4.

Contact: David Glover, Cultural Heart

(Exempt information is detailed in an appendix to the attached report. Consideration must be given to whether the public and press should be excluded from the meeting prior to the determination of the matter to enable the exempt information to be discussed by passing the following resolution: -

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

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Contact Officer: Andrea Woodside

KIRKLEES COUNCIL

CABINET

Tuesday 10th December 2024

Present: Councillor Carole Pattison (Chair)
Councillor Moses Crook
Councillor Beverley Addy
Councillor Munir Ahmed
Councillor Tyler Hawkins
Councillor Viv Kendrick
Councillor Amanda Pinnock
Councillor Graham Turner

Observers: Councillor Itrat Ali
Councillor Tanisha Bramwell
Councillor Andrew Cooper
Councillor Yusra Hussain
Councillor John Lawson
Councillor Paul Moore
Councillor Alison Munro
Councillor Andrew Pinnock
Councillor Kath Pinnock
Councillor Imran Safdar
Councillor Cathy Scott
Councillor Elizabeth Smaje
Councillor Mohan Sokhal

65 Membership of Cabinet
All Members of Cabinet were present.

66 Minutes of Previous Meeting
RESOLVED – That the Minutes of the Meeting held on 5 November 2024 be approved as a correct record.

67 Declaration of Interests
No interests were declared.

68 Admission of the Public
It was noted that Agenda Items 8 and 9 contained exempt information (Minute Nos. 72 and 73 refer).

69 Deputations/Petitions
No deputations or petitions were received.

70 **Questions by Members of the Public**

Cabinet received the following questions under the provision of Council Procedure Rule 11;

Question from Mike Forster

“In relation to Agenda Item 8, under 2.9f) of the report, the Cabinet is proposing to abandon the WYPF for transferring employees; so what pension arrangements are on offer instead, or will there be none?”

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

Question from Mike Forster

“In relation to Agenda Item 8, under 3.3.6, the report states the following: "The transferee employer will need to inform the transferor Council of any ‘measures’ that it proposes regarding transferring employees following the transfer."

What other 'measures' can the provider introduce and have there been any discussions about that and has the Council sought any guarantees about staffing levels other than what is mentioned in 4.10?”

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

Question from Avalon Rawling

“In relation to Agenda Item 8, the whole case for privatisation hinges on the council’s assertion that the homes are not viable, but we have already seen one example of a serious omission in regards to the income (circa £1m) due to the homes.

Another serious flaw is that the financial basis for the proposed privatisation of the two care homes relies on a single year of data. This doesn't account for one-off expenditure, trends, and exceptional circumstances; a multi-year analysis should have been conducted in line with good business analysis practice. An example of a comprehensive analysis of both ongoing costs and of the estimated private sector contributions has been attached to this email.

This fails to take into account all the relevant information, in order to ensure a sound and evidence-based decision, and challenges the Reasons for Recommendations bullet point 2, which states that "The homes represent a comparative loss of more than £0.8 m per annum of direct costs and may well require further capital investment in the near future."

Will the Cabinet therefore vote to proceed with delegating authority to officers to proceed with privatisation despite there being insufficient proof that these stated savings can indeed be made?”

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

Question from Collette Senior

"Both Castle Grange and Claremont House offer an excellent high standard of care already, has Kirklees looked at alternative ways which would keep the homes open and still under Kirklees Council and why are these options not viable?"

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

Question from Sara Blagborough

"I'd like to draw your attention to Kirklees Councils core values and behaviours; (i) Kindness; We are kind so that our behaviour makes each other feel included, happy and well, We work with each other and are friendly, considerate and appreciative, We *'do with, not to'*, showing kindness to each other and our citizens (ii) Inclusion; We provide equal access to opportunities and resources for all people, We achieve inclusion by removing barriers, discrimination and prejudice, We value and promote a culture of inclusion and diversity (iii) Pride; We work with pride to achieve positive outcomes for colleagues, citizens and our places, We have self-respect, dignity and take satisfaction from our achievements and those of our colleagues, We are proud of what we do as individuals, together as a council, and together with our citizens and places. Our behaviours are honest, positive, flexible, Respectful, Communicative and Supportive. Can you explain to me how this proposal fits in with the Council's core values and behaviours?"

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

Question from Donna Mallinson

"If Kirklees is successful in 'disposing' of the homes Kirklees claim they will be disposed of as going concerns & the transfer to an alternative provider will ensure continuation of care. But as there will be no care contracts or requirement to maintain current costs, continuation of care cannot be ensured. Will the Cabinet vote to proceed with privatisation despite there being no guarantee of continuation of care for residents in the homes?"

A response was provided by the Cabinet Member for Adult Social Care and Health (Councillor Addy).

71 Questions by Elected Members (Oral Questions)

Question from Councillor Bramwell

"Why should my residents and residents across Kirklees continue to physically, emotionally and financially pay for the Council's mistakes? What concrete plans does the Council have in place to effectively address the issue of flytipping, especially considering the likelihood that the proposal to reduce the size of bins may fail to achieve its intended goals?"

A response was provided by the Deputy Leader of the Council (Councillor Crook) and the Cabinet Member for Finance and Regeneration (Councillor Turner).

Question from Councillor J C Lawson

"Regarding grey bins, would there be an element of voluntary adoption for those that would find it useful to have a smaller grey bin?"

A response was provided by the Leader of the Council (Councillor Pattison).

Question from Councillor Scott

"Cabinet proposes to replace 160,000 bins – what will happen to the ones that are collected in? This is creating a massive carbon footprint. Can the portfolio holder put a freeze on the proposal and think about the costs to the taxpayers?"

A response was provided by the Cabinet Member for Environment and Highways (Councillor Ahmed).

Question from Councillor Moore

"Given that the proposal to reduce household bin sizes appears to be a primarily a cost cutting measure, rather than a comprehensive strategy for waste reduction, how does the Labour Cabinet justify this approach, particularly when it will lead to increased fly tipping, public health risks, and disproportionately impact larger families and vulnerable residents? What steps will the Council take to ensure that any waste reduction strategy is both effective and fair without placing undue burdens on those least able to cope?"

A response was provided by the Cabinet Member for Environment and Highways (Councillor Ahmed).

Question from Councillor Safdar

"This Government have promised £1billion for Councils with a large number of special needs children. Will this SEND extra funding be seen by local schools, or will it be there to cover the debts that exist in most Councils? There are serious concerns about school budgets across Kirklees that there is not enough money to cover the basics. Can the Cabinet take these serious concerns to the DfE and can we try to get funding for the SENCO teachers in Kirklees?"

A response was provided by the Cabinet Member for Education and Communities (Councillor A U Pinnock)

Question from Councillor Cooper

"Regarding grey bins and the capital investment required to purchase the bins, what is the payback period likely to be, so we are able to judge whether the use of funding the Council is making could be better spent elsewhere?"

A response was provided by the Cabinet Member for Environment and Highways (Councillor Ahmed).

Question from Councillor Safdar

"I sympathise with the financial situation the Council is in, but there is concern among the Muslim community regarding burial spaces. What can you do to reassure us about the Hale Lane site and can we have an update on the position in Dewsbury and Batley regarding burial spaces?"

A response was provided by the Leader of the Council (Councillor Pattison).

Question from Councillor Hussain

"How much will it cost to reduce the bin size for 160,000 residents?"

A response was provided by the Cabinet Member for Environment and Highways (Councillor Ahmed).

72 Future of Council Operated Dementia Care Home Provision (Castle Grange and Claremont House)

(The report included exempt information in accordance with Schedule 12A Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006 namely it contains information relating to the financial and business affairs of any particular person (including the Authority holding that information). It is considered that it would not be in the public interest to disclose the information contained in the report as disclosure could potentially adversely affect overall value for money and could compromise the commercial confidentiality of the bidding organisations and may disclose the contractual terms, which is considered to outweigh the public interest in disclosing information including greater accountability, transparency and openness in Council decision making. Cabinet gave consideration to the exempt information prior to the determination of this item.)

(Under the provision of Council Procedure Rule 37, Cabinet received representations from Collette Senior, Sara Blagborough, Donna Mallinson, Mike Forster, Avalon Rawling.)

(Under the provision of Council Procedure Rule 36(1), Cabinet received representations from Councillors Ali Bramwell, Cooper, J C Lawson, Munro, Safdar and Scott).

Cabinet gave consideration to a report which advised on the progress of identifying potential new operators for Castle Grange and Claremont House residential dementia care homes.

The report set out options based upon (i) maintaining the current operation and retaining the care homes (ii) transferring both care homes to a third party bidder as a going concern following a robust expression of interest exercise, subject to evaluation of price and quality and (iii) the closure of both homes in accordance with best practice guidance.

Cabinet were asked to approve option (ii) and advised that the concerns that had been raised during the consultation process did not provide substantial or significant reasons as to why the homes should be retained as directly operated facilities. The report indicated that the homes represented a comparative loss of more than £0.8m per annum of direct costs and may require further capital investment in the near future. Cabinet were advised that five bids had been received.

The report set out the progress that had been made since the Cabinet decisions of 12 March 2024 and 8 October 2024. It advised that (i) a six week consultation period had since been undertaken with service users and relatives regarding the transfer option, and that meetings had also taken place with staff (ii) the sites had been marketed to parties who had experienced an interest (iii) detailed information about the homes had been prepared and shared, including staffing, financial and property information (iv) interested providers had visited both premises and (v) formal offers had now been received for both homes, which would be examined.

The report set out a breakdown of information relating to (i) consultation with families (ii) engagement with private providers (iii) the existing and future financial position (iv) implications for the Council, including financial and legal implications and (v) the consultation process and overview of themes raised.

The report recommended that option (ii) would enable the Council to better manage current financial challenges and that, subject to approval Officers would pursue further engagement with interested parties through a best and final offer process, which would seek to secure a transfer agreement in January 2025.

RESOLVED –

1) That the outcome of the consultation as at Appendix 1 and 2 of the considered report be noted.
2) That the content of the Integrated Impact Assessment, including mitigating factors, be noted.
3) That approval be given to pursue the transfer of the homes as a going concern.
4) That authority be delegated to the Executive Director for Adults and Health, in consultation with (i) the Cabinet Member for Adult Social Care (ii) the Cabinet Member for Finance and Regeneration (iii) the Service Director – Legal, Governance and Commissioning and (iv) the Service Director – Finance to:

(i) progress negotiations with potential bidders through a Best and Final Offer stage and select a preferred bidder
(ii) complete the legal transfer of two residential care homes as a going concern, subject to the satisfactory outcome to negotiations with the preferred bidder.

5) That authority be delegated to the Service Director - Legal Governance and Commissioning to enter into formal legal agreements and other documentation required to implement the decision of Cabinet.
6) That, in the absence of a successful outcome of the Best and Final Offer stage of the transfer process a further report be considered by Cabinet.

73 Consideration of Options for the future of Cleckheaton Town Hall

(The report included exempt information in accordance with Schedule 12A Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006 as it contains details relating to the financial or business affairs of any person including the Council and it is considered that it would not be in the public interest to disclose the information contained in the private appendices, revealing the information could potentially hinder the Council's ability to secure value for money, compromise the commercial confidentiality of the entities mentioned within the report, and ultimately be detrimental to the Council's financial and business interests. These concerns are considered to surpass the benefits of increased public accountability, transparency in the expenditure of public funds and openness in the Council's decision making process. Cabinet gave consideration to the exempt information prior to the determination of this item.)

(Under the provision of Council Procedure Rule 37, Cabinet received representations from Christian Burke (on behalf of Kim Leadbeater MP), Francessca Whittlestone and Erica Amende.)

(Under the provision of Council Procedure Rule 36(1), Cabinet received representations from Councillors J C Lawson, Moore, A Pinnock, K Pinnock and Smaje.)

Cabinet gave consideration to a report which presented options to inform a decision regarding the future of Cleckheaton Town Hall. The report set out options of (i) take no action and retain the site in its current mothballed state (ii) re open the site with limited refurbishment for health and safety works, and other works in future years (iii) reopen the site following a full refurbishment of the building (iv) permanently close and dispose of the site/building and (v) pursue a community management arrangement, via a full repair and insurance lease following agreement of a revenue and capital investment business case.

Cabinet were asked to approve option (iv), whereby a successful community group would manage the building and cover the revenue costs under a full repair and insurance lease, following the provision of a business plan outlining how revenue running costs and capital investment into Cleckheaton Town Hall could be secured through external sources. The report explained that this recommendation was based on several critical factors; (i) the need for the Council to reduce its long term revenue costs due to the financial constraints it is facing (ii) the need to restrict capital expenditure and (iii) the acknowledgement that the town hall is an important asset for the community and an opportunity needs to be provided for the community to become actively responsible for the day to day operation and revenue costs.

Cabinet were advised that a full appraisal of the condition of the town hall had been undertaken, and that a report had been issued during the summer which had identified multiple issues with regards to the condition of the town hall, estimated the cost of a full refurbishment to be £7.183m. The report was attached at Appendix A of the report.

The report requested that Cabinet give consideration to the options as set out in section two of the report, which presented a range of potential approaches for the future of the town hall, noting the capital and revenue implications of each approach. A development appraisal was attached at Appendix B of the report (exempt).

Cabinet noted the suggestion from local residents and Elected Members for some flexibility to be applied to the timescales set out in the report and that consideration also be given to the potential use and allocation of funding from Town and Village Funds.

The report advised that, subject to approval, a process would be undertaken to identify a potential group with a viable revenue and capital investment plan and that a further report would be submitted to a future meeting of Cabinet.

RESOLVED –

1) That the detailed options, as outlined in Section 2 of the considered report, be noted.
2) That the capital and revenue implications of each considered option, along with the condition information and development appraisal (Appendix A and B), be noted.
3) That approval be given to Option 5, which seeks to engage the community in the day to day management, running and operation of Cleckheaton Town Hall, through a full repair and insurance lease, which commits the successful community group to cover the revenue operational costs of the building, and requests that the group identify a capital investment plan with appropriate sources of funding, whereby ownership would be retained by the Council.
4) That authority be delegated to the Executive Director of Place, in consultation with the (i) Cabinet Member for Regeneration and Finance (ii) the Service Director - Finance and the (iii) Service Director - Legal and Commissioning to:

   (i) Consider and award, if required, a revenue grant in accordance with the Council's Financial Procedure Rules to interested community group(s) to support the development of an appropriate business plan.
   (ii) Manage and review progress against the development of a revenue and capital business plan and the timeframes shown below during the three stages of the process - (1) Expression of Interest within one month of the invitation being advertised followed by (2) an application with Business Case within a further three months and (3) preparation

of a report to return to Cabinet for consideration of the outcomes of the first two stages within a further two months.

(iii) Ensure adequate provision is in place for all revenue and capital expenditure required to support the successful business plan.

(iv) Negotiate and agree terms of the management agreement and/or full repair and insurance lease and any other documentation required.

5) That approval be given to the continued retention of the building in a mothballed state during 2025, as necessary, to enable the community to bring forward a successful business case for the future operation of the town hall.
6) That Officers be diligent in their consideration of any business cases submitted ensuring that any potential detrimental impact on other existing Council and 3rd sector operated facilities and venues was clearly shown and mitigations identified, if possible, to lessen the impact.
7) That it be noted that Officers will submit a report to Cabinet in line with the stated timescales for further consideration and a decision following receipt of any applications and business cases from group(s) interested in moving forward with Option 5 as described within the report.
8) That considerable flexibility be applied to the timescales that are set out in the report, as appropriate.
9) That consideration be given to the potential use and allocation of Town and Village funding for scheme.

74 Council Budget Report 2025/2026; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

(Under the provision of Council Procedure Rule 36(1), Cabinet received representations from Councillors Cooper and Smaje.)

Cabinet gave consideration to a report which set out the Council's proposed budget for 2025/2026, for consultation, including Capital, General Fund Revenue and the Housing Revenue Account. The report set out details of the overall budget position prior to the submission of a final budget to Council in March 2025.

The report explained the application of financial strategy and that the proposed budget included estimated changes to the Council's main sources of income, corporate expenditure and service pressures based upon current information. Cabinet noted that, given the ongoing financial challenges, the focus of setting a balanced budget has been based upon detailed up to date estimates of all pressures and developing savings proposals.

The report advised that a public consultation on the proposals would take place from 11 December 2024 to 15 January 2025 and that a summary of the outcome would be presented at Cabinet on 11 February 2025, alongside the final version of the budget following the release of the Local Government Finance Settlement.

RESOLVED –

1) That it be noted that in relation to the General Fund Revenue, the Proposed Budget for 2025/26 presented within the considered report is based on the

approval and delivery of £11.4m of new savings for 2025/26 as set out at Appendix D.

2) That it be noted, that at this stage, based on assumptions arising from the Chancellor's budget and the subsequent policy statement, the budget is balanced.
3) That in noting that a balanced budget must be set no later than 10 March 2025, should the final local government finance settlement vary from the assumptions at (2) above, then further savings may be required.
4) That approval be given to a consultation on the Proposed Budget for 2025/26, including a proposed 2.99% increase in core Council Tax and a 2% increase in the Adult Social Care precept.
5) That the forecast spending and funding plans for the 2025-26 period as set out at Appendix B, be noted.
6) That the forecast levels of statutory and other Council reserves, as set out at Appendix C be noted.
7) That the Council's participation in the Leeds City Region Business Rates Pool for 2025/26 be noted.
8) That, pursuant to (7) above, authority be delegated to the Chief Executive and Service Director – Finance, in consultation with the Leader and Cabinet Member, to agree the governance arrangements for 2025/26, for approval through the Business Rates Joint Committee as outlined in section 2.6 of the considered report.
9) That in relation to Capital, approval be given for consultation on the updated Capital Plan for 2024-32 as set out at Appendix E.
10) That in relation to the Housing Revenue Account, the proposed budget including rent and service charges increases for the Housing Revenue Account, as set out at Agenda Item 11, be noted.

75 Housing Revenue Account Rent and Service Charge Inflationary Uplift and HRA Budget

(Under the provision of Council Procedure Rule 36(1) Cabinet received representtaions from Councillors Cooper and Smaje).

Cabinet gave consideration to a report which provided the financial context and basis for the annual rent and service charges inflationary uplift for 2025-2026, which would form part of the Housing Revenue Account budget proposals.

The report advised that, if approved, the recommendations would maximise rent and service charge income to comply with the requirements of the Local Government and Housing Act 1989 to achieve a balanced Housing Revenue Account, propose a balanced Housing Revenue Account revenue and capital budget for 2025-2026, and hold reserves at a level which is set at £500 per property at circa £10m.

Cabinet were advised that the proposed Housing Revenue Account budget was £110m, whereby 29% was budgeted to be spent on repairs and maintenance, with 28% being spent on management and community facility costs, 11% to be spent on extra care schemes, 22% to contribute to the cost of capital and major works, 7% for financing costs and 3% for other provisions and taxes.

The report advised that, subject to approval, the charges would be implemented from 1 April 2025, as set out at Appendix 1 of the report, and notifications would be issued to tenants in accordance with the statutory four week notice period.

RESOLVED –

1) That approval be given to the uplift of the proposed rents by an average of £2.30 per week (2.7%) and service charges payable by between 0.01p and £0.48 per week (2.7%) for social housing from 1st April 2025.
2) That approval be given to introduce a service charge for communal grounds maintenance services capped at £1.00 per week each year until full cost recovery is achieved.
3) That approval be given to the charges for Extra Care Services – Intensive Housing Management to be uplifted by between £1.92 and £4.90 (6.7%) and Extra Care Services – Night Care Service to be uplifted by £1.48 per week (6.7%).
4) That the national and local financial challenges outlined as part of the HRA budget proposals for 2025-26 be noted.
5) That authority be delegated to the Executive Director of Place in consultation with the Deputy Leader of the Council (Cabinet Member for Transport and Housing) to approve the rate for personal charges for Sheltered Heating and District Heating.
6) That the updated Capital Plan for 2024-2033, as set out at Appendix 3 of the considered report, be recommended to Council for approval.
7) That the draft HRA Budget for 2025/2026, as set out at Appendix 2 of the considered report, be recommended to Council for approval.

76 Corporate Financial Monitoring Report; Quarter 2 for 2024-25

Cabinet received a report which set out financial monitoring information for General Fund Revenue, Housing Revenue Account and Capital Plan, as at Quarter 2 (Month 6). The report advised that the forecast outturn position at Quarter 2 is an overspend of £13m which, after the use of earmarked reserves and contingencies, reduces to £9.9m, reflecting an improvement of £2.9m from Quarter 1, mainly from application of reserves to fund some slippage in savings plans and release of pay inflation budget no longer required.

Cabinet noted that savings were forecast to be delivered at 79%, against a target of £42.6m, and total useable reserves were forecast to be c£56.6m at 31 March 2025 of which unallocated reserves were forecast to be £22m (excluding in year overspend) and earmarked reserves were forecast to be £34.6m.

The report provided a breakdown of the projected outturn financial monitoring position in terms of (i) forecast general fund revenue outturn position in 2024/2025 by service area (ii) general fund reserves and balances movements in year (iii) forecast Housing Revenue Account outturn position including movements in the Housing Revenue Account reserves in-year (iv) forecast capital outturn position in 2024/2025 and (v) treasury management prudential indicators.

RESOLVED –

1) That the forecast revenue outturn position at Quarter 2 for 2024/25 (£9.9m overspend) be noted, and that Executive Directors bring forward sustainable proposals to reduce the overspend to bring the budget back into balance.
2) That it be noted the DSG deficit was forecast to increase by £20.6m in 2024/25 as set out in the Quarter 2 forecast.
3) That the Quarter 2 forecast HRA position (£72k surplus) and forecast year-end reserves position of £20m be noted.
4) That in noting the Quarter 2 forecast capital monitoring position for 2024/25, approval be given to the re-profiling of £67.6m (£62.9m General Fund and £4.7m HRA) of the 2024/25 capital plan into future years.
5) That approval be given to the £2.4m net increase in the overall capital plan due to £4.7m increased grant and to reduce borrowing by £2.3m (£1.8m 2024/25, £0.5m 2025/26) as set out at Appendicies 1 and 3 of the considered report,
6) That the Quarter 2 treasury management prudential indicators as set out at Appendix 1 of the report, be noted.

77 Quarter 2, 2024/25 Council Plan and Performance Update Report

Cabinet gave consideration to the Quarter 2 2024/2025 Council Plan and Performance Update Report which provided information on progress against the 2024/2025 Council Plan priorities, and performance against the 2024/2025 Council key measures.

The report set out an update on the 12 month deliverables outlined within the 2024/2025 Council Plan, up until the end of September 2024. The deliverables related to the four priorities as outlined in the Council Plan; (i) address the financial position in a fair and balanced way (ii) strive to transform Council services to become more efficient, effective and modern (iii) deliver a greener, healthier Kirklees and address the challenges of climate change and (iv) continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.

It was noted that updates would be shared on a quarterly basis to enable progress against key priorities to be monitored and enact any required changes to maximise improvements and outcomes.

RESOLVED – That the Quarter 2 (2024/2025) Council Plan and Performance Update Report be noted.

78 Corporate Risk - Quarterly Report 2 2024/2025

Cabinet received the Corporate Risk Quarterly Report (2) 2024/2025 which provided information about an assessment of risks faced by the Council at a significant corporate level.

The report highlighted the importance of having effective risk management arrangements for part of a strong assurance and governance framework and it was noted that identifying current and potential future controls played a key role in this.

The report advised that, during the quarter, no new risks had been raised, no risks had been removed, and there had been no increases to risk scores this quarter. It was noted that there would be continual monitoring and reporting through the Council's governance and management processes.

RESOLVED – That the Quarter 2 (2024/2025) Corporate Risk Report be noted.

79 Annual RIPA Update

Cabinet received a report which provided an update on the use of the Regulation of Investigatory Powers Act 2000 since the previous update in September 2023.

The report advised that the annual return to the Investigatory Powers Commissioners Office for 2023 had been completed and that only one update had been made to the policy this year. Cabinet had noted that no RIPA authorisations had been granted since the previous annual report. It was also noted that no issues had been identified by the Regulator during the IPCO inspection which had taken place in Autumn 2023.

RESOLVED – That the Annual RIPA report be noted.

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KIRKLEES COUNCIL

COUNCIL/CABINET/COMMITTEE MEETINGS ETC
DECLARATION OF INTERESTS

Name of Councillor

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

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

NOTES

Disclosable Pecuniary Interests

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

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

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

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

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

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

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

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

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

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

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

REPORT TITLE: Our Cultural Heart, part of the Huddersfield Blueprint, Phase 2 Gateway 3

Cabinet date	**21st January 2025**
Cabinet Member Portfolio: Finance and Regeneration	**Cllr Graham Turner**
Key Decision **Eligible for Call In**	**Yes** **Yes**

Purpose of Report

The purpose of this report is to seek approval and delegations to progress the design and pre-construction works for Phase 2 (combined museum & art gallery, public realm and basement) from Gateway 3 to Gateway 4.

There is also an update on Phase 1 (library, food hall, events square/public realm and basement) now that construction has started on site, and an overview of the remaining phases within the rest of the master plan.

With regard to the Capital Development Budget for design and construction (construction budget) of £262m allocated in the councils capital plan the report outlines reallocation of some of this budget.

In addition to the construction activity there is an early update on the budgets for pre and post-opening costs being developed by the councils operational and support services involved in preparing for the opening of, and ongoing operation of the facilities within Our Cultural Heart. These costs will continue to be reviewed and refined as update reports are brought to Cabinet.

The programme has previously been considered by the Cabinet on five separate occasions with the last report being in December 2023 (Phase 1 Gateway 4). Similarly, the programme has been the subject of consideration at the Growth and Regeneration Scrutiny Panel on several occasions, with the last report being considered in September 2024. Members of the Scrutiny Panel also attended a site visit on Monday the 4th November 2024.

The previous approved Cabinets reports are available through the links in Section 8 of this report.

Recommendations:

1. **Combined Museum & Gallery, Phase 2 RIBA 3**
   To delegate authority to the Executive Director of Place in consultation with the Leader and the Portfolio Holder for Finance & Regeneration to approve the Royal Institute of British Architects stage 3 design (RIBA 3) for the museum and gallery.

2. **Combined Museum & Gallery, Phase 2 Gateway 4 Budget**
   To note the museum and gallery construction budget and to agree to approve the funding to progress from this Gateway 3 to Phase 2 Gateway 4.

3. **Construction Partner, Phase 2, Pre Construction Services Agreement (PCSA)**
   To agree to delegate authority to the Executive Director of Place in consultation with the Portfolio Holder for Finance & Regeneration, the Director of Legal Governance & Commissioning, the Service Director Finance and the Head of Procurement to make the decision to enter into the Pre-PCSA and subsequently award the PCSA and instruct any surveys and enabling works that may be necessary prior to the contract sum being agreed subject to compliance with Contract Procedure Rules.

4. **SDP, Architect and Engineer Services, Phase 2 Gateway 3 to Gateway 4**
   Subject to agreement on fees and in line with our procurement process and Contract Procedure Rules to agree to continue the services being provided by the Client delivery team (SDP, architect and the engineer) to progress from this Gateway 3 to Phase 2 to Gateway 4. The same delivery team is providing the necessary services on Phase 1 and the rest of the master plan.

5. **Construction Capital Development Council Resources**
   To allocate the necessary council staff and resources to support the construction programme and to note that in the absence of sufficient internal resources that additional external resources will be sourced from the existing appointments and/or from existing/future framework agreements subject to compliance with procurement process and the Contract Procedure Rules.

6. **Construction Budget, Phase 1 Gateway 5, Phase 2 Gateway 4 & Master Plan Allowances**
   To approve subject to approval of the recommendations above the further drawdown of £5.663m (Phase 2, £5.413m & Master Plan, £250k) thereby increasing the committed funding for the programme from £73.329m to £78.992m.

7. **Reallocation of Budget to the Combined Museum & Gallery Service Pre-opening Capital Costs**
   To approve subject to no other sources of funding being available the reallocation of funding from the Our Cultural Heart construction budget future phases to fund the museum and gallery pre-opening capital costs including the fit out of the building.

8. **Reallocation of Budget to Operational Services**
   To approve subject to no other sources of funding being available the reallocation of funding from the Our Cultural Heart construction budget future phases to fund the West Yorkshire Archive Service (£371k) and the Events team (£50k) pre-opening capital costs.

9. **Replenish the Construction Budget**
   To agree to delegate authority to the Executive Director of Place, in consultation with the Portfolio Holder for Finance & Regeneration, the Service Director for Culture and Visitor Economy and the Service Director Finance to explore ways of replenishing the construction budget following any reallocation of budget without exposing the council to any additional capital borrowing commitments.

10. **Phase 5 Venue and Car Park Review.**
To agree to delegate authority to the Executive Director of Place, in consultation with the Service Director Finance and the Portfolio Holder for Finance & Regeneration and subject to agreeing the terms of reference to utilise part of the master plan feasibility budget to carry out the review of Phase 5.

11. **Deliver the Programme to Phase 1 Gateway 5, Phase 2 Gateway 4, & Develop the Master Plan**
Subject to approval on the matters above to delegate authority to the Executive Director of Place to work within approved budgets to deliver the design and construction of the programme to Phase 1 Gateway 5, Phase 2 Gateway 4 and develop the master plan including appointing third parties which for Phase 1 includes the food hall operator in compliance with the Contract Procedure Rules and the Financial Procedure Rules.

12. **Operational Services Additional Budgets Phase 1 & Phase 2**
In addition to recommendations in items 7 and 8 and sections 2.1.2 and 2.2.2 of this report to agree that the Executive Directors of Place, Adults and Health and Corporate Resources in consultation with the Service Director - Finance to work to identify the relevant service pre and post opening costs of the various phases of the Our Cultural Heart programme. The Service Director – Finance shall ensure that estimates are added to the Council's Medium Term Financial Plan and be refined as updated information becomes available.

Reasons for Recommendations:

At the outset of the Our Cultural Heart programme it was determined that at key points in the development delivery process (gateways) the programme would be brought back to Cabinet to decide the future direction of each of the phases.

As Phase 2 has now reached Gateway 3 certain decisions are required from Cabinet in terms of agreeing to enter into the next stages of delivery for the design, contractor procurement, securing the ongoing services of the Client delivery team and the associated funding to be drawn down from the allocated budget.

The reallocation of budget to fund service capital costs is in line with the council's Medium Term Financial Plan approved in September 2024 to limit any additional borrowing. At the same time, it is important to recognise that to deliver all the phases of the master plan in a timely manner, ways of replenishing the construction budget should be investigated or the master plan be reviewed to remain within limits of affordability.

In parallel with the Phase 1 construction progressing on site and the next stages of Phase 2, funding is also requested to continue feasibility work on the remaining phases including the review of Phase 5 to reaffirm the operating model within affordability limits.

Recommendation 11 is to allow day to day decisions to be made to progress the programme and if necessary to appoint the food hall operator outside the normal gateway Cabinet cycle so that the opening date for Phase 1 can be maintained.

Whilst there are proposals within this report regarding the service budgets for Phase 1 and Phase 2 it is recognised that some further discussions are needed to conclude the precise figures and Recommendation 12 provides for this.
Resource Implications: With construction programmes of the scale of Our Cultural Heart a significant resource, outside the normal day-to-day business of the council, is needed and so the councils Client construction delivery team is made up of external consultants with the necessary range of skills. Previous approvals have secured the funding for this team to deliver Phase 1 to completion and Phase 2 to this Gateway 3. This report requests the necessary further funding to progress the construction of Phase 2 to Gateway 4 and other work on the master plan. The programme has interfaces with many services and staff associated with the design and construction of the operational facilities and the built environment who the delivery team consult and engage with. In parallel the services are also preparing for the delivery of the operational facilities to coordinate with the completion of construction of each phase and updates of progress will be given in future gateway reports. In addition to the resource implications previously approved associated with Phase 1 as set out in Section 2.1.1 the resource implications associated with this report are set out in more detail in sections 2.1.2, 2.2.1, 2.2.2, 2.3, 2.4, 3.6.2.1 and 3.6.2.2

Date signed off by Strategic Director, Executive Director for Place • Growth & Regeneration	**David Shepherd, 19th December 2024**
Is it also signed off by the Service Director for Finance?	**Kevin Mulvaney, 10th January 2025**
Is it also signed off by the Service Director for Legal Governance and Commissioning?	**Samantha Lawton, 9th January 2025**

Electoral wards affected: Our Cultural Heart is located in the Newsome ward. However, in terms of the council's strategic ambitions the programme is of importance to all wards in Kirklees.

Ward councillors consulted: As part of preparing for the public consultations for the master plan planning and listed building applications ward councillors were given a briefing and then a preview session of the public consultation material.

Public or private: Public Cabinet report with public and private appendices.

Has GDPR been considered? Yes

1. Introduction

The Kirklees Council Plan contains 4 key priorities to focus the business of the council. One of the four key priorities is ‘Continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish’ with Our Cultural Heart being one of the named programmes. In bringing forward the next steps for the programme this report directly delivers against this key priority.

Despite the challenging financial context affecting Local Government, it is widely recognised that stimulating economic growth is vital, to not just create opportunities for local residents but increasingly to generate the future local tax base that can help meet the increasing cost of delivering local authority services.

The ambition of Our Cultural Heart, as part of the Huddersfield Blueprint, is to help with the delivery of many of the council’s strategic social, economic, and cultural objectives by being a catalyst for change and regeneration in the town centre, creating a coherent, safe, inclusive, and family friendly cultural offer. Set on a central campus between King Street and Queensgate Our Cultural Heart will celebrate the heritage of Huddersfield while offering new cultural experiences for residents and visitors alike.

The council’s investment in Our Cultural Heart is a fundamental part of the regeneration of the town centre and will create core facilities and encourage the provision of ancillary facilities, services, and opportunities by private, third and academic sectors, working in partnership with the council, helping to secure the future of existing businesses and attract new investment. This catalytic role will help in creating a platform to deliver inclusive economic growth and social vibrancy of Huddersfield and the wider Kirklees area for the benefit of all communities.

When the assets that make up Our Cultural Heart are operational and available for use by the residents of Kirklees, it is anticipated that a number of them will be free to use and being centrally located will be easily accessible by public transport. The campus style development also means that there are many attractions in one place with a variety of offers that are family friendly and appealing to all age groups.

As well as a place for leisure Our Cultural Heart will also create a variety of new job opportunities that are accessible by bus and train and these new ‘workers’ in the town centre will need the services that already exist thereby increasing spend in the town and supporting those businesses.

It is also encouraging that changes are already happening with the council’s commitment to the blueprint and Our Cultural Heart being matched by Huddersfield University on their National Health Innovation Campus where one facility has opened, and construction has commenced on the second and will be significantly enhanced by the £11.5 billion Transpennine Route Upgrade works by Network Rail.

As a major transformational programme, progress on Our Cultural Heart is regularly reviewed by Cabinet through the gateway process with key milestones for progressing each phase of the programme. This approach allows Cabinet to take stock of progress and consider factors such as changing market conditions, phasing delivery and timing, the developing design, affordability, and stakeholder views. At each stage, Cabinet is invited to endorse the outcomes of the gateway and decide whether and how to move forward.
Also to coordinate with the completion of construction the council’s operator’s and supporting services are preparing (pre and post opening) for the fit out, operation, facilities management,

maintenance, etc of the assets, service areas and public realm. This work and the associated budgets are being coordinated through the Town Centre Operational Management Board and progress to date on the budgets is set out below in sections 2.1.2 and 2.2.2 and will be subject to ongoing review.

2. Information required to take a decision

Although the main subject of this report is Phase 2 the updates on the phases are set out in their chronological order.

2.1 Phase 1

2.1.1 Construction

Phase 1 is the repurposing of the former Queensgate Market and adjoining Piazza retail units following their closure and includes the delivery of,

- New library, including West Yorkshire Archive
- Food hall (3rd party operator)
- Events square/public realm
- Basement service areas.

See Appendix 1, Phase 1 plan red line boundary (public)

At the Phase 1 Gateway 4 (December 23) Cabinet report delegated authority was given to the Executive Director of Place and others on a number of matters including appointing BAM Construction Limited (BAM) as the design and build contractor for Phase 1 under the construction contract (main contract). The delegation was subject to the conclusion of the Pre-Contract Services Agreement including the RIBA 4 design and negotiation of the contract sum.

As previously reported at Phase 1 Gateway 4 BAM's assessment of the Phase 1 construction costs was in excess of the budget and as part of the process BAM, working with the delivery team and the council, agreed a number of design proposals through two rounds of value engineering to achieve the necessary savings that were then submitted and subsequently gained planning and listed building consent in June 2024.

In addition to the design proposals, whilst BAM were carrying out surveys during the PCSA, they uncovered asset related structural issues regardless of the end use of the building that were outside the original Phase 1 scope. Approval was given to include these works in the BAM contract and draw down funding from the overall Our Cultural Heart construction budget to deal with these structural issues, with savings to be made on later phases.

To accommodate the additional design work and the contract sum negotiations the PCSA period was extended to August 2024 to ensure sufficient time was allowed to get best value for money for the council. This prolongation alone is not expected to delay overall construction completion of the master plan due to the flexibility of when phases can be delivered. In addition, and as set out in the Phase 1 Gateway 4 report, to limit the impact on the Phase 1 programme, enabling works were instructed in March 2024, under the PCSA, to ensure an effective start to the main contract in August 2024. Construction is due to complete in Q2 2026.
The site compound has been established on the site of the former multi-storey car park, the hoardings erected around Phase 1 and the demolition work both internal and external is

progressing. Only those parts of the master plan that are needed to facilitate Phase 1 are being demolished at this time with the remainder continuing to be used by retailers and meanwhile uses until the implementation of future phases.

The delivery team continue to manage and monitor the progress of Phase 1 and report the same to the monthly Programme Board meetings.

The approved construction budget including the contractor (PCSA, enabling works & main contract), delivery team and other fees, etc for Phase 1 from Gateway 3 (June 23) to completion is £57.905m as set out in Appendix 2, Phase 1 Construction Budget (private).

This report does not request any further funding associated with delivering the construction of Phase 1.

2.1.2 **Operational Services**

The council services that will operate facilities in Phase 1 of Our Cultural Heart are,

- Libraries
- Creative Developments (Events)

West Yorkshire Archives will also be hosted within the library.

The food hall operator will be the subject of a procurement process.

There will then be the normal input from support services as with any other asset, including Corporate Landlord, iT, Highways & Streetscene, etc.

Phase 1 is expected to be operational in Summer 2026.

The estimates of additional budgets for Phase 1 are set out in Appendix 3, Phase 1 Services Additional Budget (public), and summarised below. The pre-opening period is approximately eighteen months.

Across all phases the opportunities to manage these costs also include working with partners and or attracting third party funding to offset a proportion of the council's direct costs.

It should be noted that no contingency is carried for other, as yet unknown, services costs and pressures other than those identified in Appendix 3.

The operational budgets will continually be refined and reported at future gateways.

2.1.2.1 **Libraries**

The library service will fund most of their costs from within the service but do require some additional pre-opening budget.

Pre-opening costs,

- **Revenue** Additional council funding for a project manager to support all the services, focusing initially on Libraries, will need to be provided for in future budgets.

2.1.2.2 **West Yorkshire Archive Service (WYAS)**

WYAS will be housed in the library with their operation including a new storage facility. At the moment WYAS keep the Kirklees archives in a number of different stores which would be vacated once this new facility is available.

Pre-opening costs,

- **Capital** WYAS have requested £371k including a high density storage system which is essential for hosting them within Our Cultural Heart and facilitating closure of other sites. This will be provided for from the Our Cultural Heart construction budget.

- **Revenue** WYAS have requested additional budget to deal with items including archive document cleaning & preparation. This is currently unallocated and requires further discussion with West Yorkshire partners.

Post-opening costs, annual.

- **Revenue** WYAS post opening costs are funded by the service, but they have requested £63k additional budget over the first two years after opening. Presently the Council is not able to identify any additional revenue funding for this activity.

2.1.2.3 **Events**

Pre-opening costs,

- **Capital** £50k from Our Cultural Heart construction budget is allocated to support the pre-opening costs of the events square.

Post-opening costs, annual.

- **Revenue** It is proposed to initially allocate an additional £100k p.a.to pump prime the events programme. This will provide money to develop and part fund an annual events programme, alongside other delivery organisations and private sector sponsorship. It will be necessary to recognise these costs in the refreshed Medium Term Financial Plan.

2.1.2.4 **Support Services**

Pre-opening costs,

- **Capital** £150k to be allocated from the existing £1m Library Capital Plan allocation to pay for all moving requirements.

  IT infrastructure is currently being assessed. It is proposed this is also funded by the £1m Library Capital Plan allocation.

  Other IT hardware costs will be required to be met from IT capital and revenue budgets. Discussions will continue with the service to test this assumption.

- **Revenue** Unless identified in this report, all other pre-opening revenue costs are proposed to be met from within existing services.

Post-opening costs, annual.

- **Revenue** £316k Corporate Landlord costs to be partially met by the use of existing budgets following closure and disposal of other assets, made surplus by the opportunities created by the new space in Our Cultural Heart.

  £90k p.a. is required for security costs which will benefit all future phases of Cultural Heart. It will be necessary to recognise these costs in the refreshed council's Medium Term Financial Plan.

  Other revenue costs such as IT costs, water feature and public realm are to be borne by existing service budgets. This will be tested with the service.

2.1.2.5 **Food Hall**

For the food hall the working assumption is that it will be operated by a third party with the formal procurement process to commence in Q1 2025 and an appointment by Q4 2025. The form of the commercial arrangement (lease or management agreement) with the operator will be influenced by the market engagement (ongoing), the procurement process and negotiations with the preferred operator, and is assumed to be at net nil revenue cost to the council. The commercial arrangement may also need to include the opportunity for it to be reviewed as the other phases are delivered. If none of the third party offers seem attractive enough then the council could consider operating the facility itself. Further information about the financial implications of this will feature in a future Cabinet report.

2.2 Phase 2

2.2.1 Construction

Phase 2 is the repurposing of the former library building following its closure and includes the delivery of,

- Combined museum & art gallery,
- Public realm
- Basement service areas.

See Appendix 4, Phase 2 plan red line boundary (public)

Following the decision to combine the museum and gallery and work within the existing RIBA design stage 3 master plan planning approved envelope, the design work to sympathetically combine the two facilities recommenced in March 2024. Working with the museum & gallery service the designers revisited the internal design to determine the optimum layout and maximise the display space for both the museum and the art gallery.

The revised RIBA 3 design and submission for planning and listed building consent were both achieved in September 2024 with the listed building consent being granted recently and the planning approval expected shortly.

See Appendix 5 Phase 2 Summary of RIBA 3 Design Report (public). The full report, running to 431 pages plus appendices, can be made available to Cabinet members.

Working with the council's procurement team on the contractor procurement for Phase 2 it was decided early on that frameworks would be used for the appointment in line with procurement processes and options for appointment of a competent contractor be explored. As part of this process conversations have been held with BAM (contractor on Phase 1) to determine the suitability of appointing them directly. See Appendix 6, Value for Money Report (Phase 2) (private).

The BAM submission for the pre-PCSA period incorporates value engineering proposals to be incorporated into the RIBA 3 design and risk quantification surveys (asbestos) to mitigate the budget overage as much as possible prior to formally appointing BAM under the PCSA, subject to the outcome of the pre-PCSA.

The process of preparing for construction on site will be the same as Phase 1 where initially a contractor is appointed under a PCSA to progress the RIBA stage 4 design and negotiate the contract sum. It is then at Phase 2 Gateway 4 (target Q4 2025) that a report will be brought back to Cabinet requesting approval to commence the main construction works on site.

As with Phase 1 it will be necessary to carry out surveys to inform the design and to facilitate this it is anticipated that asbestos removal will be required. It may also be in the council's best interest to carry out similar enabling works (soft strip, other asbestos removal, internal demolition, temporary weathering, etc) during the PCSA to minimise or maintain the construction programme and the Phase 2 target completion date of third quarter 2027. To be in a position to implement these works this report requests delegated powers to be able to instruct any of these works.

Through the gateway process Cabinet has previously approved expenditure for Phase 2 of £2.739m to March 2025. This report requests approval to draw-down a further £5.413m to progress Phase 2 to Gateway 4. This is to fund the contractor and its design team during the PCSA including the works set out above and the Client's delivery team fees, etc. For the cost breakdown of the funding request see Appendix 7, Phase 2 Construction Budget (private).

Appendix 7 also gives an update of the overall construction budget for Phase 2.

2.2.2 **Operational Services**

The council services that will operate the combined facility in Phase 2 of Our Cultural Heart are,

- Museums
- Art gallery

There will then be the normal input from support services as with any of the council's other assets including Corporate Landlord, iT, Highways & Streetscene, etc.

Following construction completion there will be a significant operational fit out with an expected target opening date of Q1 2029.

The estimates of additional operational budgets for Phase 2 are set out in Appendix 8, Phase 2 Services Additional Budgets (public), and summarised below. Where any existing budgets are available the services have included them to offset some of the costs. The operational budgets will continually be refined and reported at future gateways.

2.2.2.1 **Museum and Gallery**

The museum & gallery service have developed a detailed financial forecast that the figures in this report have been drawn from.

Pre-opening costs, whilst the preparations are over four years other than staff the majority of the costs occur in the eighteen months (to be further defined at Phase 2 Gateway 4) prior to opening.

- **Capital** £14.480m, including display and exhibition fit out, FF&E, capitalised staff costs and collections preparation, move and storage. Subject to no other sources of funding being available, up to this figure will be met by reallocation of funding from the Our Cultural Heart construction budget.

  At this stage it is prudent to plan for funding the museum and gallery capital costs from the construction budget to provide certainty of delivery of Phase 2. However, the service is investigating other potential sources of funding to minimise the reallocation of funding from the construction budget.

- **Revenue** £381k, including staff, ancillary and storage costs. These one off costs cannot be capitalised and require an additional budget to be recognised in the council's Medium Term Financial Plan.

Post-opening costs, annual.

- **Revenue** An initial amount of an additional £800k has been allowed for in the council's Medium Term Financial Strategy from 2028/29, to include staff, ancillary and storage costs. However, this will be subject to refinement.

2.2.2.2 **Support Services**

Pre-opening costs, whilst the preparations are over four years other than staff the majority of any pre-opening costs are estimated to occur in the twelve months prior to opening and substantially during 2028/29.

Post-opening costs, as with Phase 1, where possible, additional service pressures will be met from existing budgets for IT, public realm etc. Other elements such as security are covered in Phase 1 costs. The main additional post-opening service cost that is outside current revenue budget provision is for Corporate Landlord, who estimate £350k additional annual costs for facilities management and maintenance. This will be a pressure for the council's Medium Term Financial Strategy for the second half of 2028/29 onwards. However, as with other revenue costs, this figure will be reviewed, and the challenge will be to identify existing Corporate Landlord budgets from surplus assets. Further details will be provided at Phase 2 Gateway 4 prior to construction starting on site.

2.3 Master Plan

Planning and listed building consents for all the phases of the RIBA design stage 3 master plan were approved by the Strategic Planning Committee on the 2nd March 2023.

The timing and order of the phasing is flexible to accommodate the needs of the council and the programme and is reviewed regularly. One of the current considerations is swopping the delivery timescale of the Queen St plot with the park. This matter will be brought back to Cabinet at a later date.

The councils changed financial position, recent events in the local events venue market and the reallocation of funds from the construction budget warrants a review of the business case associated with Phase 5, the venue and car park, including the scope, design and wherever possible making efficiencies to minimise the required construction budget.

IPW who developed the original business case for the Our Cultural Heart master plan, including the venue and car park have been asked to submit a proposal to support the review.

A feasibility budget allowance of £250k for design fees and investigative work to develop the master plan and consider opportunities was approved at Phase 1 Gateway 4 (December 23 report). Whilst this remains largely unspent the proposal is that this budget is increased to £500k to include the Phase 5 review which will take place during Q1/Q2 2025.

2.3.1 **Queen St Plot**

Greenhead College have withdrawn their interest in the Queen St plot. At the appropriate time the site will be marketed and other alternatives considered (residential, hotel, office, etc) with the viability improving with lower interest rates and future rounds of strategic intervention funding (i.e. successors to levelling up, Town Fund, Future High Streets Fund) to assist in closing the viability gap.

Any proposals for this plot will need to be supported by their own source of funding separate from the council's resources.

2.3.2 **Vacant Possession**

The council is the freeholder for the master plan site with all leases coming to an end (subject to service of appropriate notices) on timescales that accord with the delivery programme for the master plan, particularly with a phased approach. Where appropriate, available retail units are being used on a short term basis for meanwhile uses.

2.4 Client Construction Delivery Team

The councils outsourced Client delivery team working on the design and construction capital delivery across all the phases and workstreams have worked on the programme from the beginning and is made up of the Strategic Delivery Partner (Turner & Townsend), Architect (FCB) and the Multi-Disciplinary Engineer (Arup). The team is supplemented with other specialists as and when required. The delivery team are all separately appointed by the council under the NHS Shared Business Services Construction Consultancy Services Framework. Retaining this team, subject to agreement on fees for each phase and or stage within a phase, is important to retain the knowledge gained and achieve efficient delivery for the council.

The fees associated with this team are included in each of the phase budgets.

2.5 Town Centre Operational Management Board

To complement the aspirations of the blueprint, including the operational and facilities management, etc of Our Cultural Heart pre and post opening, the Town Centre Operational Management Board is reviewing the management of the town centre, coordination of the service budgets and those associated with Our Cultural Heart. The scope associated with the management of our town centres includes,

- Operational management
- Facilities management
- Management of the public realm
- Information & Communication Technology (ICT)
- Cultural Content & Programming
- Data Intelligence & Visibility
- Key Stakeholders Voice/Survey

2.6 Sustainability

The Our Cultural Heart sustainability strategy has encompassed the council's 2038 Carbon Neutral Vision and policies encouraging sustainability and minimising the carbon footprint of the programme within affordability limits. It is recognised that a net zero economy, design, construction, and operation cannot be achieved overnight, but will be a process of incremental and positive actions to meet 2038 targets.

The established sustainability strategy for the master plan includes no gas on site, reduced rainwater run-off and the target for Phase 1 remains BREEAM Excellent.

2.7 Social Value

Social Value(SV) has been an integral element of the Our Cultural Heart programme from the outset both in terms of the end outcome and the process of getting there. The intention has been to set the standard of what SV can be achieved during the design, delivery and legacy phases of the project. SV outcomes have been embedded in contracts at all stages and embraced by the wider project delivery team.

The SDP, architect and engineer continue to deliver their SV commitments across the programme and the Social Value Portal is being used to measure the outputs. Social Value Portal is endorsed by the Local Government Association and helps us to procure, measure, manage and report SV via a single platform.

Following the delegation at Phase 1 Gateway 4 (December 23) the BAM proposals have been signed off including the Our Cultural Heart fund and now that the main contract has commenced BAM have started to deliver on their commitments. BAM have met with the council a number of times to establish the working relationship on SV. The fund will be administered through the One Community Foundation.

Subject to lessons learned the same approach to SV will be used on future phases.

3. Implications for the Council

3.1 Working with People

This report deals with the delivery aspect of one part of the blueprint. The blueprint was subject to a number of engagement exercises commencing in 2018 as part of the blueprint development and then again late in 2019 after the blueprint launch the council undertook a Place Standard exercise to benchmark public reaction to the approach and projects. The key report for this can be found by accessing the following link:

https://howgoodisourplace.org.uk/huddersfield-town-centre/

As part of initial development work into options around the core projects for Our Cultural Heart a number of internal and external stakeholders have been consulted as a way of testing out and developing options and then in May and August during 2022 public consultations took place as part of the planning application process to help inform the design. This consultation included a drop-in centre, presentations and workshops with groups and interested parties.

3.2 Working with Partners

Collaboration and working together with partners are the key to ensuring the council get the best outcomes for citizens, communities, and Kirklees as a whole. In addition to the consultations already undertaken and the ongoing work with stakeholders, and whilst the majority of the facilities in Our Cultural Heart will be operated by the council, there will also be third party operators (like in the food hall) as part of Our Cultural Heart.

Both in delivery and in the longer term when in operation across the range of assets it is expected that there will be numerous opportunities and a necessity to work with partners to maximise the outcomes of Our Cultural Heart.

3.3 Place Based Working

The development of the blueprint and the associated Place Standard exercise has already engaged town centre stakeholders, businesses, and users to help shape the overall approach to redeveloping Huddersfield Town Centre, including the plans for Our Cultural Heart. The buildings and spaces to be delivered as part of Our Cultural Heart create opportunity for wider use.

Also, cash from the SV fund can be used to help strengthen community and voluntary sector partners who are delivering place-based working throughout Kirklees. Other opportunities for the communities of Kirklees will also be available through the programmes social value deliverables.

The facilities to be delivered in Our Cultural Heart will enhance the town centre, encourage collaboration and contribute to meeting the needs of people working and visiting the town.

3.4 Climate Change and Air Quality

Both Climate Change and Air Quality are key parts of the Our Cultural Heart master plan and design. This in turn informed the planning application, the sustainability strategy and the detailed design work.

In addition, climate change initiatives are associated with the delivery and promotion of other projects and programmes for example sustainable transport modes that help to reduce adverse transport derived impacts on communities and public health. Public transport can be used to access Our Cultural Heart from both the railway station and the bus station.

3.5 Improving outcomes for children

The blueprint includes within it a key objective of providing a family friendly town centre. This means that uses, streets, and places will favour all age groups including children. Part of the strategy to renew the town is to bring in new uses that attract families and young people in a way the town does not at present. This means that the introduction of cultural activities and associated food and beverage offers that are part of Our Cultural Heart need to be managed in a way that appeals to all age groups.

Additionally, streets and spaces are being designed with all generations in mind promoting safety and inclusivity and as part of the master plan the range of destinations that will be clustered in Our Cultural Heart including the park, museum and gallery, library, West Yorkshire Archive, food hall and the venue will provide opportunities for children to explore, learn and have fun.

3.6 Financial Implications

3.6.1

The council's existing multi-year revenue and capital medium term budget plans and financial strategies for 2024/25 and future years, approved at Budget Council on 6th March 2024 and the Medium Term Financial Plan (MTFP) approved in September 2024, continue to acknowledge that this scheme is a significant strategic investment priority commitment to deliver major long term sustainable regeneration for the district.

Since the inception of the Our Cultural Heart programme, and as well documented, the council's overall financial position and the cost of borrowing for capital has worsened and continues to be under pressure. This has led to reduced budgets for most of the services and limits the scope for any additional funding for the services that will operate in Our Cultural Heart.

The original strategy for the services was that any additional funding for Our Cultural Heart would be expected to come from within each service or from other areas of the council's budget. However, now that these opportunities are restricted as savings have to be made to existing budgets to balance the here and now.

To mitigate the situation, it is proposed that subject to no other sources of funding being available defined amounts of funding will be drawn from the programme's construction budget to support elements of cost that are defined as 'capital'.

To understand the implications of any different timing of this reallocated expenditure the cashflow will be considered and factored into the council's budgets considering where any pressures can be smoothed out, which may need to include rephasing.

Also, on the 5th November 2024 Cabinet approved the reallocation of £9.8m of funding from the Our Cultural Heart construction budget to the George Hotel development.

3.6.2 **Budgets**

3.6.2.1 **Construction**

The previously approved construction expenditure for the programme is £73.329m and this report requests approval to drawdown a further £5.663m as set out in section's 2.2.1 and 2.3 and the table below. In parallel with Phase 1 this additional funding will allow Phase 2 to progress to Gateway 4 and feasibility support on the rest of the master plan and the review of Phase 5.

	New Drawdown £	**Previously Approved £**	**Total £**
PHASE 1	--	57.905m	57.905m
PHASE 2 • Gateway 3 to 4	5.413m	2.739m	7.870m
MASTER PLAN • Gateway 3	--	12.435m	12.435m
• Feasibility work • Phase 5 review	250K	250k	500k
TOTAL	£5.663m	£73.329m	£78.992m

See Appendix 9, Construction Budget, Phase 1, Phase 2 & Master Plan Allowances (private) which summarises the total design and construction funding requested to date.

Whilst the construction budget for delivery of the assets within the master plan is budgeted to be funded from council prudential borrowing, phasing provides time for ways of replenishing the construction budget, following any reallocation of budget to provide resource to complete fit out etc of the Library and Museum & Gallery, from third party investment or external funding applications but without increasing the council's capital borrowing commitments.

To deliver the current master plan the construction budget of £262m is required. However, to accommodate the reallocations and considering the existing OCH budget pressures the overall construction budget that will remain to deliver all the phases, without the budget being replenished (subject to success with value engineering), is £238m - 233m. The Phase 5 review will be part of mitigating this as will the scoping of the other remaining phases beyond Phase 2.

As outlined in previous gateway reports the programme construction budget excludes any costs associated with council staff resource costs and any pre and post opening service costs other than those noted in this report.

3.6.2.2 **Operational Services**

The table below provides an indicative summary of the additional revenue budgets required pre and post opening costs of Phases 1 and 2. Pre-Opening costs will be phased over a number of financial years.

	Pre-Opening Costs (£000)	Annual Post Opening Costs (£000)
Phase 1	£100k	£506k
Phase 2	£381k	£1,150k

3.7 Legal Implications

Legal Services, and Addleshaw Goddard LLP (an external framework firm), are involved in the procurement process and appointment of the consultants and contractors.

Legal Services, and the external framework firm, are involved in the process to complete any relevant documentation in order to secure vacant possession of the Piazza Shopping Centre to enable delivery of the proposed programme through the gateway process.

There are also a number of occupiers outside the boundaries of the site who have certain rights including the use the access and service areas associated with the Piazza Shopping Centre. Legal Services, and the external framework firm, will provide any necessary advice in the process to complete any relevant documentation, including so that works can be carried out to these accesses.

Legal Services, and the external framework firm, will advise in the procurement process and contractual arrangements with the third party operators.

The Council must comply with its duty under the Public Services (Social Value) Act 2012 as noted in 2.7 above the Council will consider how services/works are procured to improve economic, social and environmental wellbeing of the area.

The Council has a duty of Best Value under section 3 of the Local Government Act 1999 to make arrangements for continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council in carrying out its functions must comply with the Public Sector Equality duty under section 149 Equality Act 2010 before exercising any decision on a particular policy or strategy is taken ; namely it must have due regard to the need to eliminate unlawful discrimination, harassment, victimisation; advance equality of opportunity between persons who share protected characteristics and those who do not, and foster good relations between those who share protected characteristics and those who do not.

Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals generally may do, subject to specified restrictions and limitations imposed by other statutes.

The Council will comply with its Contract Procedure Rules and Financial Procedure Rules; and the Public Contracts Regulations 2015 and/or the Procurement Act 2023 when brought fully into force in relation to Goods, Works and Services.

3.8 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)

3.8.1 **Risk**

The risk management strategy for Our Cultural Heart is supported by the programme gateway method of decision and delivery. At each gateway Cabinet are invited to review progress to date, reflect on the current and specific circumstances, and determine the most appropriate way forward for the overall programme.

As part of this process and to manage financial risks associated with debt servicing costs on new council borrowing, and so that overall borrowing can be managed, the adoption of phasing allows borrowing to be timed and matched with affordability.

As reported previously the SDP/project manager maintains a risk register for the construction programme and the active phases within it.

Subject to budget being reallocated and not being replenished there is a risk that the full master plan cannot be delivered without modifying the scope as set out in Section 3.6.2.1.

3.8.2 **Integrated Impact Assessment**

A two stage Integrated Impact Assessment (IIA) was undertaken to assess the impact of the proposed Our Cultural Heart programme and what needs to be considered in the design of the master plan and the assets within it. The IIA considers equality impact, covering the nine protective characteristics set out in the Equality Act 2010, plus environmental impact and the effects on low earners and unpaid carers.

The IIA was previously included with the Gateway 3 Cabinet report (June 2023) and is considered appropriate for this report. It is included here at Appendix 10. (public)

4. Consultation & Engagement

A number of consultations took place in 2018 and 2019 as part of developing the Huddersfield Blueprint and then building on this work further consultations took place for the Our Cultural Heart master plan proposals and in preparation for the master plan planning and Listed Building applications in 2022.

Further consultation was also part of the design modifications process, and the subsequent planning and Listed Building applications associated with Phase 1 and more recently Phase 2 during 2024. This process will be repeated as and when any further modifications are required for planning.

There is regular consultation and engagement with the services with regard to design development of the assets within each phase and for Phase 1 this will now move into supporting the transition from construction to operational facilities.

A programme of this scale will continue to require regular engagement and consultation at various stages of the programme development and delivery of phases.

5. Options

The options around the built form and the scope of the master plan, Phase 1 and Phase 2 were decided in previous Cabinet reports. The previous approved Cabinets reports are available through the links in Section 8 of this report.

Phase 1 is in the construction stage and Phase 2 is in the design and contractor procurement stage.

The combining of the museum and gallery into one building was approved at Cabinet in June 2023. Then the option to utilise the already planning approved museum envelope was approved at Cabinet in December 2023 to provide the most cost effective solution in terms of capital spend and operational costs. At the same time the internal layout of the building has been significantly redesigned to maximise the available useable floor/wall and display space.

As part of the design and budgeting process, it is natural to consider options and then discount or adopt them on the basis of meeting the brief, deliverability, value for money and affordability.

6. Next steps and timelines

The current key milestones and gateways for Our Cultural Heart programme are set out below. As each phase is progressed gateways 3, 4 & 5 will be repeated.

The programme commenced on the 22nd June 2021 and achieved Gateway 3 including planning and Listed Building consents for the entirety of the master plan in June 2023.

Following the introduction of phasing construction is expected to complete in 2030/31.

Phase 1 Key Dates

Gateway 3	PCSA		June 2023
		RIBA 4 design	December 2023
		Surveys & enabling works	March 2024
		Contract sum negotiation	
		PCSA concludes	
Gateway 4			
	D&B main contract award	Substantial start on site	August 2024
	Food hall operator award		Q4 2025
Gateway 5	Construction completion		Q2 2026
	Open to public		Summer 2026 (target)

Phase 2 Key Dates

Gateway 3	PCSA	RIBA 3 design complete	
		Procure D&B contractor for PCSA	Q1 2025
		RIBA 4 design	
		Contract sum negotiation	
		Surveys & enabling works	
Gateway 4	D&B main contract award	Substantial start on site	Q1 2026

Gateway 5	Construction completion		Q3/Q4 2027
	Open to public		Q1 2029 (target)

7. Contact officer

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8. Background Papers and History of Decisions

- **March 2019 -** Cabinet Report - Assembling land and property – Huddersfield Town Centre (Piazza)
https://democracy.kirklees.gov.uk/documents/s29122/Item%2014%20Land%20Assembly.pdf
- **August Oct 2019 -** Huddersfield Blueprint Place Standard Exercise – Results
https://howgoodisourplace.org.uk/huddersfield-town-centre/

- **February 2020 -** Cabinet report - Huddersfield Blueprint - Next Steps.
https://democracy.kirklees.gov.uk/documents/s34958/Item%2015%20CAB%20%2020%20-%20071%20-%202020-02-25%20Cabinet%20Huddersfield%20Blueprint%20-%20Next%20Steps%20Final.pdf

- **September 2020 -** Cabinet report Dewsbury and Huddersfield Town Centre Finance.
https://democracy.kirklees.gov.uk/documents/s37506/Town%20Centre%20Finance%20 Cabinet%20Report%20-%20Final%20Version.doc.pdf

- **June 2021 –** Cabinet report – Cultural Heart, part of the Huddersfield Blueprint – Next Steps.
https://democracy.kirklees.gov.uk/documents/s41881/Delivering%20the%20Cultural%20Heart%20Cabinet%2022.6.21%20002.pdf

- **November 2021 -** Cabinet report, Cultural Heart, part of the Huddersfield Blueprint, Gateway 1.
https://democracy.kirklees.gov.uk/documents/s43757/PUBLIC%20CUTLURAL%20HEART%20Cabinet%20Report.%20Final%2016.11.21.pdf

- **September 2022 -** Cabinet report – Cultural Heart, part of the Huddersfield Blueprint – Gateway 2.
https://democracy.kirklees.gov.uk/documents/s48238/PUBLIC%20Cultural%20Heart%20Cabinet%20Report%2021.9.22.pdf

- **June 2023 -** Cabinet Report - Cultural Heart, part of the Huddersfield Blueprint - Gateway 3.
https://democracy.kirklees.gov.uk/documents/s52438/Cabinet%20Report%2027.6.23%20public.pdf

- **December 2023 -** Cabinet Report – Our Cultural Heart, part of the Huddersfield Blueprint – Phase 1 Gateway 4.
  https://democracy.kirklees.gov.uk/documents/s54749/Signed.%20OCH%20GW4%20Cabinet%20Report%2021.12.23%20public.pdf

- **July 2024 –** Decision – Our Cultural Heart Phase 1, Structural works to former Queensgate Market.
  https://democracy.kirklees.gov.uk/ieDecisionDetails.aspx?Id=12075

9. Appendices

The appendices to the Cabinet report are set out below.
In the public report where appendices are private parts may be redacted, or the appendix may have been withheld.

Appendix 1, Phase 1 plan red line boundary (public)

Appendix 2, Phase 1 Construction Budget (private)

Appendix 3, Phase 1 Services Additional Budgets (public)

Appendix 4, Phase 2 plan red line boundary (public)

Appendix 5, Phase 2 Summary of RIBA 3 Design Report (public)

Appendix 6, Value for Money Report (Phase 2) (private)

Appendix 7, Phase 2 Construction Budget (private)

Appendix 8, Phase 2 Services Additional Budgets (public)

Appendix 9, Construction Budget, Phase 1, Phase 2 & Master Plan Allowances (private)

Appendix 10, Final. 220519 IIA stage-2 v3_Redacted (public)

Certain appendices as annotated above are private in accordance with Schedule 12A Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006 namely it contains information relating to the financial and business affairs of third parties (including the Authority holding that information). It is considered that the disclosure of the information would adversely affect those third parties including the Authority and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the Authority, outweighs the public interest in disclosing the information and providing greater openness and transparency in relation to public expenditure in the Authority's decision making. And where information is subject to an obligation to confidentiality.

10. Service Director responsible

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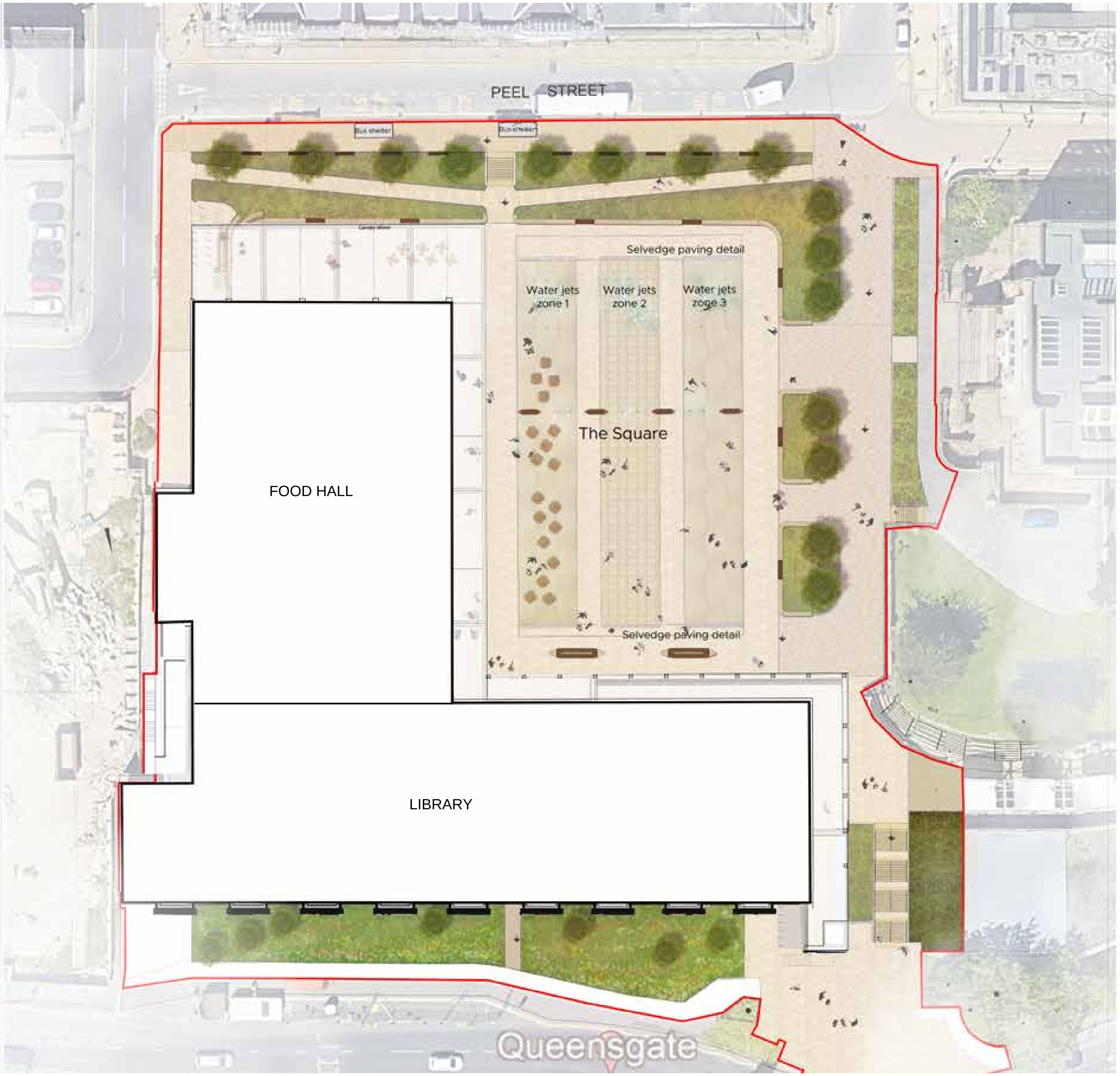
LANDSCAPE MASTERPLAN



CHAPMAN TAYLOR

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PHASE 1

SERVICES ADDITIONAL BUDGETS

PHASE 1 Opening Summer 2026. Library, Food Hall, Events Square/Public Realm & Basement.	**Pre-opening over 15-18 months**		**Post-opening per annum 2026/27**
	Capital £	Revenue £	Revenue £
Libraries	663k	100k Phase 1 PM	Nil
West Yorkshire Archive WYAS pay rent for space occupied, currently £87k.	371k	TBC	Nil
Events	50k	Nil	100k
Food Hall	1.0m	Nil	Target 3rd party operator
Support Services			
▪ Moves, library & WYAS	150k	Nil	Nil
▪ Corporate Landlord	Nil	Nil	316k
▪ Security	Nil	Nil	90k
▪ ITC Hardware	Nil	Nil	Nil
▪ ITC Infrastructure	TBC (187k)	Nil	Nil
▪ Public Realm	Nil	Nil	Nil
▪ ANO	TBC	TBC	TBC

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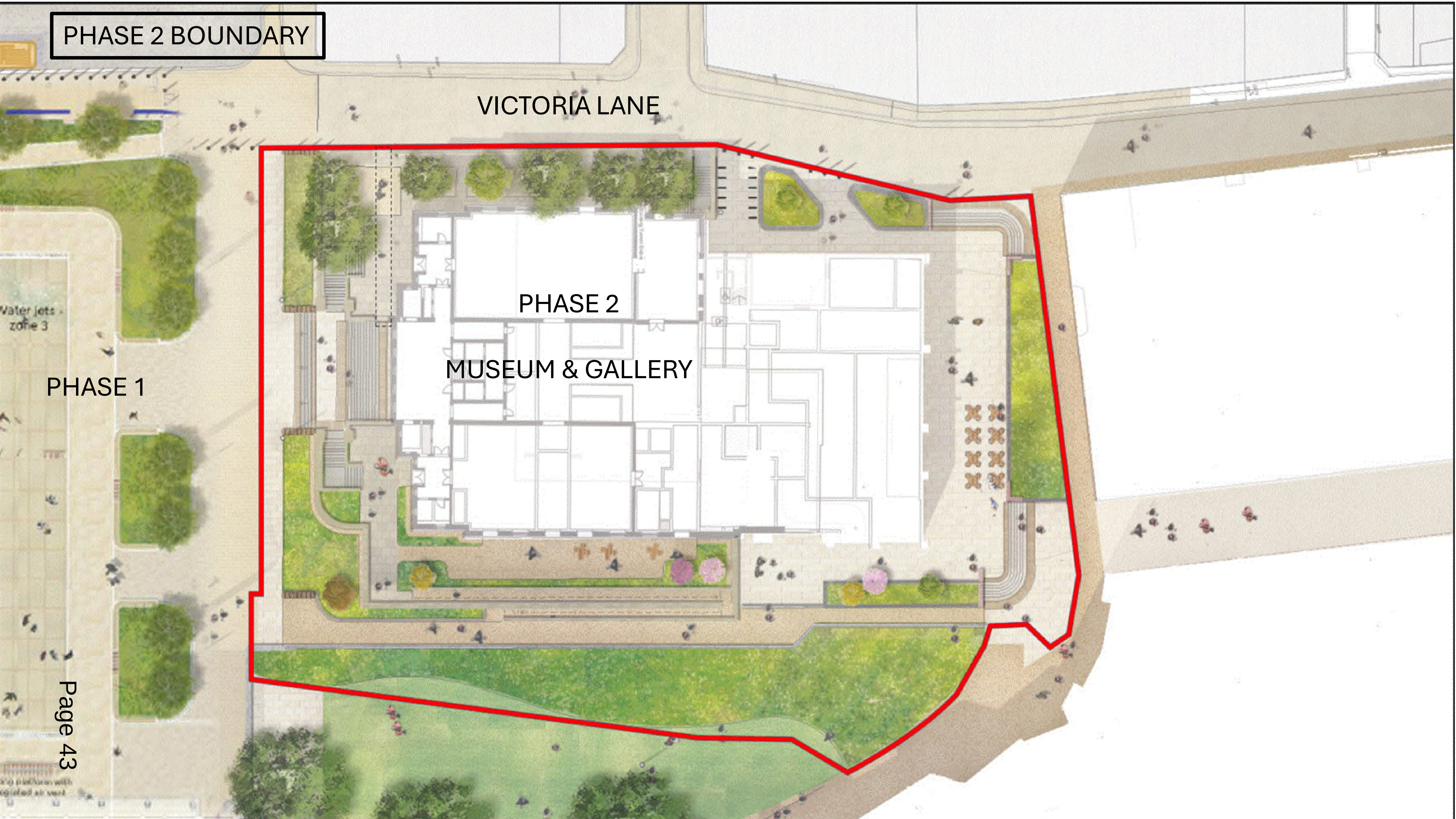
PHASE 2 BOUNDARY
VICTORIA LANE
PHASE 2
MUSEUM & GALLERY
PHASE 1
Water jets zone 3

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Phase 2.

Extracts from RIBA 3 Design Report.
September 2024.

0.0 INTRODUCTION

0.1 EXECUTIVE SUMMARY

0.1.1 INTRODUCTION

This project is for the 1939 Grade II-listed purpose-built Library and Art Gallery to be refurbished, extended and re-purposed as a new Museum and Art Gallery for the town.

The new museum represents the vision to re display some of the town's valuable and varied collections (of c500,000 items) within a new dedicated building, including the relocation of those currently housed at the Tolson Museum. It will celebrate the diversity, history and culture of the town, and look towards its future, focusing on themes of regional significance such as landscape, engineering and textiles.

The Council itself has a significant collection of 20th Century paintings and sculptures, including works by Francis Bacon, LS Lowry and Henry Moore, but much of the collection is currently kept in permanent storage due to insufficient space and the poor condition and relative inaccessibility of the existing galleries. The proposed scheme provides a fantastic opportunity for Huddersfield to showcase its permanent collection, in high-quality purpose-designed spaces, as well as attracting both emerging and acclaimed artists and touring national and international exhibitions.

As an integral part of the Our Cultural Heart development, this new facility will allow engagement with Huddersfield's vast history and vibrant contemporary artistic community, to introduce the towns cultural heritage to a new and wider audience, increasing the inclusivity of this part of the town's cultural offer, and allowing a more ambitious programme of education and events to be realised.

0.1.2 PROJECT BACKGROUND

In 2022 the design team submitted Listed Building Consent, Planning and Stage 3 information for the Our Cultural Heart masterplan, which included the refurbishment and extension of the Grade II Library and Art Gallery into a new Museum, alongside a new separate Art Gallery building.
In April 2023, following the Listed Building Consent and Planning Approvals granted in March 2023, the design team were reappointed for a new and revised brief which is to develop a combined Museum and Art Gallery to be accommodated in the former Grade II Library and Art Gallery. The report that follows is based on this new brief.

Further information in relation to the initial Our Culutral Heart masterplan can be found in document CDT430201-FCB-XX-XX-RP-A-010060-P02 KCH RIBA Stage 3 Report.

0.1.3 EXECUTIVE SUMMARY

This RIBA Stage 3 Report for Our Cultural Heart Phase 2 Museum and Art Gallery has been compiled by FCBStudios for the conclusion of RIBA Stage 3, with Design Team contributions for their relevant discipline.

From June 2024 to September 2024 the process has been focused on coordinating key areas of design, operation and logistics for the Museum and Art Gallery Service Team. Frequent DTMs, workshops and Service Team engagement meetings have informed the design and identified a number of key topics that have been developed throughout Stage 3. The key activities undertaken in this period include:

- Development of the basement to improve operation
- Roof light and and plant location and coordination
- New western stair and lift arrangement
- Development of external step free access to lower ground floor sunken terrace areas
- Coordination of servicing the existing and new build areas
- Review of the admin and support spaces
- Look and feel of main circulation spaces

There are a number of items / risks that have developed throughout these stages of work and need to be addressed prior to RIBA Stage 4 commencing. This list can be found below and in section 2.17 of the report.

- Appointment and coordination of Exhibition / Fit out designer (currently not aligned)
- Confirmation of procurement and programming and receipt of information from fabric surveys / investigations as per FCBS Note 044 (see appendix for information),
- Value Engineering process and possible implications on coordination, programme and Planning / LBC submission.
- Late change to composite concrete slab means this is not yet coordinated.
- Fire suppression system confirmation and coordination.

The Stage 3 Museum and Art Gallery building provides the following area and accommodation, further detail can be found in Section 2.0:

- **GIA Reconfigured Grade II-Listed Library and Art Gallery Building:** 3,468 sqm
- **GIA New Extension:** 2,645 sqm
- **GIA Total:** 6,114sqm

- **Art Gallery Display:** 837sqm (inc. 61 sqm shared with circ.)
- **Museum Display:** 1,728 sqm (inc. 328 sqm shared with circ.)
- **Storage & Display Stores:** 435 sqm
- **Admin & Curatorial Space:** 250 sqm
- **Education Space:** 171 sqm
- **Hire Space:** 210 sqm
- **Front of House (Foyer, Reception, Etc):** 376 sqm

0.0 INTRODUCTION

0.3 CONTENTS

1.0 SITE

1.1 SITE SUMMARY

1.1.1 SITE LOCATION

The Combined Museum and Gallery plot is occupied by the former Huddersfield Library and Art Gallery, a Grade II-listed building dating from 1939 with Art Deco-inspired decorative treatments. The building comprises five floors and is stone and brick masonry over a steel frame with an articulated base, an expressed stepped entrance and simply articulated tall windows to the main reading room spaces.

The location of the plot can be seen within the overall Our Cultural Heart masterplan boundary in the diagram to the right, building 2. The setting is largely formed by the surrounding Huddersfield Town Centre Conservation Area- which lies to the north, east and west- and works to develop Phase 1 of the wider Our Cultural Heart masterplan to the south. To the north and east the existing building faces onto the Piazza shopping centre, where meanwhile uses are currently housed within former retail units.

Service tunnels beneath the public realm surround the existing building and extend along its north, east and western sides. The tunnel to the east ramps up to the lower ground floor level into an open-air service yard.

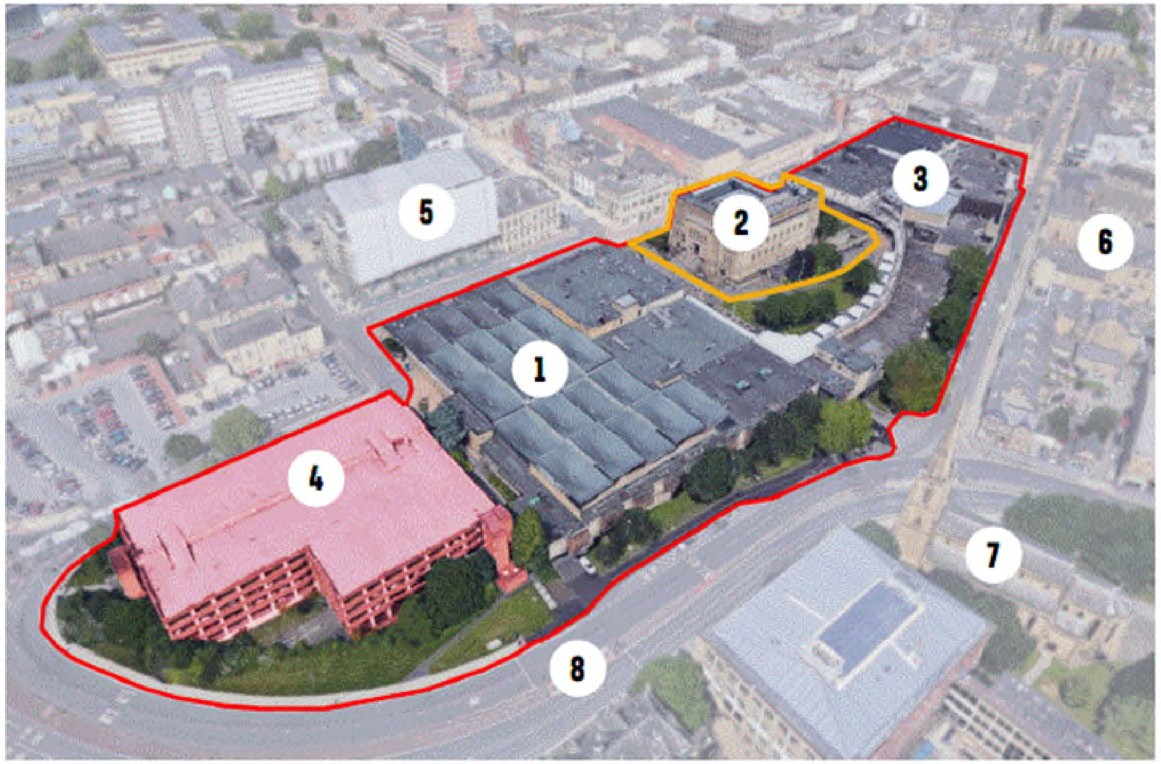


Fig. 1.1.1 Existing Site Location Diagram

KEY

1. Queensgate Market (Grade II)
2. Huddersfield Library and Art Gallery (Grade II)
3. Piazza Shopping Centre
4. Former municipal car park (now demolished)
5. Huddersfield Town Hall (Grade II)
6. Lawrence Batley Theatre (Grade II*)
7. St Paul's Hall (Grade II)
8. A62 Queensgate ring road

OCH Masterplan Site

Phase 2 Site

2.0 ARCHITECTURE REPORT

2.3 KEY PLANNING AND LBC CHANGES

2.3.1 PLANNING AND LBC CHANGES

Over the course of the revised brief, and as highlighted on the previous pages, there have a been a number of changes that have developed leading to a revised Section 73 Planning and LBC submission in September 2024. The key changes from the previous submission are captured in the below and adjacent pages.

Design Changes | Plan

- Basement reconfigured / relocated - to accommodate MEP and structural arrangement. Collections Store relocated off site (1)
- New Extension stair, passenger lift and goods lift locations reconfigured (2)
- Central lower ground floor layout and display stores amended (to be included in fit-out works) (3)
- East terrace landscape revised to enable external step free accessible entry / exit to LGF out-of-hours (4)
- Heritage Innovation Activity Space (HIAS) relocated to LGF (5)
- Reconfigured visitor arrival to north - layout re-planned (foyer, cafe, shop, WCs), east entrance omitted, stone piers updated to suit new entrance (6)
- New atrium feature stair amended between UGF and LGF and omitted on upper floors. (7)
- Previous new entrance through east elevation omitted providing greater retention of existing fabric (8)
- Layout and windows to new extension Art Galleries amended (9)
- Reinstatement of top floor as Art Gallery (as 1940 design)
- Increase in GIS provision - layout and service strategy impact
- Reconfigured Art Gallery entrances at Level 01 and 02
- Amended rooflight design
- Admin spaces redistributed

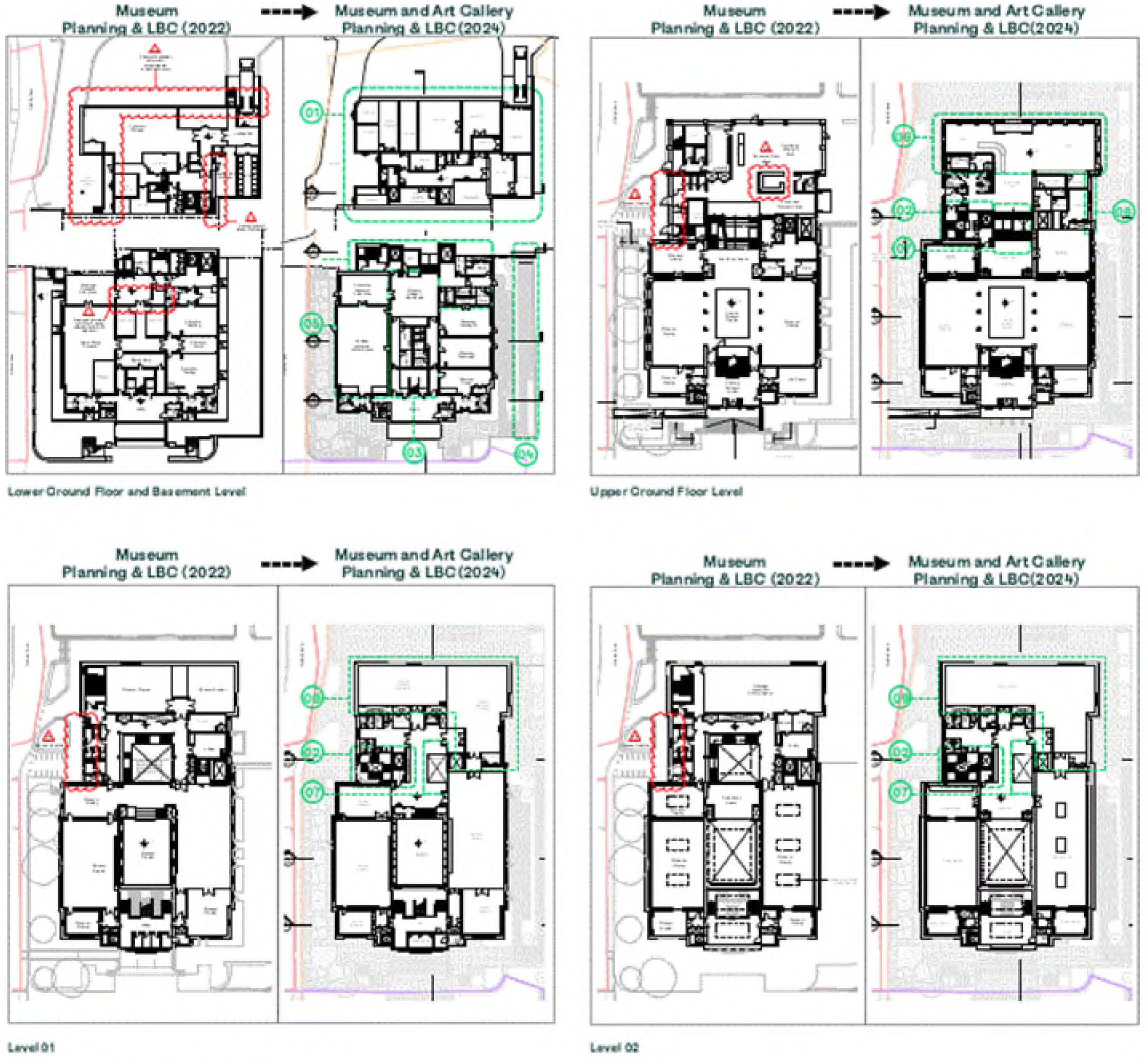


Fig. 2.3.1 Summary of Development in Stage 3

2.0 ARCHITECTURE REPORT

2.3 KEY PLANNING AND LBC CHANGES

Design Changes | Elevation

- Facade piers updated to emphasise the new entrance. (1)
- Window locations in extension updated to align with internal layout changes and key views to surrounding context. (2)
- New main entrance relocated to the North elevation. Existing windows on level 01 infilled to provide flexibility to Temporary Exhibition space (3)
- Window locations to west new facade updated to suit internal updates and relocation of stair (4)

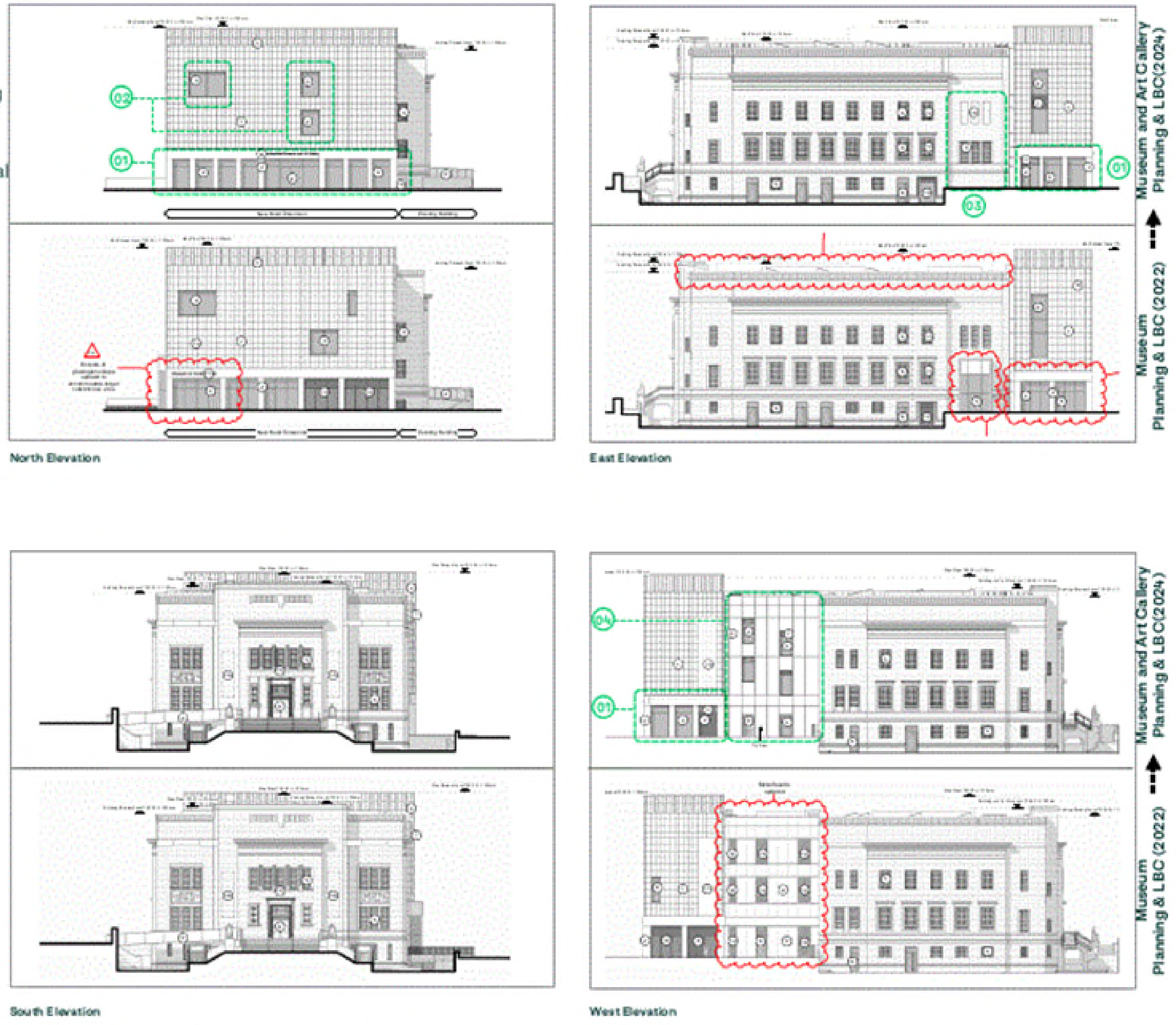


Fig. 2.3.2 Summary of Development in Stage 3

2.0 ARCHITECTURE REPORT

2.4 LAYOUT AND ORGANISATION

2.4.3 UPPER GROUND FLOOR

To bring new life to the building and facilitate its new use as a museum and art gallery, a new extension will sit to the north, and where historic drawings by the original architect show a future extension had been considered.

From this level, internal access can be provided to both the existing lower ground and upper ground levels via a new public lift, service lift and central stair, in a generous entrance foyer. To the west a new stair enables a public route to all floors of the building, sitting adjacent to the existing facade, with new windows providing daylight throughout. The stair has been carefully coordinated to also act as the primary fire fighting stair and a means of escape, exiting out to the west.

The new entrance foyer will be flanked by a cafe to the east, serving light refreshments, and a museum and art gallery shop to the west, both providing active frontage to key corners. Public facilities including WCs, Changing Places , lockers and buggy parks are also located within this area. Staff spaces are dispersed across each floor to support the different functions.

A feature stair connects the UG and LG levels, with an atrium above providing natural light and visibility between all floors. The wall that spans the full height of the atrium enables possibility of digital projection or physical artworks to act as a connection between different uses and levels.

Half a level up, on the existing UGF, visitors will arrive in the central museum display area, in what was the main lending library, beneath the retained laylight. The space is organised by the existing marble columns, with the historic volume of the reading room space still legible, albeit with some alterations to its layout and fittings to suit its new use, and to demarcate this space as an important threshold between the existing building and its new extension. This floor will be the principal museum display and orientation space.

The existing main entrance to the south will continue to function as a primary visitor entrance at the top of the external stairs, with a new ramp from Victoria Lane providing step-free access from the south for the first time. The existing lobby will be carefully restored, providing space for a small lectern reception area. An updated public lift and existing feature stair will provide access to all existing levels.

Fig. 2.4.3 Upper Ground Floor plan

2.7 ACCESS AND INCLUSIVITY

2.7.1 ACCESS AND INCLUSIVITY

The proposals new adaptions and extension improves accessibility and inclusivity to the existing Library and Art Gallery building alongside its connections to the wider context and masterplan. Level access is provided to all parts of the building and the amendments to the east landscape area enables external level access to the lower ground areas.

All floors have WC's that have a variety of gender-specific superloos, alongside accessible and ambulant disabled WC's. The below highlights the key facilities across the proposed Museum and Art Gallery.

Basement Level
- Staff shower and changing room

Lower Ground Floor
- A dedicated breastfeeding and baby change room
- A dedicated education quiet room
- A public faith room
- Staff cycle store

Upper Ground Floor
- Changing Places room within the new extension foyer
- Buggy and Locker space within the foyer

Level 01
- A public Quiet room

The diagrams to the right indicates some of the key access and inclusivity features.

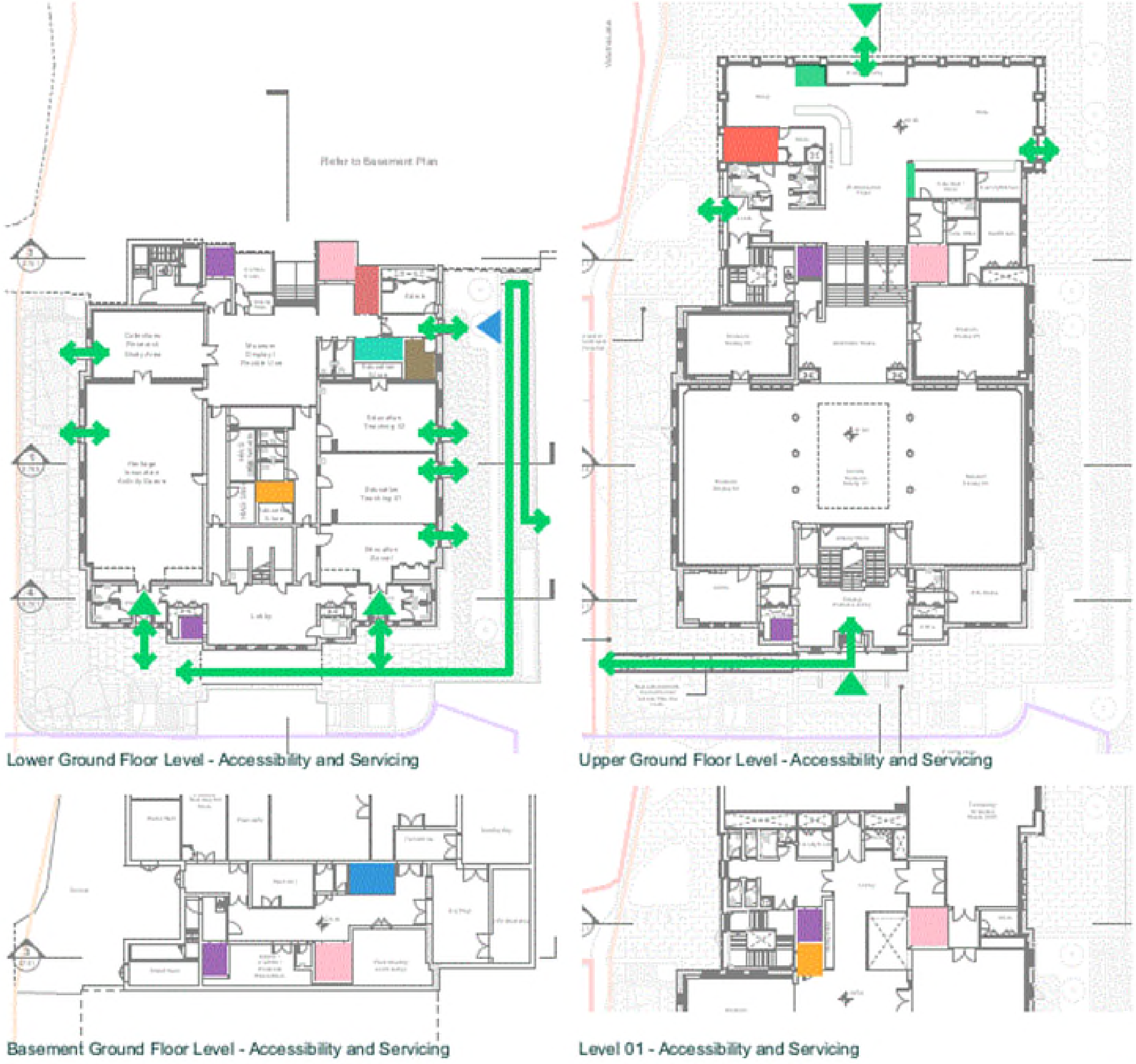


Fig. 2.7.1 Accessibility Diagram

- Passenger Lift
- Goods Lift
- Changing Places Room
- Quiet Room
- Baby change / Breastfeeding room
- Staff shower/ changing
- Buggy store/ lockers
- Faith Room
- Staff Bike Store
- Main Entrance
- Staff Entrance
- Level Access

2.0 ARCHITECTURE REPORT

2.10 VIEWS

Fig. 2.10.1 Museum and Art Gallery south elevation showing existing fabric with new ramp and landscaping - Landscape shown as per final phase of masterplan indicatively

2.0 ARCHITECTURE REPORT

2.10 VIEWS

Fig. 2.10.2 Museum and Art Gallery east elevation showing both new and existing fabric, looking west - Landscape shown as per final phase of masterplan indicatively

2.0 ARCHITECTURE REPORT

2.10 VIEWS

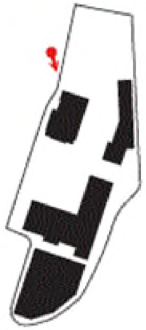


Fig. 2.10.3 Museum and Art Gallery west elevation showing new and existing fabric with new north entrance - Landscape shown as per final phase of masterplan indicatively

2.0 ARCHITECTURE REPORT

2.12 SUSTAINABILITY

2.12.1 SUSTAINABILITY GENERALLY

The overarching sustainability principles and ambitions for the Museum and Art Gallery are covered in more detail in the Etude's Stage 3 report.

In summary the following will be incorporated:

- Enhanced insulation performance to the existing external walls
- Enhanced thermal performance to the existing windows with new secondary glazing units
- Enhanced insulation performance across the existing building with a new roof
- Enclosure of the existing central lightwell with a new roof, to reduce heat loss
- Highly insulated new fabric
- High performing new glazing
- Air source heat pump heating system
- No fossil fuel use for heating, cooling or cooking
- Airtight new building fabric
- Efficient modern plant with effective controls
- Roof mounted solar PV panels
- BREEAM Excellent rating

2.12.2 BREEAM TARGETS

The Museum and Art Gallery and Phase 2 of the Our Cultural Heart project consists of the following BREEAM Assessments:

- Museum and Gallery combined refurbishment - BREEAM 2014 UK Refurbishment and Fit-Out
- Museum and Gallery combined extension - BREEAM 2018 UK New Construction V6

The two assessments are required to achieve a BREEAM Excellent rating which means achieving a minimum score of 70%.

2.12.2 EARLY STAGE BREEAM CREDITS (STAGE 1-2)

To achieve the targeted baseline score, a strategy was set up to initially target the 'Early Action' credits which are to be completed before the end of the Concept Design stage or RIBA Stage 2. These provide a robust base to the target score and cannot be achieved at later stages. The following early actions were undertaken:

Credit	Timescale	Status
1. LE 02-03 – Ecology credits, early advice	RIBA Stage 1 or early in the project's development	Completed
2. Mat 03 – Sustainable Procurement Plan		Completed
3. Mat 06 – Materials Efficiency		Completed
4. Mat 01 – Lifecycle Assessment (LCA)	Prior to planning submission and RIBA Stage 2	Completed
5. Man 01 – BREEAM AP	RIBA Stage 2	Completed
6. Man 01 – Project Delivery Planning		Completed
7. Man 01 – Stakeholder Third Party Consultation		Completed
8. Man 02 – Life Cycle Costing		Completed
9. Hea 06 – Security Needs Assessment		Completed
10. Ene 04 – Passive Design and LZC Report		Completed
11. Tra 01/05 – Travel Plan		Completed
12. Wst 01 – Pre-Demolition Waste Audit		Completed
13. Wst 05 – Adaptation to Climate Change		Completed
14. Wst 06 – Disassembly and Adaptation		Completed
15. Mat 06 – Materials Efficiency		Completed

2.12.3 BREEAM CURRENT SCORES

The assessments have seen a number of credits confirmed as achievable during the design and construction stages. The target scores are shown below. Those with lower Baseline targets should still see the addition of a few credits as a margin of 5% over 70% is recommended to comfortably achieve the desired Excellent rating. Scenarios are the following:

Baseline: credits that are likely to be achieved.

Extra: Credits that are less likely to be achieved but may be possible. These may attract further costs or require additional appointments.

Achieved: Score achieved to date.

Assessments	Baseline	Extra	Achieved
Museum & Gallery Extension (New Construction)	77.6%	83.0%	22.8%
Museum & Gallery Refurbishment (Refurbishment & Fit-Out)	74.9%	80.6%	16.7%

2.12.4 BREEAM NEXT STEPS

Once the RIBA Stage 3 design is completed, it is proposed to either competitively tender, use a framework, or negotiate the Phase 2 scheme in order to engage a PCSA contractor who will develop the RIBA Stage 4 detailed design and develop the proposed contract sum.

This proposal follows recent reviews of the Phase 1 format.

The design team shall liaise with Kirklees Council regarding their preferred procurement options, and will provide advice, support, and guidance where necessary.

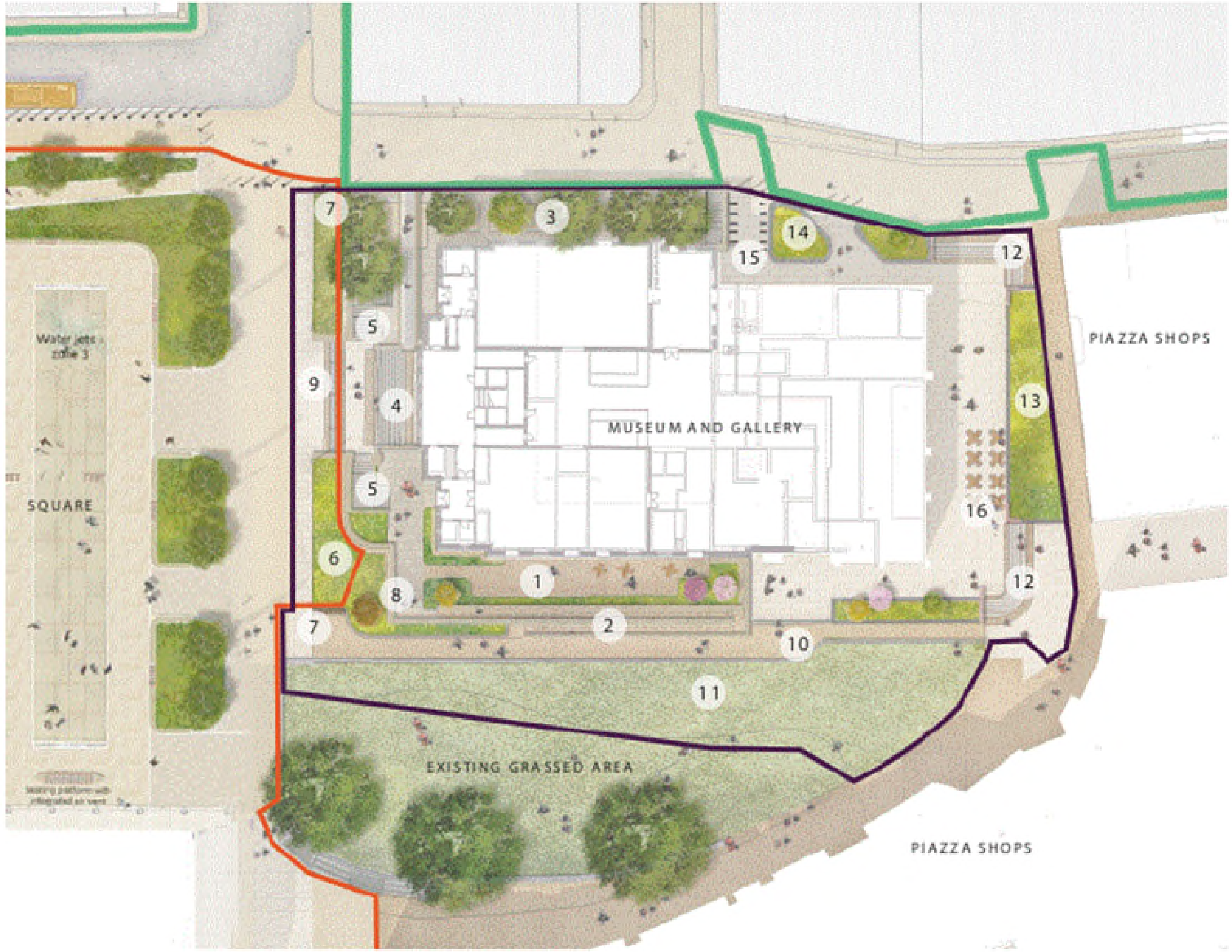
3.0 LANDSCAPE & PUBLIC REALM

3.4 PHASE 2 LAYOUT

The plan opposite illustrates the phase two design within the context of the existing site condition; i.e. phase one completed, but the remainder of the Our Cultural Heart site as existing with the Piazza shops still in situ.

Refer to pages overleaf for comparison with masterplan consented scheme.

1. Eastern sunken terrace to provide outdoor education space. Resin bound gravel surfacing, with planting to edges of space to soften walls
2. 1:21 sloped access route from street level to lower ground floor level. To be gated
3. Western sunken terrace to be re-graded and re-surfaced to provide level access in and out of building as per consented scheme
4. Southern entrance stair as existing; new handrails and ramp landing
5. Flank stairs as existing
6. Proposed planting with gravel margin to listed wall
7. Seating
8. Existing walls
9. Section of Ramsden Street to be delivered under this phase
10. North-south accessible pedestrian route as per consented scheme
11. Proposed planting
12. Proposed curved stairs to north east and north west building corners
13. Temporary planted embankment
14. Proposed raised planters as per consented scheme
15. Proposed visitor cycle parking (22no. spaces) as per consented scheme



Page 57

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PHASE 2

SERVICES ADDITIONAL BUDGETS

PHASE 2 Opening Q1 2029 Museum, Art Gallery, Public Realm & Basement	**Pre-opening over four years**		**Post-opening per annum 2028/29**
	Capital £	Revenue £	Revenue £
Museum & Galleries	14.480m	381k	800k
Support Services			
▪ Moves	inc capital	Nil	Nil
▪ Corporate Landlord	Nil	Nil	350k
▪ Security	Nil	Nil	inc Phase 1
▪ ITC Hardware	Nil	Nil	Nil
▪ ITC Infrastructure	TBC	TBC	NIL
▪ Public Realm	Nil	Nil	Nil
▪ ANO	TBC	TBC	TBC

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Integrated Impact Assessment – Stage 2 Assessment and Action Plan

Project Details

Name of project or policy:	
Cultural Heart, Huddersfield	
Directorate:	**Senior Officer responsible for policy/service:**
Growth and Regeneration	David Shepherd
Service:	**Lead Officer responsible for EIA:**
Economy and Skills	David Glover
Specific Service Area/Policy:	**Date of EIA (Stage 1):**
	25/01/2022
EIA (Stage 1) reference number:	**Date of EIA (Stage 2):**
	24/05/2022

Stage 1 Assessment Summary

Theme	Calculated Scores						Stage 2 Assessment Required
	Proposal	Impact	P + I	Mitigation	Evidence	Overall	
Equalities	10	1.7	**11.7**	0	0	**0**	Yes
Environment		0.8	**0.8**	0	0	**0**	No

A) Equalities Impact – Evidence from Engagement

CONSULTATION WITH KEY STAKEHOLDERS				COMPLETE THIS DETAIL WHEN YOU HAVE DONE YOUR CONSULTATION	
REF No.	**Which key stakeholders have you/are you consulted/ing with?**	**Why have you/are you consulted/ing them (or not?)** and what were you/are you looking to find out?	**How did you/are you planning to consult them?** Date and method of planned consultation	Actual Date of Consultation	**Outcome of consultation** What have you learned? Do you have actions to complete that will help mitigate any unnecessary negative impact on groups? [move to section B if you do]
1	Diversity and Inclusion Hub	To provide outline detail of the scheme and a reference point for future contact. Discussed the elements identified in the Stage 1 IIA	Online meeting	2 March 2022	Established contact point for ongoing engagement.
2	KC – Faith and Community Integration Manager	To discuss the provision of faith rooms in the Cultural Heart	Online meeting	4 April 2022	Identified one multi faith room would be appropriate rather separate faith rooms in each of the proposed buildings. Discussion around use, look, size, and feel of the space. Consideration to be given to examples elsewhere and site visits made if possible
3	KC- Partnership Commissioning Manager for Mental Health	To discuss how to ensure accommodation would be appropriate for people who are autistic	Online meeting	28 April 2022	Discussion around the range of issues faced with people with autism issues. Range of spaces could be provided inside the building

					and a calm area outside would be good. Using aspects such as lighting, temperature control and opportunity outside to create less stimulating areas. Discussed planting, pop up external calm areas for when events are on Provision of different activities in the park could also cover improvements to mental health
4	Carers Group	To discuss how to ensure accommodation would be appropriate for people who are carers	Online meeting	28 April 2022	Discussion around need for blue badge parking, suitable gradient ramps for carers needing to push wheelchairs, location of frequent resting points. Changing places need to be large and accessible for duration of time activity is to be planned in this area of the town. It would be good for wayfinding to show where the accessible routes go and walking routes for promoting wellbeing and mental health. Various location of toilets. Site visit with carers and architect to be arranged to understand issues such as dropped kerbs.

5	A site visit was completed to the new Changing Places Toilet at the Royal Armouries.			Date to be confirmed	
6.	Public Consultation	This will inform the public of progress to date on the project	There are drop-in sessions throughout the consultation period and details of the project can also be found here www.kirkleesculturalheart.co.uk	24 May-17 June 2022	See item 8 below.
7.	Co-design session	Opportunity to involve people in the design detail and for the design team to understand requirements in more detail. Lived experience of disability is invaluable, as regulations and guidance are based on averages and there will be variations in requirements.	Yes, meeting to invite input.	08 July 2022	Design and engagement teams understanding of local requirements, sensitivities and adjustments required to maximise inclusion.
8.	Phase 1 Consultation summary report	To collate consultation outreach and impact for stakeholders	Summary report	July 2022	Inclusive Design desires collated included: Improved access for disabled people. Making the town centre more welcoming, inclusive, and accessible for people with different needs - 230 strongly support, 163 support (90%). Parking accessibility - insufficient accessible bays / walking

					distance. Blue badge parking required. Accessible changing places, including for adults. Design to include wheelchair swings in the playground, non-slip surfaces. Accessible public toilets required - numerous comments. Ample seating required. Ramped access with short travel distances, not the long way round. Mobility scooter hire within 40m of the Cultural Heart. Family areas. Youth zones for young people in the town centre. Specific town centre cycle parking to encourage more people to cycle. Spaces for different community groups required. Staircases and routes wide and accessible. Request to actively encourage participation from people with additional needs and accessibility groups. Defibrillator requested. Comments incorporated into the design.
9.	Outdoor consultation events	To further publicise the scheme on a busy warm weekend with	Wide range of exhibitions and events held over the weekend	25-27 August 2022	Wide variety of input from members of the public to

		a range of events to attract further attention to the development and invite input.	to invite comment on the scheme. Engagement consultants, two access consultants and design team members were on hand to discuss with a wide range and age of people in the centre to invite input throughout the weekend. 270 people were engaged with during the weekend. Events included face painting, model making, photographs, discussions and exhibitions.		enhance designs. Inclusion, design and engagement teams understanding of local requirements, sensitivities and adjustments required to maximise inclusion greatly enhanced.
10.	Outlookers meeting	Opportunity to involve people with visual impairments in the design detail and for the design team to understand requirements in more detail. Lived experience of disability is invaluable, as regulations and guidance are based on averages and there will be variations in requirements.	Meeting held with Outlookers group, access consultants, design team and community engagement team. A short presentation was followed by group and individual conversations with team members to obtain input from Outlookers members. Extensive notes were collated and distributed after the event.	26 August 2022	Extensive design detail input from Outlookers was incorporated into designs. Outlookers group were not aware of the development prior to the meeting and offered a warm welcome to the engagement team. Previous history of not engaging and creating less accessible environments was mentioned, with reassurance that engagement would be ongoing, and input was welcomed. The design team learnt about alternative formats, such as large print, Braille, and the need for tactile models. When presenting images, the team learnt to describe

					them to visually impaired people. This will help mitigate the negative impact of isolation and feelings of exclusion. It will also create more trust in the development considering the needs of visually impaired people.
11.	Carers group meeting	Opportunity to involve people who are carers in the design detail and for the design team to understand requirements in more detail. Lived experience of caring for people with an impairment is invaluable, as regulations and guidance are based on averages and there will be variations in requirements.	Meeting held with carers group, access consultants, design team and community engagement team. Conversations with team members to obtain input from Carers.	26 August 2022	Design detail input from carers was incorporated into designs. Carers group were not aware of the development prior to the meeting. A variety of issues such as parking, walking distances, level access routes and information were provided. Reassurance that engagement would be ongoing, and input was provided by the team. This will help mitigate the negative impact of isolation and feelings of exclusion. It will also create more trust in the development considering the needs of carers and disabled people.
12.	Public consultation, Phase 2	To increase the dissemination of information and feedback, ensuring that as many people as possible are invited to		15 August – 14 September 2022	Building on actions taken from Phase 1

		contribute to the inclusive design.			
13.	Planning application submitted	To provide the planning authorities and members of the public with considerable detail on the level of inclusion targeted for the development. The planning application documents are available to the public and provide a wide variety of information on inclusion and consultation. Feedback into the design from engagement can also be evidenced at this stage.	Planning submission contained inclusion details in a variety of areas, including: Design and Access statement (A planning requirement) Access statement, particularly focusing on inclusion aspects. Landscape and Public Realm Strategy with outcomes of consultations. Statement of Community Involvement.	7 October 2022	Planning approval was gain on 2 March 2023. The provision of substantial information on inclusion helped foster good relations and promote equality of opportunity. It also demonstrated that the developers are open to positive comments, listen and respond.
14.	Meeting with Dementia Friendly Design representative	To ensure that people with dementia, their families, carers, and friends are included in the designs. Creating a dementia friendly city and development is essential to inclusion,	Consulted with [redacted] (Kirklees Dementia Strategic Partnership Manager) on dementia friendly design. Kirklees has adopted a design guide on Dementia for the City, produced in consultation with the centre of excellence at Stirling University. The design team and access consultants were aware of the design guide and had incorporated the recommendations into the design. The meeting further enhanced the inclusion of design detail and local preferences and requirements.	14 February 2023	The design team and access consultants were aware of the design guide and had incorporated the recommendations into the design.
15.	Liaison with newly formed Kirklees Disability Network	To ensure that all representative groups and individuals are involved in the	Presentation, with model to Kirklees Disability Network, followed by Q+A	7 March 2023	Fostered good relations with the new network and wider community. Ensured

		creation of an accessible development.			that local and regional variations are included in the design.
16.	Access Consultant involvement	To create a development with exceeds current inclusion regulations and guidance and responds to local and regional needs.	Access Consultants Jane Simpson Access and Access Included have been involved in the project from the outset. Design details have been adjusted to be as accessible as possible, exceeding regulations and predicting demographic change where possible. The latest guidance, including neurodiversity, accessible vehicle charging, toilets and a range of other aspects have been adopted in the design by the design team.	Throughout	Ensured that the development is as inclusive as possible.
17.	Pegasus Planning Consultants involvement, post planning submission	Comment received from a member of the public in response to the planning application. A press article entitled 'Does the Kirklees Cultural Heart 'wilfully exclude disabled people'? emerged.	Analysis of comment made to the press, with description of inclusion consideration throughout the project, detailed outcomes, and design solutions. Report issued.	April 2023	Quick response to counter unexpected criticism and provide evidence to the contrary ensured public opinion was not swayed by incorrect information.

B) Equalities Impact – Action Planning

Equalities Impact - ACTION PLAN			**Complete this section when you have actually carried out some actions**		
REF.No [from section A]	**What actions are you going to do as a result of carrying out your consultation?**	**What do you think these actions will achieve? Will they mitigate any adverse impact on protected**	**What did you actually do?**	**When did you do this?**	**What was the actual outcome? Have you mitigated any negative impact? Have you ensured good relations**

		groups? Will they foster good relations between people? Will they promote equality of opportunity?			exist? Have you promoted equality of opportunity?
1.	Continue contact with the Diversity and Inclusion Hub.	Further the established contact and foster relationships.	Promoted relationships, increased awareness, enhanced design	March 2022-present	Enhanced inclusive design, identified barriers to inclusion, improved relationships and equality of opportunity.
2.	**Site visit / review of Multi Faith Room examples** Following the initial public consultation we are looking to pursue workshops with targeted groups consisting of parents and carers, older people, young adults, faith groups. A focused workshop for school children.	Faith room requirements vary considerably. Engagement can assist in assessing local and regional design details required, including the provision of an accessible Wudu. Involving people in the design fosters good relations and promotes equality of opportunity.	Suggested meeting and site visit, 4 April 2022. Details of design requirements – one room rather than two, look, size, and feel of space, passed to access consultants and design team for inclusion in later designs.	End of June 2022 TBC	There was no uptake for a further meeting and site visit after the 4 April engagement. Good relations have been created by offering further opportunities and demonstrating an awareness of and willingness to create multi-faith facilities. Further input will be welcomed during the later stages of development, when more design details are available for people to consider.
3.	Continue contact with KC-Partnership Commissioning Manager for Mental Health	Further the established contact and foster relationships.	Promoted relationships, increased awareness, enhanced design	April 2022-present	Enhanced inclusive design, identified barriers to inclusion, improved relationships and equality of opportunity.
4.	A focused workshop for disability groups incorporating the site visit as mentioned above following discussion with the Carers Group	Workshops can elicit a wide variety of information, with an opportunity to understand further detail with a skilled facilitator.	Suggested workshop 4 April 2022. No take up. Design details available passed to design team and access consultant.	End of June 2022 TBC	There was no uptake for a further workshop after the 4 April engagement. Good relations have been created by offering further opportunities and demonstrating an awareness of and willingness to create multi-faith facilities. Further input will be welcomed during the later stages of

					development, when more design details are available for people to consider.
5.	Changing places toilet visit offer was not taken up – continue to offer visit and details of design of changing places toilet in the development	Further the established contact and foster relationships.	Promoted relationships, increased awareness.	Throughout	Identified barriers to inclusion, improved relationships, and equality of opportunity.
6.	**Public consultation, Phase 1 and 2** Continue public consultation, include comments and desires in the design, involve groups in design and development.	Continue commitment to inclusion issues, draw communities together, identify needs and create inclusive design.	Promoted relationships, increased awareness, enhanced designs.	Throughout	Enhanced inclusive design, identified barriers to inclusion, improved relationships and equality of opportunity.
7.	**Co-design session** Include details in the design, continue contact with participants.	Increase awareness of the design team of lived experience and needs beyond inclusive design technical guidance.	Promoted relationships, increased awareness, enhanced designs.	Throughout	Enhanced inclusive design, identified barriers to inclusion, improved relationships and equality of opportunity.
8.	**Contact with Outlookers, carers group, dementia friendly design representative, Kirklees Disability network, other groups, and individuals.** Continue contact throughout the design, preview, and opening stages.	Increase awareness of the design team of lived experience and needs beyond inclusive design technical guidance.	Promoted relationships, increased awareness, enhanced designs.	Throughout	Enhanced inclusive design, identified barriers to inclusion, improved relationships and equality of opportunity.
9.	**Inclusion of wide variety of information with the Planning application submission.** Ensure that the information is carried forward to the Building Control stage, developing the story of	Increase awareness of the requirement to continually consider inclusion throughout all stages of the development.	Developed knowledge of inclusion with a wider audience. Established a model for development proposals.	Throughout	All impact targets met and enhanced.

	inclusive design and engagement.				
10.	**Access consultant involvement.** Continual attention to inclusive design issues throughout the project, collating information from consultees and development consultants.	Create a genuinely inclusive development, future proofing the environment for generations to follow.	Created an inclusive environment beyond regulations.	Throughout	All impact targets met and enhanced.
11.	**Media response to negative inclusion commentary, including Pegasus Planning submission to Planning department.** Corrected negative claims on inclusion.	Ensure that the consistent and extensive engagement work and inclusive design detail was valued and explained. Relationships will be fostered by immediate reaction.	Submitted a quick response to claim that Kirklees Cultural Heart excluded disabled people.	April 20223	Consultation groups were made aware of the detail of engagement and inclusion in the design, commitment to further enhancing equality of opportunity.

C) Environmental Impact – Evidence from Engagement

CONSULTATION WITH KEY STAKEHOLDERS				COMPLETE THIS DETAIL WHEN YOU HAVE DONE YOUR CONSULTATION	
REF No.	**Which key stakeholders have you/are you consulted/ing with?**	**Why have you/are you consulted/ing them (or not?)** and what were you/are you looking to find out?	**How did you/are you planning to consult them?** Date and method of planned consultation	Actual Date of Consultation	**Outcome of consultation** What have you learned? Do you have actions to complete that will help mitigate any unnecessary negative impact on groups? [move to section D if you do]
1	Kirklees planning and development team inc highways	To determine if an EIA was required	Through the issue of a scoping report and meetings	Scoping report was issued on the 6th June 2022	The LPA did not require an EIA to be completed.
2					
3					
4					
5					

D) Environmental Impact – Action Planning

Environmental Impact - ACTION PLAN			Complete this section when you have actually carried out some actions		
REF.No [from section C]	**What actions are you going to do as a result of carrying out your consultation?**	**What do you think these actions will achieve? Will they mitigate any adverse impact on protected groups? Will they foster good relations between people? Will they promote equality of opportunity?**	**What did you actually do?**	**When did you do this?**	**What was the actual outcome? Have you mitigated any negative impact? Have you ensured good relations exist? Have you promoted equality of opportunity?**
	EIA Screening undertaken with the LPA, the conclusion of which was that an EIA was not required. **Decision made by the project team that in order to propagate a robust decision making process that an EIA would be submitted on a voluntary basis.**	The decision to undertake a voluntary ES was made to ensure a robust approach to decision making, notably on the main environmental effects – highways, air quality, socio-economics and impacts upon cultural heritage assets. This approach will ensure a deeper assessment of environmental effects specific to the scheme and cumulatively (when applicable). Consequently, those interested parties, such as Civic Society and Historic England can become more engaged in the process in the lead up to the submission of the planning and listed building consent applications.	As part of its drafting, the EIA was subject to an EIA Screening and Scoping exercise to ensure a proportionate and appropriate assessment was undertaken. The EIA was then produced on this basis and formed part of the planning application.	January 2022 to December 2022	The EIA was found to be robust and required no amendment, aside from ensuring it captured updates necessitated by revised plans being submitted in response to consultation responses. Continuing dialogue with key consultees, such as Historic England carried through the determination process and established proactive relationships for the future.

		Notably on cultural heritage and socio-economics, the EIA will allow for a far reaching assessment of the co-located benefits of securing the long term future of listed buildings within the site. This assisted the decision making process, which took into account the views of a wide variety of statutory and non-statutory bodies.			

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REPORT TITLE: **Surplus Property Disposals 2025/26**

Cabinet date	21st January 2025
Cabinet Member	Cllr Graham Turner (Finance & Regeneration)
Key Decision **Eligible for Call In**	17/12/2024 Yes

Purpose of Report

The purpose of this report is to seek approval and delegated authority from Cabinet for bringing forward the proposed Capital Receipts Schedule for 2025/26 as shown at **Appendix A**, delivering a targeted level of capital receipts in alignment with the Council's approved budget and Capital Strategy.

This report also asks Cabinet to consider the objection received following advertisement of the Council's intention to dispose of open space at the former Gomersal First School, Oxford Road, Gomersal shown edged red on the Plan contained within **Appendix B** and to determine whether to proceed with the intended disposal of the open space.

Recommendations

It is recommended that Cabinet approves the disposals proposed in the report and delegates to the:

i. Executive Director for Place authority to dispose of any land and property identified within the Capital Receipts Schedule 2025/2026 (**Appendix A**) to support the Council's income targets, in line with the legal requirements outlined in paragraph 3.7.1 and on such terms as officers deem most appropriate.
ii. Executive Director for Place the authority to dispose of the former Gomersal First School land shown in the red line boundary plan in **Appendix B** having considered and dismissed the objection**.**
iii. Service Director – Legal, Governance and Commissioning authority to enter into all agreements necessary to affect any of those disposals referred to at (i) and (ii) above.

Reasons for Recommendations

- To support the Council's requirement for capital receipts as part of its budget strategy and to help reduce its long-term revenue commitments through the disposal of surplus buildings and land.

Specifically, in the case of the former Gomersal First School:

- The objection does not highlight any use or value in the open space, not object to its loss.
- The objections raised are in relation to issues and concerns associated with the future development and use of the site will be considered as part of the statutory planning process.

- The land can be better utilised and maintained compared to its current derelict and unused state.
- A capital receipt would be achieved and is required to part-fund the Capital Plan
- A potential opportunity for local small-scale development and support for the local labour market can be provided.

Resource Implications:

Capital Receipts Schedule

The Council has a capital receipts target of £6M in Financial Year 2025/26. Our ability to meet this partially depends upon disposing of the assets detailed in **Appendix A.** A pipeline of sites is already developed and scheduled for disposal either at auction, private treaty or through freehold reversion based on previous cabinet reports but by identifying these additional assets as surplus it will provide further opportunities to support the Capital Plan through capital receipts.

Thirteen of the assets proposed for surplus declaration are in relation to the existing tenant wishing to purchase the Council's freehold interest in a ground lease (also known as freehold reversion sales). Ground leases are leases where the Council holds the freehold interest. and the tenant has leased an area of land with an obligation for them to pay for and develop property on this land. The Council regularly receives requests to purchase its freehold interest in these sites from tenants, which we consider on their individual merits.

If terms can be agreed at market value in line with the Council's Disposal and Acquisition Policy and a sale completes, the Council lose the ability to collect the associated ground rents. It is estimated that the sale of the freehold reversions included in the Capital Receipts Schedule will raise around £2.5m capital but will reduce revenue income to the Commercial Portfolio by £58,103.10 per annum. As a consequence, the Medium-Term Financial Plan will need to be adjusted downwards to recognise the loss of this future unattainable rental income.

Disposal of the Former Gomersal First School site

This site forms part of the disposals pipeline identified for 2025/26. It has already been declared surplus to the Council's requirements in a previous cabinet report and – if sold – will contribute towards the Council's capital receipts target of £6m for 2025/26.

Signed off by:	
• **Lead Executive Director**	David Shepherd – Executive Director for Place – 08/01/2025
• **Service Director for Finance**	Kevin Mulvaney – Service Director Finance – 08/01/2025
• **Service Director for Legal and Commissioning**	Samantha Lawton – Service Director Legal & Commissioning – 10/01/2025

Electoral wards affected:

Capital Receipts Schedule (**Appendix A**)

Almondbury, Ashbrow, Birstall & Birkenshaw, Cleckheaton, Dalton, Dewsbury East, Dewsbury West, Greenhead, Holme Valley South, Mirfield, Newsome.

Disposal of the former Gomersal First School site **(Appendix B**)

Liversedge & Gomersal

Ward councillors consulted: Yes

Public or private: Public

Has GDPR been considered? Yes – no personal information is presented within this report.

Executive Summary

1.1 This report, in alignment with and in response to the Council's approved budget and Capital Strategy, presents a proposed Capital Receipts Schedule for 2025/26 to be brought forward for delivery as detailed in **Appendix A**.

1.2 As a result of the previous cabinet approval received on the 27th June 2023, officers have moved forward with the disposal of the former Gomersal First School site. The land in question is classed as 'open space' and therefore, requires the advertising of the intention to dispose in the local press to determine if there are any objections to the disposal of the land. Any objections received must be referred to Cabinet for consideration pursuant to Part 3.7, Section F paragraph K(d) of the Constitution. Cabinet is therefore asked to consider the objection received in response to the advertisement of disposal of open space at the Former Gomersal First School site, Oxford Road, Gomersal **(Appendix B)** and to determine if the intended disposal should proceed.

2. Information required to take a decision

Capital Receipts Schedule

2.1 As part of the Council's approved budget, the Capital Strategy presents a £6m minimum 2025/26 in-year target for capital receipts - money received from the sale of property assets (land and buildings).

2.2 Since the last Surplus Property reports in June and November 2023, progress has been made to dispose of the assets declared surplus through a series of auctions, private treaty and Freehold Reversion sales.

2.3 A further review of the estate has identified another batch of surplus property, which is property no longer required to support the Council's strategic or organisational delivery requirements. It is government policy that local authorities should dispose of surplus property wherever possible.

2.4 The property interests identified for disposal have been assembled to form the Capital Receipts Schedule (CRS) for 2025/26, which is presented as **Appendix A** for consideration.

2.5 The property interests identified on the CRS each require further evaluation to determine the appropriate legal process, market value, mode of disposal, and possible timings, to allow a forward delivery programme to be developed and accelerated to achieve the in-year target. Further investigation and consideration of these assets during their passage to market may result in them no longer being considered surplus and therefore not being disposed of.

2.6 Assurance and progress will be monitored, with risks and issues managed by exception by an established Assets Disposal Board. This forum will report progress into leadership and strategic groups/boards such as the Capital Assurance Board. The Portfolio-holder will be regularly updated.

2.7 Over the course of this year, we have developed a focussed approach in collaboration with other services, particularly legal colleagues, that has been successful in delivering the capital receipts we are targeting. The delivery of the new CRS list will continue to use this proactive and planned approach, with clear lines of communication, management of risks and issues, and inherent assurance/progress monitoring. To ensure seamless delivery, interdependencies and key stakeholders need to be identified and engaged at the earliest opportunity, with resource and capacity requirements actively monitored and planned for.

2.8 Project Management support aids this accelerated approach, as does a continual review of the required capacity and gearing up needs across key services such as Corporate Landlord and Legal Services. There may also be opportunities to consider wider service linkage, where the skills and expertise needed may be present in-house and could be re-prioritised to support the required activity.

2.9 As sites are evaluated, key strategic partners will be consulted as appropriate, thereby dealing with any initial first refusal and/or private treaty opportunities.

Disposal of the Former Gomersal First School site

2.10 Section 123 (2A) of the 1972 Local Government Act requires local authorities wishing to dispose of any land consisting of or forming part of an open space to advertise their intention to do so for two consecutive weeks in a local newspaper. The Council must then consider any objections to the proposed disposal. There is a 21-day objection period.

2.11 As the Former Gomersal First school site was considered open space notices advertising the intention to dispose of this open space were placed on the Council's website and in the Reporter series of newspapers including the Dewsbury Reporter and the Spenborough Guardian on 31st October and 7th November 2024 with a deadline for objections to be received by no later than 21st November 2024.

2.12 There has been one letter of objection received from the owner of a property which adjoins the Gomersal First School Site. Due to the fact that an objection has been received, it is necessary for this issue be referred back to Cabinet for consideration of the objection pursuant to Part 3.7, Section F paragraph K(d) of the Constitution and for a final decision to be made by Cabinet on whether to proceed with the intended disposal of the land.

2.13 The objections contained in the letter are::

- Not enough information has been provided regarding the future use of the land at the rear of the building.
- The site backs onto the objector's property.
- There is a public footpath running across the objector's land which should be re rerouted over the Council's land.

  Planning permission for housing on the site should not be granted because this would:
- Increased traffic on Oxford Road and Hilltop which is already a bottleneck and would prove a danger to the schoolchildren.
- Put the primary and secondary schools under pressure and they are already oversubscribed
- Create a need for more Doctors and Dentists in the area

2.14 An Open Space Notice informs interested parties of the Council's intention to dispose of public open space. The notice is published to inform the public about the proposed disposal and to give them an opportunity to detail the value of the public open space and object to the loss of the open space. The Notices conform to prescribed legal requirements.

2.15 The objections raised are of a nature which are dealt with via the planning system. The site does not have any planning permission at present – however the proposed sale with unrestricted use and the fact that the land is allocated for housing in the Local Plan, will mean that a subsequent purchaser could submit an application for property development. In accordance with the Government's National Planning Policy Framework and accompanying National Planning Practice Guidance, consultations are made with all relevant council departments, residents and an information notice will be placed close to the site advising members of the public of any intended development. All comments received are taken into consideration by the Planning Committee before a decision is taken on the application.

2.16 Disposal of the site would not affect the route of the public right of way referred to. The public right of way does not cross the Gomersal First School Site.

2.17 Cabinet will note that the objection received relates to possible impacts of any future use of the land on the objector's property and neighbourhood. The letter does not object to the loss of open space nor highlight any current use or value in the open space to the objector or the community. Cabinet is therefore asked to dismiss the objection and approve the disposal of the site.

3. Implications for the Council

3.1 **Working with people**

The agreed continued approach to reviewing the Council's estate requires Council services to work closely together and proactively to communicate and deliver agreed outcomes. The disposal of the land will potentially provide the opportunity for local small-scale development and support the local labour market.

3.2 **Working with partners**

As part of the process for bringing forward disposals, key partners will be made aware to help identify any collaborative opportunities.

3.3 **Place Based Working**

Changes to property can often highlight wider opportunities and be a catalyst for development, which in turn can make our places more attractive and vibrant.

3.4 **Climate Change and Air Quality**

Rationalising and optimising property assets will deliver a smaller, more efficient and effective estate, contributing to the reduction of the Council's carbon footprint and commitment towards net zero.

3.5 **Improving outcomes for children**

None

3.6 **Financial Implications**

The generation of capital receipts supports the Council's Capital Strategy and more specifically the delivery of the Capital Programme (and, where appropriate, the transformation of services through the Flexible Capital Receipts Policy), safeguarding service delivery into the future. Releasing assets for disposal will, equally, contribute to the savings required in the Council's Revenue Budget by reducing the cost of holding assets. The disposal of Freehold Reversions will reduce income into the Commercial Estate by around £58,013.10, which will require an appropriate downward adjustment to the Medium-Term Financial Plan as these ground rents will no longer be achievable due to the proposed disposal.

3.7 **Legal Implications**

3.7.1 The disposal of property assets will need to be in accordance with the relevant statutory framework which applies to the particular asset. The Council has the legal power to dispose of assets generally under section 123 of the Local Government Act 1972 usually for the best consideration that can reasonably be obtained. Where it is proposed that an asset is disposed of at an undervalue, the General Disposal Consent 2003 (contained within circular 06/93) and the Subsidy Control Act 2022 (and associated regulations) must be assessed, and, where applicable, complied with. Housing assets may only be disposed of in accordance with The General Housing Consents 2013 issued pursuant to section 32 of the Housing Act 1985.

3.7.2 Alongside the Localism Act 2011, which may highlight certain sites for listing as an Asset of Community Value (ACV), the Council's approach to Community Asset Transfers (CAT) will also need to be considered. Both disposal routes require additional lead-in and determination time and need to be highlighted as a significant risk should applicable sites be targeted for disposal within year, or within a specific timeframe.

3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**
An Integrated Impact Assessment has been carried out as part of the Council Budget setting process and is published on the Council's website. Individual assessments may need to be considered for individual property solutions and should be undertaken as part of bringing each forward for delivery alongside appropriate consultation and communication.

4. Consultation

4.1 Consultation took place with all Ward Members impacted by the proposed disposals in **Appendix A** (see list of wards affected at the start of this report) between 6th and 23rd December 2024. Their comments and any responses provided by Officers will be circulated to Cabinet for consideration prior to any decisions being taken.

4.2 This report has been subject to consultation with the Council's Executive Leadership Team (10th December 2024), Executive Board (16th December 2024) and the Portfolio Holder for Finance and Regeneration (5th December 2024) and their comments have informed the contents of this report.

5. Engagement

5.1 The Portfolio Holder for Finance & Regeneration confirmed that the assets in the CRS are considered surplus to operational requirements.

6. Options Considered

<u>Option A – Do not declare any more assets surplus to requirements.</u>

6.1 The Council’s Capital receipts target for 2025/26 is £6M. A pipeline is in place consisting of assets that have already been declared surplus. This includes Riverbank Court, strategic housing sites and other land and buildings set to be auctioned during the early part of the next financial year.

6.2 Several factors combine to make estimates of the value of these assets' volatile including prevailing property market conditions, economic outlook and risk, site-specific conditions and the number of competing bidders to name a few.

6.3 However, it is unlikely that selling our existing surplus assets will ensure we meet the £6M target. Therefore, if we do not declare any more assets surplus, we put the target at greater risk. Furthermore, the need for a further £4M in capital receipts to be raised in 2026/27 means that any assets declared surplus now but not sold during 2025/26 will form part of the following year’s pipeline.

Option B – Declare the new list of assets on the CRS attached at Appendix A surplus to the Council’s requirements

6.4 Our current disposals pipeline based upon the assets that have previously been declared surplus is unlikely to result in the target of £6M for 2025/26 being met. Declaring the assets on the new Capital receipts schedule surplus will enable us to move them towards disposal in 2025/26. This will improve our ability to meet the £6M capital receipts target.

6.5 Reasons for Recommended Options

The officer recommendation in relation to the proposed Capital Receipts Schedule at **Appendix A** is that Option B should be pursued. The reasons for this are as follows:

- Declaring these assets as surplus will improve our ability to reach the target for capital receipts. The income from capital receipts plays an important role in supporting the Council’s Capital Plan, reducing borrowing, investing in projects and supporting the Council’s financial reserves;
- The supply of small sites, surplus buildings and leasehold interests provides an opportunity for developers to invest, create jobs and business growth for the Kirklees Economy;
- Disposing of surplus assets reduces the Council’s maintenance liabilities, thereby easing revenue and capital financial cost pressures.

In relation to the former Gomersal First School site, the officer recommendation is that the site should be released for disposal for the following reasons:

- The objection does not highlight any use or value in the open space, not object to its loss.
- The objections raised are in relation to issues and concerns associated with the future development and use of the site will be considered as part of the statutory planning process.
- The land can be better utilised and maintained compared to its current derelict and unused state.
- A capital receipt would be achieved and is required to part-fund the Capital Plan
- A potential opportunity for local small-scale development and support for the local labour market can be provided.

On this basis, Cabinet is asked to:

a) Consider and approve the list of assets identified in **Appendix A** as being surplus to requirements, with their disposal being managed as business as usual in line with the contents of this report;

b) Support the immediate need to limit ongoing revenue liabilities and to meet the requirement for capital receipts, by approving the disposals proposed in the report and delegating authority to the:

i. Executive Director for Place authority to dispose of any land and property identified within the Capital Receipts Schedule 2025/2026 (Appendix A) to support the Council's income targets, in line with the legal requirements outlined in paragraph 3.7.1 and on such terms as officers deem most appropriate.
ii. Executive Director for Place the authority to dispose of the former Gomersal First School land shown in the red line boundary plan in Appendix B having considered and dismissed the objection.
iii. Service Director – Legal, Governance and Commissioning authority to enter into all agreements necessary to affect any of those disposals referred to at (i) and (ii) above.

above

7. Next Steps and Timelines

7.1 Following this report, and subject to approval, instruction will be given to proceed at pace with the proposals, forming an accelerated programme for delivery.

8. Contact Officer

Alistair Kimpton: Strategic Manager – Logistics – 01484 221000 – alistair.kimpton@Kirklees.gov.uk

David Martin – Head of Property – david.martin@kirklees.gov.uk

9. Background Papers and History of Decisions

i. Surplus Property Disposals 2023/24

10. Appendices

A. Capital Receipts Schedule (CRS) 2025/26

B. Red Line Boundary Former Gomersal First School

11. Service Director Responsible

Joanne Bartholomew: Service Director – Development – Place – 01484 210000 – Joanne.Bartholomew@Kirklees.gov.uk

Appendix A

Asset Name and Address (Nearest)	Brief Description	Ward
Land at Lumb Lane Almondbury Huddersfield HD4 6SZ	Surplus Land Approx. 7.34 acres	Almondbury
The Quarry Hill Centre Fleminghouse Lane Almondbury Huddersfield HD5 8UD	Freehold Reversion	Almondbury
Land to the rear of 294-310 Bradford Road Fartown Huddersfield HD1 6LQ	Freehold Reversion	Ashbrow
Land to the rear of 318 Bradford Road Fartown Huddersfield HD1 6LQ	Surplus Vacant Commercial Estate property, former garage Tenancy and Land	Ashbrow
Land adjoining Deighton Mills Leeds Road Deighton Huddersfield HD2 1TY	Freehold Reversion	Ashbrow
Land adjacent to Raikes Lane Birstall Batley WF17 9QX	Local Plan Housing Site - HS91	Birstall and Birkenshaw
Albert Morton Pavilion Whitechapel Road Scholes Cleckheaton BD19 6HN	Former Pavilion	Cleckheaton
Land off Snelsins Lane Cleckheaton BD19 3UH	Surplus Land	Cleckheaton
Land adjacent to 96/88 South Parade Cleckheaton BD19 3AF	Surplus Land	Cleckheaton
Land to the rear of 313 Old Wakefield Road Moldgreen Huddersfield	Freehold Reversion	Dalton

Appendix A

Asset Name and Address (Nearest)	Brief Description	Ward
HD5 8AA		
Land at Southgate Huddersfield HD1 6QR	Freehold Reversion	Dalton
Progress Works Silver Street Moldgreen Huddersfield HD5 9AF	Freehold Reversion	Dalton
Shaw Business Park Silver Street Moldgreen Huddersfield HD5 9AF	Freehold Reversion	Dalton
Land adjacent to 19 Eastborough Crescent Dewsbury WF13 1PQ	Surplus Land	Dewsbury East
Land at Ravenswharfe Road Scout Hill Dewsbury WF13 3RD	Surplus Land	Dewsbury West
Land at Low Road Dewsbury Moor Dewsbury WF13 3PP	Surplus Land	Dewsbury West
The Children's Place Netherfield Road Ravensthorpe Dewsbury WF13 3JY	Surplus Building	Dewsbury West
Commercial Premises Market Street Paddock Huddersfield HD1 4SE	Freehold Reversion	Greenhead
Land and premises Greenhouse Road Fartown Huddersfield HD2 2QB	Surplus Vacant Commercial Estate property	Greenhead

Appendix A

Asset Name and Address (Nearest)	Brief Description	Ward
Land off Laithe Avenue Holmbridge Holmfirth HD9 2PJ	Surplus Land	Holme Valley South
Land at Greenside Road Mirfield WF14 0AU	Grazing Tenancy and Garage Tenancies	Mirfield
Land at Hagg Lane Lower Hopton Mirfield WF14 8QG	Commercial Lease and Garden Tenancy	Mirfield
Pathways - Mirfield Day Centre Nettleton Road, Mirfield, WF14 9AQ	Surplus Land and Building	Mirfield
23-25 Chapel Hill Huddersfield HD1 3ED	Surplus Building	Newsome
Land at Albert Street Lockwood Huddersfield HD1 3QU	Freehold Reversion	Newsome
Land at Manor Mills Kings Mill Lane Huddersfield HD1 3AW	Freehold Reversion	Newsome
Land at Folly Hall Huddersfield HD1 3PA	Freehold Reversions	Newsome
Golden Fleece Robin Hood Hill Berry Brow Huddersfield HD4 7QP	Freehold Reversion	Newsome
Victoria Hotel 105 Jackroyd Lane Newsome Huddersfield HD4 6RB	Freehold Reversion	Newsome

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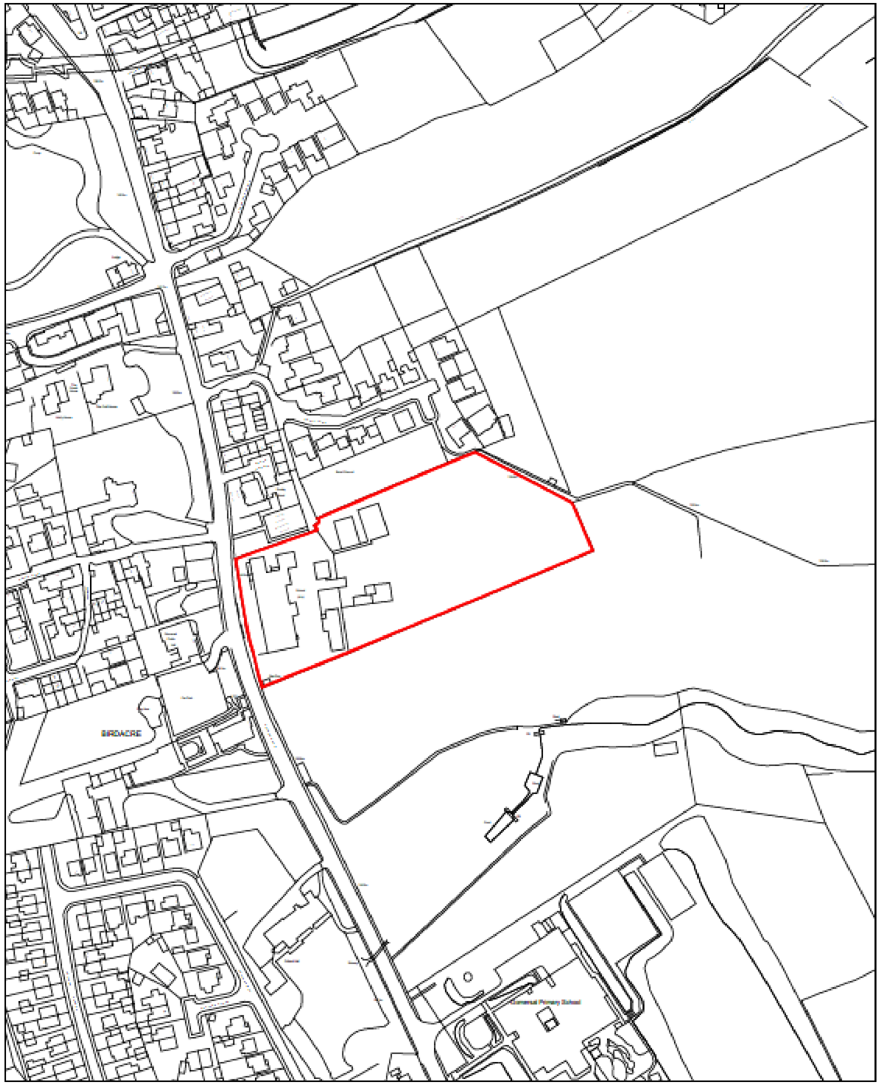
Appendix B

Red Line Boundary for the Former Gomersal First School



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REPORT TITLE: Kirklees' School Funding Arrangements for the Financial Year 2025/2026

Meeting:	**Cabinet**
Date:	**21 January 2025**
Cabinet Member (if applicable)	**Cllr Graham Turner** **Cllr Amanda Pinnock** **Cllr Viv Kendrick**
Key Decision **Eligible for Call In**	**Yes** **Yes**
Purpose of Report: To receive information, and seek approval for funding arrangements for the Dedicated Schools Grant for the financial year 2025/2026	

Recommendations

Cabinet are recommended to;

- Approve the proposed local formula factors for the distribution of Dedicated Schools Grant (DSG) Schools Block funding for 2025/2026 as detailed in this report in Appendix A.
- To note the decisions made by Schools Forum in terms of central budgets, de-delegated budgets and a fund for significant growth for 2025/2026 as detailed in this report and the accompanying appendices.
- Approve the submission of the schools' local funding formula to the ESFA for 2025/2026.
- Note the disapplication request made to the Education Skills and Funding Agency (ESFA).
- Note the ESFA-approved exceptions application.
- Delegate authority to the Strategic Director for Children's Services in consultation with the Portfolio Holder for Children's Services and Portfolio Holder for Education and Communities, to take account of the outcomes of the provider consultation, the views of the Early Years and Childcare Reference Group and Schools Forum and make a final decision on the Early Years local funding formula 2025/2026 value of the Special Education Needs and Disability Inclusion Fund and frequency of early years funding payments.

Reasons for Recommendations

The statutory guidance given by the Secretary of State under s.48(4) and paragraph 2A(2) of Schedule 14 to the School Standards and Framework Act 1998 outlines the requirements for local authorities in England regarding the financing of schools. Here are the key points:

Publication of Schemes: Local authorities must publish schemes that detail the financial relationship between them and the schools they maintain.

Content of Schemes: The guidance specifies the provisions that a local authority's scheme must, should, or may include. While the format of the schemes does not need to follow the guidance exactly, any directed revisions must be included as specified. Consultation and Approval: When making changes to their schemes (other than directed revisions), local authorities must consult all maintained schools in their area. They also need to obtain approval from the members of their Schools Forum who represent maintained schools. Taking Guidance into Account: Local authorities must consider this statutory guidance when revising their schemes, ensuring that the changes are made in consultation with the schools forum.
Resource Implications: This report sets the proposed budget resource allocations for 2025/26 details of which are included in the following pages and appendices

Date signed off by Strategic Director & name	**Rachel Spencer Henshall - 7 January 2025** **Tom Brailsford – 7 January 2025**
Is it also signed off by the Service Director for Finance?	**Kevin Mulvaney – 7 January 2025**
Is it also signed off by the Service Director for Legal Governance and Commissioning?	**Sam Lawton – 10 January 2025**

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes. This report contains no information that falls within the scope of General Data Protection Regulations.

1. Executive Summary

1.1 This report outlines the funding arrangements for Kirklees Council's Dedicated Schools Grant (DSG) for the 2025/2026 financial year, including allocations across the four funding blocks, Schools block, High Needs block, Early Years block and Central Schools and Services block (CSSB).

1.2 The schools block per pupil funding rates have increased to £5,548 for primary and £7,201 for secondary. Kirklees' schools block allocation has increased to £397.2 million. Schools Forum approved a transfer (disapplication) of £3.6 million to the High Needs block which will continue to support SEND transformation initiatives.

1.3 The High Needs block for Kirklees has been allocated £72.02 million for 2025/2026. A £3.6 million transfer from the Schools Block will help support a range of investment measures as part of the broader Kirklees SEND transformation plan and align with Kirklees' ongoing Safety Valve intervention programme.

1.4 The Early Years block has received an allocation for 2025/2026 of £68.3 million, a £16.3 million increase driven by the expansion of early years entitlements for working parents. The funding rates include:

- £5.71 per hour for 3- and 4-year-olds.
- £7.93 per hour for 2-year-olds.
- £10.77 per hour for children under 2

Local consultation on the Early Years Funding Formula and the SEND Inclusion Fund (SENDIF) is ongoing, proposals include increasing the SENDIF value to manage rising demand.

1.5 The Central School Services Block (CSSB) for Kirklees has been allocated £43.38 per pupil (up from £38.60 in 2024/2025), totalling £2.8 million.

This block supports statutory and regulatory duties for all pupils across the borough, regardless of the type of school they attend.

1.6 The increased funding across the DSG between financial year 2024/25, and next 2025/26 is distorted due to the rolling together of grants in the Schools Block which, have previously been separate. The increase in the Early Years Block is a consequence of the significant expansion of the free entitlement. Alongside this, the High Needs Block, continues to bring challenge. Kirklees welcomes the additional step towards an increased funding allocation, given we are the second worst funded LA for High Needs per capita in the country. There is further pressure because of growing demand from children with SEND and the need for block transfers as a result of the Safety Valve arrangements. When much of the funding for schools is predicated on pupil numbers, falling rolls in the primary phase are creating funding challenges for a number of schools. The overall position is one of significant financial challenge for the local schools system.

1.7 The required consultations have been undertaken with Schools Forum. Schools Forum has also made the decisions it is responsible for.

2. Information required to take a decision

2.1 Background

Dedicated Schools Grant

2.1.1 Dedicated Schools Grant (DSG) is the funding that is provided to Councils in four blocks to fund:

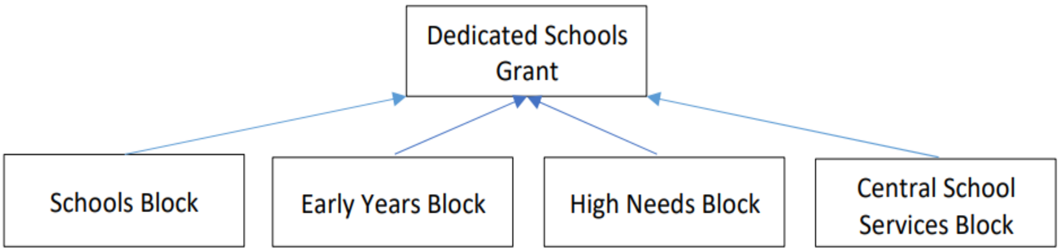
Schools Block - statutory school age mainstream education (4–16-year-olds).

High Needs Block - children and young adults from birth to age 25 having Special Education Needs & Disability (SEND).

Early Years Block - the free entitlement to early education and childcare provision for eligible children aged 9 months to 4 years old.

Central Schools Services Block, CSSB, - to pay for some of the Council’s statutory and regulatory duties they have for all pupils educated within the borough.

2.1.2 Allocations to Kirklees for all four funding blocks within the Dedicated Schools Grant are now essentially determined by National Funding Formula (NFF), calculations.



Schools Forum and Council responsibilities for the DSG

2.1.3 Every local authority is required to have a Schools Forum to act as the main consultative group on revenue funding issues affecting local schools and related providers. The Schools Forums (England) Regulations 2012 determine the role, powers and responsibilities of the Forum. The local authority proposes and decides upon the shape and effect of the local school funding formula on an annual basis but must consult with the Schools Forum about changes to be made. There is also a requirement to consult annually with the Forum on both High Needs and Early Years funding arrangements.

2.1.4 Whilst Schools Forum has a generally consultative role, there are situations in which they have decision making powers. The areas on which schools forums make decisions on local authority proposals include:

- de-delegation from mainstream maintained schools budgets.
- to create a fund for significant pupil growth.
- agreeing other centrally retained budgets, including for local authority statutory responsibilities.

2.1.5 The maintained primary and secondary school representatives to the Forum decide on the arrangements that will apply for their phase (having consulted their constituencies). In cases where the Local Authority and the Forum cannot reach an agreement on central retention and de-delegation issues the Secretary of State for Education would adjudicate.

Formal submissions to the Education & Skills Funding Agency

2.1.6 Any exceptions (disapplication) requests seeking permission to make variations to the operation of the schools funding formula were made before the ESFA deadline of 18th November 2024 (see Section 2.3 below for more details).

2.1.7 The structure of the local 2025/2026 schools funding formula and factor values used are required to be submitted to the ESFA by 22nd January 2025, based upon a pupil dataset provided by the ESFA which is derived largely from October 2024 pupil census information. The Authority Pro Forma Tool (APT) return to the ESFA is required to show that political approval has been or will be secured for the funding allocations reported. The submission of the funding figures to the ESFA by 22nd January 2025 must be regarded as an indicative return until Cabinet approval is achieved. If amendments are required a subsequent submission would have to be made.

Schools revenue funding issues for 2025/2026 discussed with Schools Forum and constituent groups

2.1.8 These included the following: -

- The changes made to the National Funding Formula for schools for 2025/2026.
- De-delegation arrangements for mainstream maintained schools
- Central School Services Block (CSSB)
- High Needs Block funding
- Early Years Block funding

These topics are covered in more detail in sections 2.2 to 2.8 below, with the Forum's recommendations to Cabinet shown at section 3 below.

2.2 Direct National Funding Formula (NFF) transition for schools

2.2.1 Local Authorities will be required to bring their own formulae closer to the schools NFF from 2025/2026:

- local authorities must move their local formula factor values at least a further 10% closer to the NFF (building on the movement towards the NFF made in 2024 to 2025), except where local formulae are already 'mirroring' the NFF. These criteria do not apply to rates, PFI or exceptional circumstances factors.

- for 2025 to 2026, local authorities will no longer be allowed (unused within Kirklees Council) to increase the pupil number count for schools with higher reception pupil numbers in the January 2025 census. This change aims to further standardise the funding process across all schools within the National Funding Formula.

- local authorities must follow the local formula requirements for growth funding (first introduced in 2024 to 2025), whereby additional classes (driven by basic need) must be funded by at least the minimum funding level set out in the funding calculation. Kirklees Council, in conjunction with Schools Forum, has established a clear, objective criteria for when growth funding is triggered. This ensures transparency and fairness in the allocation of funds. See Appendix B

- local authorities with a falling rolls fund must also continue to follow the requirements for falling rolls funding introduced in 2024 to 2025. Kirklees Council does not currently operate a falling rolls fund.

- From 2025 to 2026, split sites funding will be excluded from the calculation of the Minimum Funding Guarantee (MFG). This change reflects that the transitional protection that was included in 2024 to 2025 when the split sites factor was first formularised in the NFF is no longer required. The exclusion from the MFG means that schools gaining or losing split sites from 2025 to 2026 onwards will see a commensurate increase or decrease in split sites funding, without that having an impact on the rest of their formula allocations. This will impact three schools within Kirklees Council.

- From 2025 to 2026, PFI funding will also be excluded from the calculation of the MFG. This reflects what most local authorities already did before 2024 to 2025 and ensures that changes in PFI funding for a given school do not impact the rest of their funding allocations.

2.3 Exceptional disapplication request made to the Education & Skills Funding Agency (ESFA):

2.3.1 Local authorities can apply to the ESFA to use exceptional circumstances relating to school premises, for example rents, or joint-use sports facilities. Unavoidable rental costs for five schools (Birkenshaw CE (VC)Primary, Denby Dale First & Nursery, Gomersal St Mary's CE (VC) Primary and Wellhouse Junior & Infants) have been submitted for approval based on the latest criteria issued by the ESFA.

2.4 De-Delegation Arrangements for Mainstream Maintained Schools (see Appendix C)

2.4.1 Annual proposals on de-delegation are made by the local authority to maintained primary and secondary schools. The ESFA only permits de-delegation against a number of specified headings. The maintained primary and secondary schools representatives to the Schools Forum formally decide on de-delegation issues on behalf of their phase.

2.4.2 The de-delegated budget arrangements proposed for 2025/2026 are: -

- Schools contingency
- Historic voluntary early retirements
- Free school meals eligibility checks
- Maternity, paternity and adoptive leave costs
- Trade union facilities time (maintained primary schools only)
- Public duties
- International New Arrivals service
- School Improvement Commissioning

2.4.3 De-delegation arrangements for 2025/2026 for the maintained schools were consulted upon between 2nd December 2024 and 9th December 2024. A total of 23 responses were received from 94 maintained schools of which the majority who responded supported the proposals. Maintained Schools representatives of Schools Forum considered the responses on 10th January 2025 and approved the proposals as set out in Appendix C below.

Dedicated Schools Grant (DSG) Funding Settlement 2025/2026

2.5 DSG Schools Block

2.5.1 The 2025/2026 per pupil units of funding for the DSG Schools Block settlement are £5,548 (£5,143 2024/2025) per primary pupil and £7,201 (£6,657 2024/2025) per secondary pupil. The revised rates reflect the rolling of the 2024 to 2025 Teachers' Pay Additional Grant (TPAG), the Teachers' Pensions Employer Contribution Grant (TPECG) 2024, and the Core Schools Budget Grant (CSBG) into the NFF. This approach diminishes the significance of comparing annual increases in the NFF rates and is a national funding decision.

2.5.2 Noting the rolling up of separate grants above into the NFF rates, the confirmed Schools Block allocation for Kirklees for 2025/2026 has increased by £26.02 million (£368.08 million in 2024/2025 to £394.1 million for 2025/2026). This apparent increase in funding is distorted by the inclusion of the previous grant referred to above. The Table below shows the breakdown of the funding:

Kirklees Council - Dedicated schools grant (DSG) 2025/2026						
Total Primary Schools	**Total secondary schools**	**Total Premises factor**	**Growth funding**	**Total schools block**	**School Business Rates ESFA deduction**	**Total schools block**
£198,968,261	**£191,371,864**	**£6,030,838**	**£824,139**	**£397,195,102**	**-£3,055,991**	**£394,139,111**

2.5.3 The Schools Block funding formula factors to be used in the 2025/2026 funding allocation to schools will largely be those prescribed by the National Funding Formula (see Appendix A below for a list of these funding factors and values).

2.5.4 In addition to the DSG National Funding Formula, the government announced further additional funding in 2025/2026 to cover the increase in employers' National Insurance Contributions in schools.

2.5.5 On the 10th January 2025 Schools Forum agreed a Schools Block Transfer of £3.6 million to the High Needs Block to support a range of investment measures as part of the broader Kirklees SEND Transformation plan and as required in the Safety Valve agreement.

2.6 High Needs Block Funding 2025/2026

2.6.1 The settlement for 2025/2026 totals £72.02 million, before deductions, as shown in the table below:

Kirklees Council High Needs DSG Block Allocation								
Total high needs block before additional funding and deductions	**Additional high needs funding**	**Total high needs block before deductions**	**Mainstream Academies Pre-16 special educational needs places funded at £6,000**	**Special Academies Pre-16 special educational needs places**	**Special Academies Post-16 special educational needs places**	**Alternative provision (AP) academies and free schools**	**Further education (FE) and independent learning provider (ILP)**	**Total high needs block after deductions**
72,020,148	**0**	**72,020,148**	**-708,000**	**-1,630,000**	**-240,000**	**-620,000**	**3,282,000**	**65,540,148**

2.6.2 Ongoing revisions to the national budget for the High Needs National Funding Formula have resulted in Kirklees being allocated £72.02 million for High Needs in 2025/2026 (**before deductions**) a £6.07 million increase on 2024/2025.

2.6.3 Schools Forum agreed on 10th January 2025 to a funding transfer of £3.6 million to High Needs from the Schools Block for 2025/2026 as required by the Safety Valve Agreement. The intention is that the funding will support a range of investment measures as part of the broader Kirklees SEND Transformation agenda.

2.6.4 The Council is now in the fourth year of the Safety Valve intervention programme, which offers support to Local Authorities with large DSG Deficits. The Safety Valve agreement has been extended until 2029/2030. Monitoring against this is an ongoing process with periodic updates reported to Schools Forum and Cabinet working alongside the ESFA.

2.7 Early Years Block Funding 2025/2026

2.7.1 The initial settlement for 2025/2026 totals £68.3 million, as shown in the table below:

Funding stream	**Confirmed rates**	**2025/2026 funding allocation**
3 & 4 yr olds - Universal	£5.71	£20,255,008
3 & 4 yr olds - Extended	£5.71	£9,343,528
2 yr olds - Disadvantaged	£7.93	£5,787,039
2 yr olds - Working parent	£7.93	£12,576,817
Under 2s	£10.77	£18,605,349
Total place funding		**£66,567,741**
Early Years Pupil Premium (EYPP)	£1.00	£1,184,267
Disability Access Funding (DAF)	£938.00	£343,308
Maintained Nursery School Supplementary Funding (MNSSF)	£5.51	£222,990
Total Early Years Block		**£68,318,306**

2.7.2 The Early Years block funding is estimated to increase by 32% from £51.6m in 2024-25 to £68.3m in 2025/2026. This increase is due to the final phase of the expansion to the early years entitlements in September 2025.

2.7.3 The main changes to the funding formula requirements include an increased minimum pass-through requirement for local authorities in 2025-26. The pass-through rate will increase from 95% to 96% meaning that the amount local authorities can retain for administration will reduce to 4% of the entitlement funding. The changes also include an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025. The government intend to mandate this as a requirement in the regulations from the financial year 2026-27

2.7.4 The Early Years National Funding Formulae (EYNFF) are used to determine the hourly funding rates for each of the entitlements:

- an hourly funding rate for 9-months-olds up to 2-years for the working parent entitlement
- an hourly funding rate for 2-year-olds which will be the same for both the disadvantaged and the working parent entitlement
- an hourly funding rate for 3 and 4-year-olds for the universal and extended hours entitlements

2.7.5 The local authority hourly funding rate for 3 and 4-year-olds and the Maintained Nursery School (MNS) supplementary funding hourly rate in 2025 to 2026 includes funding in respect of the September 2024 teachers' pay award. This approach is in keeping with the approach taken to mainstreaming funding for Teachers Pay and Pensions in 2024 to 2025, and the approach to incorporating funding previously distributed through the Teachers' Pay Grant (TPG) and the Teachers' Pension Employer Contribution Grant (TPECG) in 2023 to 2024.

Early Years Block - Local consultation process and timelines

2.7.6 Local Authorities are required to consult with early years providers each year, given the significant changes to the early years entitlements and further investment in early years it is especially important to seek the views of the sector.

2.7.7 After receiving initial allocations from the DfE an online consultation was opened on Friday 20th December and will close at midnight on Sunday 19th January 2025. The consultation document covers the Early Years the funding formula factors, proposals for the value of the SENDIF and options for the frequency of early years funding payments. Further details can be found in Appendix E.

2.7.8 After the consultation provider feedback will be presented at the Early Years and Childcare Reference Group on 27th January 2025, the group's recommendations will be presented to Schools Forum on 7th February 2025. The Early Years and Childcare Reference Group includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.

Early Block Provider Consultation

Early years providers are being consulted on the following elements for 2025-26:

- The amount of funding retained centrally to support local authority statutory duties around the early years entitlements including administration of the funding.
- Retaining a contingency fund for each of the five entitlement funding streams.
- Transfer of funds from the Early Years Block to the High Needs Block.
- The amount of funding allocated to the Special Educational Needs and Disabilities Inclusion Fund (SENDIF).
- The frequency of early years funding payments to providers in the private, voluntary and independent sector including academies.

A full copy of the consultation can be found in appendix E.

2.8 **Central School Services Block (CSSB) 2025/2026**

2.8.1 Kirklees has been allocated £43.38 for every 4 to 16 year-old pupil attending schools and academies in the borough (an increase from the £38.60 rate received in 2024/2025). The Council has bid for a protected sum of £170,000 to reflect historic annual pension commitments charged to the DSG. This submission has been acknowledged by the ESFA.

2.8.2 A breakdown of proposed use of the CSSB can be found in Appendix B. A significant portion of this relates to funding for the range of statutory and regulatory duties (these used to be supported by Education Services Grant that ended in 2017) the Council has for all local pupils whether educated in maintained schools or academies.

2.8.3 The CSSB within the DSG allocates funding to Councils for a range of statutory and regulatory duties relating to all pupils within the authority no matter what type of school they attend. Although this funding comes directly to the Council, Schools Forum has the responsibility for making an annual decision about the budget provision in response to local authority proposals. The allocation for 2025/2026, whilst we await the decision to protect the Historic commitments, is shown below:

Kirklees Council Central School Services Block (CSSB) 2025/2026			
CSSB Unit of funding	Number of pupils	Historic commitments	Total central school services block
£43.38	62,439	£136,000	£2,844,604

3. Implications for the Council

3.1 Working with People

The scale of the financial challenges facing both maintained schools and academy schools inevitably means there will be implications for staff. The schools have been very successful in managing workforce reductions should where this has been required in the past and will continue to work with colleagues and union partners to find satisfactory solutions in the future.

3.2 Working with Partners

Partnerships with parents, academy trusts, community organisations, business, health services, religious groups are essential to support the education and welfare of children through funding resources, extracurricular programs, health services and shared projects creating a supportive network. Schools Forum are to be recognised for the work they do strategically to ensure that children are well served across the district, and that financial implications are well understood by the wider system.

3.3 Place Based Working

The schools funding allocation recognises that the needs of different communities within Kirklees vary widely. Within the constraints of the national funding formula requirements, the allocation considers additional need funding factors to target support towards children from particularly disadvantaged backgrounds.

3.4 Climate Change and Air Quality

There are no direct implications for climate change and air quality.

3.5 Improving outcomes for children

Well managed school finances can significantly improve outcomes for children by enabling smaller class sizes, attracting and retaining high-quality teaching staff, and providing enhanced learning resources. It also supports additional services such as counselling and special education, offers a range of extracurricular activities, and ensures a safe and healthy environment. By strategically allocating resources, schools can create an environment that fosters academic achievement and personal growth for all children.

3.6 **Financial Implications**

The DSG proposals contained within this report have been developed alongside the ESFA guidance to ensure that funding is made available in the areas that will allow the schools to further improve the outcomes for individuals and communities as a whole.

3.7 **Legal Implications**

The Education Act 2002 gives the Secretary of State the power to give financial assistance to (Local Authorities) for purposes related to education – financial assistance may be given in any form including by way of grants and may be given on such terms as the Secretary of State considers appropriate . The Dedicated Schools Grant is the principal way in which the Secretary of State funds local authorities for the provision of pre-16 education in their respective areas. The Schools and Early Years Finance (England) Regulations 2025 and associated statutory guidance (to which the Council must legally have regard) set out in significant detail how the DSG is to be allocated as discussed in this report.

3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

3.9 **Consultation**

The Education and Learning Partnership Board sits alongside Schools Forum as a consultative group. The two operate together in a complementary approach to work in partnership with our schools and settings. There are representatives from the school sector that sit on both the Education and Learning Partnership Board as well as Schools Forum. The work of each body is supportive of a single strategic oversight of the system.

Schools Forum consults with school groups through Kirklees High School Headteachers, Kirklees Primary Head Teachers groups and School briefings via Heads Up. Non-school members from the early years' private, voluntary, and independent sectors, trade unions, and the Post 16 sector ensure consultation and feedback from their representative groups. All relevant consultation with Schools Forum has now taken place in respect of the local schools funding formula.

A formal consultation with the Early Years Providers about 2025/2026 funding arrangements is currently underway. The outcome of which will be shared with the Early Years Reference group and Schools Forum.

The Early Years and Childcare Reference group consists of representatives from all sectors of the childcare market. This group consider proposals for the Early Years Funding Formula and monitors spending of the Early Years Block. The views of this group are reported to Schools Forum.

The Portfolio Holder for Learning and Communities chairs the Education and Learning Partnership Board. Updates for the Portfolio Holders for Children's Services and Learning and Communities are provided regularly.

4 Engagement

Engagement takes place between Schools Forum members and the school system they represent.

Engagement events are taking place to support Early Years Providers to respond to the formal consultation

5 Options

5.1 Options considered

The move toward a National Funding formula continues to restrict options for local flexibility. However, multiple options have been considered across the funding arrangement in consultation with Schools Forum. An illustration of the options available for the schools local funding formula are illustrated in Appendix A There are some specific options presented in the Early Years Consultation which are detailed in Appendix E.

5.2 Reasons for recommended option

The options recommended are compliant with ESFA requirements and represent a consensus view established with Schools Forum.

6 Next steps and timelines

6.1 Schools Forum will continue to help shape schools funding arrangements at their meeting on 10th January 2025, prior to the deadline for submission of the school funding allocations for 2025/2026 to the ESFA on 22nd January 2025.

Based on the ESFA funding timeline, it is expected that the local authority will inform maintained schools of their 2025/2026 budget shares by 28th February 2025. The ESFA will inform academies of their budget allocations for the academic year 2025/2026 by the 31st March 2025.

In order to provide schools with nursery classes with the full picture of their budget by the 28th February decisions about the Early Years funding formula and SENDIF value must be made by mid-February. Delegate authority to the Strategic Director for Children's Services in consultation with the Portfolio Holder for Children's Services and Portfolio Holder for Education and Communities, to take account of the outcomes of the provider consultation, the views of the Early Years and Childcare Reference Group and Schools Forum and make a final decision on the Early Years local funding formula 2025/2026 value of the Special Education Needs and Disability Inclusion Fund and frequency of early years funding payments.

7 **Contact officer**

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8 **Background Papers and History of Decisions**

9 **Appendices**

Appendix A: 2025/2026 ESFA APT December 2024 National Funding Formula Funding Rates and Proposed Local Funding Formula Factors

Appendix B: Dedicated School Grant: Central Budget Retention 2025/2026 [for mainstream maintained schools and academies]

Appendix C: De-Delegation 2025 / 2026 - Maintained Schools Only

Appendix D: Meeting schedule

Appendix E: Consultation on the Kirklees Early Years Funding Formula

10 **Service Director responsible**
Jo-Anne Sanders, Service Director – Learning & Early Support
Kevin Mulvaney, Service Director – Finance.

Appendix A

2025/2026 ESFA APT December 2024 National Funding Formula Funding Rates and Proposed Local Funding Formula Factors

Factor	24-25 NFF including ACA	24-25 APT	Difference between 24-25 APT and 24-25 NFF	25-26 NFF including ACA	25-26 APT minimum	25-26 APT maximum
Primary basic entitlement	£3,562.61	£3,562.61	£0.00	£3,847.65	£3,751.46	£3,943.85
KS3 basic entitlement	£5,022.85	£5,022.85	£0.00	£5,422.92	£5,287.35	£5,558.49
KS4 basic entitlement	£5,661.96	£5,661.96	£0.00	£6,114.04	£5,961.19	£6,266.89
Primary FSM	£490.08	£477.83	-£12.25	£495.08	£482.71	£507.46
Secondary FSM	£490.08	£477.83	-£12.25	£495.08	£482.71	£507.46
Primary FSM6	£820.14	£799.64	-£20.50	£1,060.18	£1,033.68	£1,086.68
Secondary FSM6	£1,200.20	£1,170.20	-£30.00	£1,555.26	£1,516.38	£1,594.15
Primary IDACI F	£235.04	£188.31	-£46.73	£235.04	£192.98	£240.92
Primary IDACI E	£285.05	£225.24	-£59.81	£285.05	£231.22	£292.17
Primary IDACI D	£445.08	£355.65	-£89.43	£445.08	£364.59	£456.20
Primary IDACI C	£485.08	£384.59	-£100.49	£490.08	£399.64	£502.34
Primary IDACI B	£515.09	£408.55	-£106.54	£520.09	£424.20	£533.09
Primary IDACI A	£680.12	£540.95	-£139.17	£685.12	£559.87	£702.24
Secondary IDACI F	£340.06	£270.47	-£69.59	£340.06	£277.43	£348.56
Secondary IDACI E	£450.08	£359.65	-£90.43	£450.08	£368.69	£461.33
Secondary IDACI D	£630.11	£502.72	-£127.39	£635.11	£520.46	£650.99
Secondary IDACI C	£690.12	£548.93	-£141.19	£695.12	£568.05	£712.50
Secondary IDACI B	£740.13	£588.88	-£151.25	£745.13	£609.01	£763.75
Secondary IDACI A	£945.16	£753.22	-£191.94	£950.16	£777.41	£973.92
Primary EAL	£590.10	£575.35	-£14.75	£595.10	£580.22	£609.98
Secondary EAL	£1,585.27	£1,545.64	-£39.63	£1,595.27	£1,555.39	£1,635.15
Primary LPA	£1,170.20	£1,170.20	£0.00	£1,175.20	£1,145.82	£1,204.58
Secondary LPA	£1,775.30	£1,775.30	£0.00	£1,785.30	£1,740.67	£1,829.94
Primary mobility	£960.16	£960.16	£0.00	£965.16	£941.03	£989.29
Secondary mobility	£1,380.23	£1,380.23	£0.00	£1,385.24	£1,350.60	£1,419.87
Primary lump sum	£134,422.85	£134,422.85	£0.00	£145,124.67	£141,496.55	£148,752.78
Secondary lump sum	£134,422.85	£134,422.85	£0.00	£145,124.67	£141,496.55	£148,752.78
Primary sparsity	£57,109.71	£55,681.96	-£1,427.75	£57,409.76	£55,974.51	£58,845.00
Secondary sparsity	£83,014.11	£80,938.76	-£2,075.35	£83,414.18	£81,328.82	£85,499.53
Middle-school sparsity	£83,014.11	£9,292.32	-£73,721.79	£83,414.18	£17,064.57	£85,499.53
All-through sparsity	£83,014.11	£9,292.32	-£73,721.79	£83,414.18	£17,064.57	£85,499.53
Split sites basic eligibility funding	£53,709.13	£53,709.13	£0.00	£54,009.18	£52,658.95	£55,359.41
Split sites distance funding	£26,904.57	£26,904.57	£0.00	£27,004.59	£26,329.48	£27,679.70
London fringe	1.0000	1.0000	0.0000	1.0000	1.0000	1.0000

The boxes highlighted in green represent the proposed local funding formula which are supported by Schools forum. Subject to Cabinet approval these will be submitted in the APT to the ESFA.

Appendix B

Dedicated School Grant: Central Budget Retention 2025/2026
[for mainstream maintained schools and academies]

1) Growth funding within the Schools Block

Budget provision	£	Notes
Pupil Growth Fund	600,000	Supports mid-year basic need pupil growth of sufficient scale to trigger a new class arrangement. Also supports schools struggling to meet the KS1 class size regulation. PGF is only allocated where a school cannot address the issue from its own budget resources
Future pupil growth	600,000	The Schools Block allocation includes an element of funding towards the cost of future pupil growth within the system. For 2025/2026, the balance of the growth funding needs to be retained by the LA to support those schools in the system affected by planned changes to address demand for pupil places in the area, e.g., new schools growing by one year group per annum, schools asked to vary their admission number to take in additional pupils in a 'bulge' class arrangement.
TOTAL	**£1,200,000**	

2) The Central School Services Block (CSSB)

Budget Heading	**Proposed Allocation 2025/2026 £**
Servicing of Schools Forum	35,568
Standing Advisory Council on Religious Education (SACRE)	46,800
Pupil Admissions Service	433,264
School Organisation & Planning	150,592
Finance Support Costs	13,208
Payroll Support Costs	16,016
Personnel Costs	9,152
School Reorganisation Support	335,608
Historic DSG pension commitments	136,000
Former Teachers Pay & Pension Grant funding in respect of centrally employed teachers – *Specialist Provision Coordination*	21,008
Former Teachers Pay & Pension Grant funding in respect of centrally employed teachers - *Looked after children*	6,448
Former Teachers Pay & Pension Grant funding in respect of centrally employed teachers – *Portex ICAN EYSEN*	14,248
National Copyright Licence charge	480,602
Per pupil allocation to the Council in respect of statutory and regulatory duties for all children in Kirklees	1,164,442
TOTAL	**2,862,956**

3) Funding retained within the Early Years Block

Budget area	2024-25	Additional resources for 2025-26	Total	4% increase	Final total 2025-26	Description
Early Learning and Childcare	£775,005	£30,000	£805,005	£32,200	**£837,205**	Free Early Education Funding, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£78,540	£0	£78,540	£3,142	**£81,682**	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£44,520	£200,000	£244,520	£9,781	**£254,301**	Contribution to the Early Years SEND team
Miscellaneous	£13,230	£0	£13,230	£529	**£13,759**	Contribution to admissions, maternity, union duties etc.
Total	**£911,295**	**£230,000**	**£1,141,295**	**£45,652**	**£1,186,947**	

De-Delegation 2025 / 2026 - Maintained Schools Only

De-Delegation Description	Primary per pupil rate 2024/2025	Proposed Primary per pupil rate 2025/2026	Secondary per pupil rate 2024/2025	Proposed Secondary per pupil rate 2025/2026
School Contingency	£12.62	£13.44	£15.82	£16.85
Voluntary Early Retirement (VER)	£2.86	£3.05	£3.59	£3.82
Free school meals eligibility checks	£1.20	£1.28	£1.50	£1.60
Maternity, paternity, and adoptive leave	£40.95	£43.61	£40.95	£43.61
Trade union facilities time	£6.67	£7.10	£0.00	£0.00
Public duties	£0.19	£0.20	£0.23	£0.24
International new arrivals	£1.84	£1.96	£2.31	£2.46
School Improvement Commissioning	£5.25	£5.59	£14.00	£14.91
TOTALS	**£71.58**	**£76.23**	**£78.40**	**£83.49**

Appendix D

Meeting Schedule

<table>
<tr><th>Consultation focus</th><th>Meetings</th><th>Meeting date</th><th>ESFA response date</th></tr>
<tr><td rowspan="4">Schools Block, High Needs Block and Central Schools Services Block

Implications of National Funding Formula for the Council and schools from 2025/2026</td><td>Consultation & Engagement with schools</td><td>Block Transfer (Safety Valve) reviewed and agreed 10th January 2025.

De-delegations consultation / engagement 2nd December 2024 – 9th December 2024. Responses reviewed and de-delegations approved by Schools forum 10th January 2025</td><td rowspan="4">22nd January 2025</td></tr>
<tr><td>Schools Forum</td><td>10th January 2025</td></tr>
<tr><td>Schools Funding paper to Cabinet</td><td>22nd January 2025</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="4">Early Years Block</td><td>Online survey</td><td>20th December 2024 to 19th January 2025</td><td rowspan="4">28th February 2025</td></tr>
<tr><td>Virtual briefing sessions</td><td>8th and 16th January 2025</td></tr>
<tr><td>Early Years and Childcare Reference group</td><td>27th January 2025</td></tr>
<tr><td>Schools Forum</td><td>7th February 2025</td></tr>
</table>

Consultation on the Kirklees Early Years Funding Formula 2025-26

Introduction

The Department for Education published details of the Early Years Funding Formula 2025-26 including local authority hourly funding rates on 10 December 2024. The rates include an average 4.1% increase for the current 3 and 4-year-old entitlement, 3.3% increase for 2-year-olds and 3.4% increase for under 2s. The funding rates reflect forecasts of average earnings and inflation next year, as well as the national living wage announced at the Autumn Budget.

The funding rate for the Early Years Pupil Premium (EYPP) will increase from 68p to £1 per hour per eligible child, and the Disability Access Fund (DAF) will increase from £910 to £938 per eligible child per year.

Details can be found on Gov.uk

Although this adds further investment to early years, Kirklees along with one third of other local authorities will still receive the lowest funding base rate in the country for three-and four-year olds from April 2025.

Kirklees Early Years Block Funding 2025-26

Table 1: Initial funding allocation for 2025-26

Funding stream	2025-26 Initial funding allocation
3 & 4 yr olds - Universal	£20,255,007
3 & 4 yr olds - Extended	£9,343,528
2 yr olds - Disadvantaged	£5,787,039
2 yr olds - Working parent	£12,576,817
Under 2s - Working parent	£18,605,349
Total place funding	**£66,567,740**
Early Years Pupil Premium (EYPP)	£1,184,267
Disability Access Funding (DAF)	£343,308
Maintained Nursery School Supplementary Funding (MNSSF)	£222,990
Total Early Years Block	**£68,318,304**

Changes for 2025-26

The main changes to the funding formula requirements are:

- an increased minimum pass-through requirement for local authorities in 2025-26. The pass-through rate will increase from 95% to 96% meaning that the amount local authorities can retain for administration will reduce to 4% of the entitlement funding.
- an expectation that local authorities will announce their funding rates to childcare providers by 28 February 2025. The government intend to mandate this as a requirement in the regulations from the financial year 2026-27.

Consultation

As stated in the **Early years entitlements: local authority funding operational guide 2025 to 2026**;

> *"Local authorities must determine their funding formulae before the beginning of the financial year. Where a local authority proposes to make changes to the funding formulae it used during the previous financial year that will affect early years providers, it must first consult its schools forum, maintained schools, and early years providers. Local authorities must also seek approval from their schools forum to agree any entitlements funding they intend to retain to fund central functions. Local authorities are not permitted to amend their funding formulae after the financial year has started".*

The Council are not proposing to make any changes to the current funding formula used in 2024-25 in relation to:

1. **One base rate for both the 2-year-old entitlements.** i.e. the disadvantaged 2-year-old entitlement and the working parent 2-year-old entitlement.
2. **No discretionary deprivation supplement.** i.e. no deprivation supplement for the disadvantaged 2-year-old entitlement, the working parent 2-year-old entitlement and the working parent under 2-year-old entitlement.

Key areas for consultation in 2025-26

The Council is seeking providers views on the following elements for 2025-26:

A. The amount of funding retained centrally to support local authority statutory duties around the early years entitlements including administration of the funding.
B. Retaining a contingency fund for each of the five entitlement funding streams.
C. Transfer of funds from the Early Years Block to the High Needs Block.
D. The amount of funding allocated to the Special Educational Needs and Disabilities Inclusion Fund (SENDIF).
E. The frequency of early years funding payments to providers in the private, voluntary and independent sector including academies.

Consultation timeline

Table 2: Consultation timeline

Event	Dates
Online survey	20 December 2024 to 19 January 2025
Virtual briefing sessions	8 and 16 January 2025
Early Years and Childcare Reference group includes provider representation for childminders, pre-schools, day nurseries, out of school provision and schools and academies with nursery provision.	27 January 2025
Schools Forum	7 February 2025
Funding formula and rates communicated to providers	Before 28 February 2025

Section A: Centrally retained funds

From 2025-26 local authorities are required to pass through 96% of the early years funding to providers, for the following formula elements for each of the entitlement funding streams:

- base rate funding for all providers
- supplements for all providers
- the funding paid directly to providers from the special educational needs and disabilities inclusion fund (SENDIF)
- contingency funding

In 2025-26 proposals include a total increase of £275,652. This includes £45,652 for 4% inflation, £30,000 to further support administration and distribution of the early years funding as the free entitlement continues to expand. An additional £200,000 is proposed for inclusion support that the council can no longer afford to pay for from its core budget. This increase equates to 30% compared with an increase of 32% to the Early Years Block Funding.

After considering the proposed amounts to be retained centrally, the funding pass through would be 97.5% of the total early years block funding which exceeds the requirement of 96%. This demonstrates that the Council continues to maximise the available funding for providers whilst being realistic about additional administration and the affordability of important services. See table below for details.

Table 3: Proposed amounts to be retained centrally

Budget area	2024-25	Additional resources for 2025-26	Total	4% increase	Final total 2025-26	Description
Early Learning and Childcare	£775,005	£30,000	£805,005	£32,200	**£837,205**	Free Early Education Funding, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£78,540	£0	£78,540	£3,142	**£81,682**	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£44,520	£200,000	£244,520	£9,781	**£254,301**	Contribution to the Inclusion Officer team
Miscellaneous	£13,230	£0	£13,230	£529	**£13,759**	Contribution to admissions, maternity, union duties etc.
Total	**£911,295**	**£230,000**	**£1,141,295**	**£45,652**	**£1,186,947**	

Section B: Contingency fund

In 2024-25 it was agreed to establish a contingency fund of 0.8% due to the increasing value of the Early Years block and the significant expansion of the entitlements up to September 2025. A full year of the new entitlements will not be realised until 2026-27 and from then it could take another year or two for the new entitlements to be fully embedded and for take-up to stabilise.

In addition to the above, with the rollout of the final phase taking place mid-year (i.e. September 2025), there is a risk of a shortfall of funding from the Department for Education (DfE). The reason being due to the difference between how funding is calculated for local authorities and then distributed from local authorities to providers. For example, the DfE will provide funding as follows; 13 weeks in summer 2025, 14 weeks in autumn 2025 and 11 weeks in spring term 2026 whereas Kirklees Council will fund providers as follows; 12 weeks in summer 2025, 14 weeks in autumn 2025 and 12 weeks in spring term 2026, meaning that there will be a shortfall of one weeks funding for 15 hours for the Council between September 2025 and March 2026 when the entitlement increases from 15 hours to 30. From April 2026, the risk should be minimised however this is dependent on the DfE funding arrangements for 2026-27 onwards.

There is also a risk of a shortfall of funding associated with children who stretch their entitlement and move from one funding stream to another after the summer term. For example, children aged 2 in the summer term that become aged 3 on or before 31 August will move to the 3- and 4-year-old funding stream and could exceed their maximum entitlement hours due to limitations of the IT system. The same situation will apply to 9-month-old children that become aged 2 on or before 31 August.

Taking into account the shortfall of one weeks funding for 15 hours for the new entitlements and to ensure there is sufficient funding available so that no provider loses out in a situation where a child is stretching their entitlement, it is proposed that a contingency fund of 0.8% from each funding stream is retained until such risks are fully mitigated. This is intended as funds which will be paid to providers and not used for any other purpose.

Section C: Transfer of funds from the Early Years Block to the High Needs Block

The Dedicated Schools Grant (DSG) consists of the following funding blocks:

- Early years block
- High needs block
- Schools block
- Central school services block

The Special Educational Needs and Disabilities Inclusion Fund (SENDIF) has historically been funded from the Council's General Fund Budgets. Education and Skills Funding Agency (ESFA) guidance states that SENDIF should be funded from the High Needs (HN) Block and/or the Early Years (EY) Block of the Dedicated Schools Grant (DSG). A decision was taken by the Council in the financial year 2022-23 to transfer the funding of SENDIF to the HN Block from April 2023 onwards.

Last financial year (2024-25), in consultation with the early years sector, it was agreed that £0.5 million would be transferred from the EY Block to the HN Block to help fund the costs relating to SENDIF.

As a result of overspending on the whole HN Block, the Council is working with the Department for Education (DfE) under an agreement, referred to as the Safety Valve agreement, which is expected to run until the financial year 2029-30. Whilst this will bring additional funding, the Council have agreed in principle with the DfE for an EY Block Transfer and for this to continue for the duration of the Safety Valve agreement to support financial sustainability, but this will be subject to review and consultation each year.

It is therefore proposed, to transfer £0.5 million in 2025-26 from the EY Block to the HN Block to continue to support costs relating to SENDIF.

For context, the Council have also agreed in principle with the DfE for a Block Transfer from the Schools Block of the DSG which is expected to be £3.6 million in 2025-26.

Section D: The special educational needs and disabilities inclusion fund (SENDIF)

In Kirklees, the special educational needs inclusion fund (SENIF) is referred to as 'SENDIF'.

Following consultation last year, the SENDIF budget for 2024-25 was set at a total of £2 million with £1 million from the Early Years Block and £1 million agreed from the High Needs Block. The budget set was at a lower level than for 2023-24 and it was agreed that this would be managed on a termly basis to ensure we worked within the budget agreed over the financial year.

The hourly SENDIF rate paid to providers in the Summer and Autumn 2024 terms was £6.96. There has been an increase in demand with more SENDIF claims being received than expected. Current estimates suggest a significant overspend on the available £2 million SENDIF budget in 2024-25. Fortunately, the contingency funding agreed for this year has not been required for other purposes, so this can be used to support the SENDIF budget on a temporary basis. The combined SENDIF and contingency funding will still mean that the rate of £6.96 is not affordable in the Spring term. Further detailed work is required before a final decision, but the rate may need to reduce to around £5.77. Without the support of the contingency funding the rate would have been nearer to £2.00.

This position and the related estimates are being shared now to help providers consider a suitable SENDIF budget for 2025-26. The lower the agreed budget, the lower the SENDIF hourly rate will be. This should be considered in the context of the total Early Years Block increasing from around £50 million to around £68 million. However, the linked impact on the provider base rates must also be considered alongside.

Proposed options for the value of SENDIF in 2025-26:

a) **£2 million**

£1 million from the High Needs block funding and £1 million from the Early Years block funding – as agreed in 2024-25 which will result in a significant reduction in the SENDIF hourly rate.

b) **£3 million**

£1 million from the High Needs block funding plus £2 million from the Early Years block funding. An increase on 2024-25 taking account of the overspend, the anticipated impact of the continued expansion of the free entitlement and an hourly rate up to £6.96 (dependent upon actual demand).

c) **£4 million**

£1 million from the High Needs block funding plus £3 million from the Early Years block funding. An increase on 2024-25 and an amount which would facilitate a more favourable SENDIF hourly rate but would significantly limit any increases in the provider base rates.

The table below shows the impact on the illustrative provider base rates for each of the proposed options above. The provider base rates are for illustrative purposes only, final formula funding and the provider base rates will be confirmed after this consultation.

Table 4 Illustrative provider base rates for each of the proposed SENDIF value options

Type of Funding	Option A	Option B	Option C
Proposed total SENDIF value	£2 million	£3 million	£4 million
Contribution from the High Needs Block Funding	£1 million	£1 million	£1 million
Contribution from the Early Years Block Funding	£1 million	£2 million	£3 million
Under 2s provider base rate	£10.38	£10.27	£10.16
Impact on the Under 2s provider base rate compared to option A		-£0.11	-£0.22
2-year-old provider base rate (disadvantaged and working parents)	£7.66	£7.55	£7.44
Impact on the 2-year-old provider base rate compared to option A		-£0.11	-£0.22
3- & 4-year-old provider base rate (universal & extended)	£5.51	£5.40	£5.29
Impact on the 3- & 4-year-old provider base rate compared to option A		-£0.11	-£0.22

Section E: Frequency of early years funding payments

Background

Local authorities are required to regularly consult providers regarding the frequency of payments for the early years entitlements, given the current and forthcoming expansion of the entitlements now seems like an ideal time to review the frequency of payments.

Early Education and Childcare Statutory Guidance dated April 2024:

> *"Councils should pay all providers the full amount owed to them monthly unless they have good reason not to do so, for example, if, after consultation, the clear majority of providers opt for an alternative method of payment. Local authorities should be mindful of the concerns of smaller providers, particularly childminders, about their cash flow when making decisions about payment methods. Local authorities should regularly review how they pay providers to ensure that it continues to meet the needs of all providers in their area".*

A change to the Statutory Guidance was first made in 2018 following provider feedback that local authorities were not paying funding until later in the term. This was not the case in Kirklees.

Paying Providers the full amount owed monthly is not the same as making a payment each month. Most providers offer term time funding only as this ensures children receive their full entitlement therefore only a relatively small number of providers would be owed a payment in August for example for children that are stretching their entitlement. Some providers, particularly childminders sometimes have no funded children in a term so would not be due a payment in any of the months in that term.

The Early Years Entitlements are based on an entitlement across academic terms and therefore funding is designed around 38 weeks rather than 52. Eligibility for the entitlements begins the day before the start of each term i.e. 31 March, 31 August and 31 December hence for these reasons Early Years Funding is claimed and calculated on a termly basis.

There are two options available;

1. Retain the current system of 3 payments each term, 9 in total over the year.
2. Change to a new system of monthly payments; 5 payments in the summer term, 4 payments in the autumn term and 3 payments in the spring term.

It is vital that providers read the information below before making a decision as there are limitations regarding the monthly payment system and cashflow could be significantly affected due to a much lower percentage (i.e. 40% in the summer term) of the termly funding being paid in the first 5 weeks of the term compared to 80% with the current system.

If the payment system is changed from the current system, the change will not be implemented until Autumn 2025 at the earliest.

The current payment system

If Providers submit an estimate, two estimate payments are paid every term for each age group at 40% of the provider base rate, totalling 80%.

The first payment is made on the first day of term (week 1) and the second estimate payment made in week 5 or 6. The final payment is paid between weeks 10 and 12, dependant on the term. The final payment includes the remaining 20% of the provider base rate funding plus Deprivation Funding (IDACI), Early Years Pupil Premium (EYPP), Special Educational Needs and Disabilities Inclusion Fund (SENDIF) and Disability Access Funding (DAF) for eligible children. The additional funding is paid with the final payment because this is when actual numbers of funded hours and children's eligibility is known. This therefore has an impact on the total proportion of funding distributed in the final payment. Refer to table 8 for an example of funding distribution for both models in a summer term.

Table 5: Advantages and disadvantages of the current payment system

Advantages of the current payment system	Disadvantages of the current payment system
Gives Providers a healthy cashflow early in the term. By week 5 or 6 of the term 80% of the termly base rate funding has been paid.	There are risks associated with paying a high percentage (80%) within 5 or 6 weeks of the term. If for example a provider closes unexpectedly this may lead to loss of funds to the early years block funding. However, this is not common.
Less admin burden on the Council.	May impact childminders who are in receipt of Universal Credit.
The full funding for the term including IDACI, EYPP, SENDIF and DAF is paid to Providers between weeks 10 and 12 depending on the term, which is earlier in the term than monthly payments.	

How a monthly payment system would work

Providers would submit estimate claims as per the current system, including an option to make an update in time for the second payment.

Payments would be divided as follows:

- Summer term five payments of 20%

- Autumn term four payments of 25%
- Spring term three payments of 33%

Monthly payments will be based on the estimated claims at the provider base rates and the final payment of term would include the remaining percentage of the provider base rate funding plus IDACI, EYPP, SENDIF and DAF for eligible children.

The payment date will change each year depending on when the summer term starts due the timing of Easter. Providers would be notified of the monthly payment dates for the new financial year in advance as is the current process.

Monthly payments will not provide 12 equal monthly payments.

Table 6 Advantages and disadvantages of a monthly payment system

Advantages of a monthly payment system	Disadvantages of a monthly payment system
Less risk to Early Years Block budget from unexpected provider closures as the percentage of the termly funding is spread more evenly across the term.	Reduced cashflow as a lower percentage of funding is paid in the first month of a term. Refer to table 8.
Providers will receive a payment every month of the year providing an estimate claim is submitted and the Provider has funded children in that term.	Providers will not receive their full termly funding until later in the term i.e. in summer term all funding would not be paid until August (currently early July).
Childminders who are in receipt of Universal Credit may benefit from a monthly payment for purposes of reporting their monthly income to HMRC, though payments will still fluctuate monthly depending on numbers of funded children, on time estimate claims and children's eligibility to EYPP, IDACI etc.	Providers will receive IDACI, EYPP, SENDIF and DAF funding later in the term compared with the current system.
	Increased admin burden for the Council which may need additional financial support in the future (retention of funds). The payment of Early Years Funding is not automated in the way that, for example, a monthly salary payroll can be.
	For providers who operate term time only and have staff on term time only contracts monthly payments may have more significant cash flow impacts depending on the frequency of payrolls.
	For childminders on Universal Credit there will still be fluctuations in payment amounts because of the limitations of the system.
	The monthly payment date will change each year due to the start of the summer term varying each year.
	Negative impact on Providers who prefer the current payment system.

Table showing comparison of payment dates and percentage of termly funding paid

Table 7 Comparison of payment dates and percentage of termly funding paid

Current system Payment date	Current system Term week	Current system Percentage of base rate termly funding	Monthly system Payment date	Monthly System Term week	Monthly System Percentage of base rate termly funding
Summer term 2025			**Summer term 2025**		
22 April 2025	1	40%	22 April 2025	1	20%
19 May 2025	5	40%	22 May 2025	5	20%
30 June 2025	10	20%	20 June 2025	8	20%
			22 July 2025	13	20%
			22 August 2025	17	20%
Autumm term 2025			**Autumm term 2025**		
1 September 2025	1	40%	22 September 2025	4	25%
6 October 2025	6	40%	22 October 2025	8	25%
24 November 2025	12	20%	21 November 2025	11	25%
			22 December 2025	16	25%
Spring term 2026			**Spring term 2026**		
5 January 2026	1	40%	22 January 2026	3	33%
2 February 2026	5	40%	20 February 2026	7	33%
9 March 2026	10	20%	20 March 2026	10	33%

Table showing comparison of illustrative funding payments for the summer term 2025

Table 8 Comparison of illustrative funding payments for the summer term 2025

Current system Payment date	Current system Percentage of base rate termly funding	Current system Funding payments	Monthly system Payment date	Monthly System Percentage of base rate termly funding	Monthly System Funding payments
22 April 2025 Week 1	40%	£39,387.60	22 April 2025 Week 1	20%	£19,693.80
19 May 2025 Week 5	40%	£39,387.60	22 May 2025 Week 5	20%	£19,693.80
30 June 2025 Week 10	20%	*£36,932.70	20 June 2025 Week 8	20%	£19,693.80
			22 July 2025 Week 13	20%	£19,693.80
			22 August 2025 Week 17	20%	*£36,932.70
Total funding		**£115,707.90**	**Total funding**		**£115,707.90**

* Includes final balance of base rate funding plus for eligible children IDACI, EYPP, SENDIF and DAF funding.

Appendix A: Illustration of the proposed Early Years Funding Formula and illustrative rates for 2025-26

The table below shows the 2025-26 proposed formula values and illustrative provider base rates based on the current SENDIF value in 2024-25. The provider base rates are for illustrative purposes only, final formula funding and the provider base rates will be confirmed after this consultation. The current (2024-25) formula values and rates are shown for ease of comparison, full details can be found in appendix B.

Table 9: 2025-26 proposed formula values and illustrative provider base rates

	2024-25	Proposed 2025-26	Difference
Deprivation allocation	£320,000	**£320,000**	£0
Central retention	£911,295	**£1,186,947**	+£275,652
Contingency	£402,481	**£532,542**	+£130,061
Transfer to High Needs Block	£500,000	**£500,000**	£0
SENDIF (see Section D, options A, B & C)	£2,000,000	**A £2,000,000** **B £3,000,000** **C £4,000,000**	A £0 B +£1,000,000 C +£2,000,000
Under 2s provider base rate	£9.90	**A £10.38** **B £10.27** **C £10.16**	A +£0.48 B +£0.37 C +£0.26
2-year-old provider base rate (disadvantaged and working parents)	£7.20	**A £7.66** **B £7.55** **C £7.44**	A +£0.46 B +£0.35 C +£0.24
3- & 4-year-old provider base rate (universal & extended)	£5.22	**A £5.51** **B £5.40** **C £5.29**	A +£0.29 B +£0.18 C +£0.07
Total Early Years Block *	**£50,310,090**	**£66,567,740**	**£16,257,650**

* Excludes Early Years Pupil Premium, Disability Access Funding and Maintained Nursery School Supplementary Funding.

Appendix B: Current Early Years Funding Formula (2024-25)

Base rates

- £9.90 for under two-year-olds
- £7.20 for two-year olds
- £5.22 for three- and four-year olds (universal and extended hours)

Deprivation

The allocation is £320,000. Funding is allocated using the current metric IDACI (Income deprivation affecting children index) the rates are:

- Band A: £0.27
- Band B: £0.21
- Band C: £0.20
- Band D: £0.18
- Band E: £0.11
- Band F: £0.09

Special educational needs and disabilities inclusion fund (SENDIF)

The allocation is £2 million for low level and emerging needs to support providers from all sectors delivering the free entitlements. £1 million contribution from the High Needs block funding and £1 million contribution from the Early Years block funding.

Central retention

£911,295 is retained to fund local authority statutory duties around the early years entitlements including administration of the funding, quality improvement, sufficient places and SEN support. Kirklees retains only 2.8%, see table below. Local Authorities were permitted to retain 5% of the Early Years budget in 2024-25.

Table 10 Central retention budget breakdown

Budget area	Budget	Description
Early Learning and Childcare	£775,005	Free Early Education, Childcare Sufficiency and Early Years Outcomes Teams – funding to providers, free entitlement place sufficiency, supporting standards of delivery
Back office / management costs	£78,540	Finance, payroll, HR, Legal, IT etc
Inclusion Support	£44,520	Contribution to the Inclusion Officer team
Miscellaneous	£13,230	Contribution to admissions, maternity, union duties etc
TOTAL	**£911,295**	

Additional funding

100% of additional funding is passed directly onto providers.

a) Early Years Pupil Premium (EYPP), the hourly rate is £0.68. EYPP is only payable for the first 15 hours used by children taking up the eligible working parents entitlements for 3 and 4-year-olds and 2-year-olds and under. The EYPP is not payable on the additional 15 hours for these entitlements.

Disability Access Funding (DAF), a lump sum payment of £910 available each year to funded children in receipt of Disability Living Allowance (DLA)

Kirklees COUNCIL

Report title:
Approval of acceptance and expenditure of external grant funding on preliminary development enabling works

Meeting	Cabinet
Date	21 January 2025
Cabinet Member (if applicable)	Graham Turner
Key Decision **Eligible for Call In**	**Yes** – published 16 December 2024 **Yes**
Purpose of Report To seek authority to spend £1.25m of One Public Estate Brownfield Land Release funding on Estates Buildings (located near Huddersfield Train Station) in order to prepare the building for future development.	
Recommendations • Cabinet are asked to approve the expenditure of £1.25m of external grant funding from One Public Estate (OPE) on Estates building in order to facilitate its future development. **Reasons for Recommendations** • Utilising external funding on the enabling works for this building will help to reduce costs for a future developer, making the building more marketable and attractive to potential investors. • In turn, this will aid the development of this landmark building which is in a strategic location in Huddersfield town centre, supporting the delivery of the Huddersfield Blueprint.	
Resource Implication: • The proposed capital works are 100% funded by the OPE Brownfield Land release grant. • There are associated revenue implications to fund the technical work needed to specify and tender the scheme. These are being funded by a combination of WYCA Housing Revenue Fund resources (£60k) and internal resources (from the Capital Delivery team). • The works require staffing support from Capital Delivery and Housing Growth and Regeneration. This is being supplied from within existing resources.	
Date signed off by Executive Director & name **Is it also signed off by the Service Director for Finance?**	David Shepherd 8/01/25 Kevin Mulvaney 3/01/25

Is it also signed off by the Service Director for Legal and Commissioning (Monitoring Officer)?	Samantha Lawton 7/01/25

Electoral wards affected: Newsome

Ward councillors consulted - Not applicable

Public or private: Public

Has GDPR been considered? Yes – there is no personal data in this report.

1. Executive Summary

- Estate Buildings is a landmark building in Huddersfield, strategically located near the train station and the George Hotel.
- It is a Grade two star listed building, meaning it is of particular heritage value.
- The Blueprint vision for the regeneration of Huddersfield town centre is to increase the number of people living in the town centre.
- Estate Buildings has been identified as a Council asset which can deliver housing and help to create a new housing offer which would appeal to a new and different market from those currently living in the town centre, such as graduates from the University wishing to remain in this area.
- However, it's heritage status and the age of the building means that it is very challenging to convert and costs for any future developer will be high.
- An application was made to the One Public Estate's (OPE) Brownfield Land Release Fund for £1.25m for enabling works. The Brownfield Land Release Fund is focussed on the release of surplus buildings and land to facilitate it's development for housing. The Council were informed that they had made a successful bid in September 2024.
- The grant will fund works to facilitate the future development of the building.
- Since notification of the successful bid was received, the Capital Delivery and Housing Growth and Regeneration teams have been working together to draw up a specification and tender package for works which will facilitate the future development of the building.
- Cabinet approval is now sought to spend the grant on these specified works.

2. Information required to take a decision

- **Background**

The Huddersfield Blueprint is a ten-year vision to create a thriving, modern-day town centre. The vision for Huddersfield is that it will be a busy, family-friendly town centre that stays open for longer with a unique culture, arts and leisure offer and a variety of thriving businesses. The scale of investment and transformation, including high quality, innovative culture, arts and leisure offers will improve the attractiveness of the town centre as a place to live, providing new opportunities for residential development.

In turn, new residents and new residential spending will help to sustain culture, arts and leisure developments within the town centre.

The Blueprint vision for Huddersfield town centre living is:

"To create a vibrant community in Huddersfield Town Centre, attractive to young professionals, with strong connections to neighbouring cities and the Pennines."

It has previously been agreed by Cabinet that proposals for residential development in Huddersfield Town Centre would focus on Council owned assets. Utilising existing buildings provides an opportunity for the Council to use its own assets to create high quality homes with excellent space standards, providing the chance to set the standard and start to create the residential market which will support the wider Blueprint vision and provide an exemplar to the wider development market of the quality which can be achieved using Huddersfield's heritage assets.

However, whilst heritage buildings provide an opportunity for residential development, they also come with significant costs which make them challenging to develop, particularly in areas like Huddersfield town centre where the market for residential development is untested. The OPE's Brownfield Land Release Fund provides grant funding for enabling works for surplus land and buildings that will ultimately deliver housing, and the Council was successful in September 2024 in securing £1.25 million of funding to help deliver homes in Estate Buildings.

The funding will be used for demolitions including the removal and disposal of mechanical and electrical installations, fixtures and fittings, internal partitions, ceilings, internal doors, wallpaper, and floor coverings. Work will also take place to form new openings, block up existing openings, remove areas of damaged plaster and make good. There will also be an asbestos survey and removal, repairs and strengthening to existing structure, internal drainage works including foul and surface water drainage within the building and repairs to the drainage system.

- **Cost breakdown**

The capital works are 100% funded by the OPE grant, the breakdown of these works is as follows:

Item	**Cost**
Demolitions Remove and dispose existing M&E installations, fixtures and fittings, internal partitions, ceilings, internal doors, wallpaper and floor coverings. Form new openings, block up existing openings, remove areas of damaged plaster and make good. Protect retained floors and make good in localised areas	£392,795
Asbestos survey and removal	£44,192
Frame Repairs and strengthening to existing structure	£285,000
Internal drainage Foul and surface water drainage within the building and repairs to building drainage system	£125,400
New incoming services New incoming water, electricity, new substation, builders work to support installations	£250,800
Contractor Overheads & Profit and prelims 14% of construction contract	£154,844
Total	**£1,253,031**

The funding is for capital works only and no revenue funding (for professional fees etc) is available from OPE.

Revenue funding of £60,000 for professional fees has been provided by West Yorkshire Combined Authority's (WYCA) Housing Revenue Fund, so there is no cost to the Council for this.

In addition to the revenue funding provided by WYCA, the Council's Capital Delivery team are working at providing resources for the project, on the basis that progressing these works now will result in future savings, by making it easier to manage and enabling a future disposal.

- **Timescale**

It is a key condition of the funding that the works are in contract by 31st March 2025, and the work to specify and tender the scheme is being progressed to meet this timescale.

It is further a condition of the funding that once the enabling works are complete, the Council must be in a contract to deliver homes by 31st March 2028 otherwise some or all of the grant would have to be repaid.

- **Expected impact/ outcomes, benefits & risks (how they will be managed)**

Impact and Outcomes

The outcome of the work will be to deliver a package of work which ultimately reduces cost and risk for a future developer by undertaking preparatory work to the building.

This will reduce a future developer's costs and make the development of Estate Buildings a more attractive opportunity.

Utilising the funding also provides the opportunity to leverage in other funding (for example, it can be used as match funding against other funding streams, such as Heritage Lottery Fund, which is currently being pursued).

Benefits

As set out above, the works will improve the attractiveness of the development opportunity to the residential development market and investors.

In addition, there is a short-term benefit of making the building easier to manage whilst it is being held as a Council asset, and the longer term benefit of making the building more attractive for disposal, which removes liability from the Council for the asset.

Risks

Timescales – the funding deadlines are challenging, particularly given that the Council was not notified that it had been successful until the end of September 2024. The deadline for being in contract for the work is difficult given the need to specify and competitively tender the works. In order to mitigate this risk, an application has been made to the funding body to seek a six week extension to the deadline of 31st March 2025.

The overall funding deadline of being in contract to deliver homes by March 2028 is also potentially difficult given that a significant amount of work to select a developer, progress planning and be in contract on a very complex building will be required. This will be the subject of ongoing monitoring and risk assessment as the project progresses. If the Council is not in a contract by March 2028, there is a risk that some or all of the grant would have to be repaid.

Attractiveness to the market – as set out in 2.0 above, the residential market in Huddersfield is relatively untested. This development will set a new standard and provide an exemplar of what can be achieved. There is, however, a risk that market interest may be limited as the relatively small size, and town (as opposed to city) location does reduce the market. This adds to the risk that it may be difficult to meet the overall funding timescales. Soft market testing and engagement with developers has already been undertaken and there are interested parties.

- **Sustainability**

Environmental – the expenditure of the OPE funds will ultimately help bring the building back into active use. Reuse of existing assets is more environmentally sustainable than new build, through the reuse of existing materials.

Building – the use of OPE funds to progress enabling works will aid the development of the building and help it to have a sustainable future, rather than being an ongoing asset management cost to the Council as it currently is.

- **Services & agencies involved**

The redevelopment of Estate Buildings is being led by the Housing Growth and Regeneration team who lead on the bid for the OPE funding.

The Housing Growth and Regeneration team are working with the Town Centres team on the delivery of this project as part of the wider Huddersfield Blueprint.

The technical specification, tendering and work on site is being led by the Council's Capital Delivery team.

3. Implications for the Council

3.1 Council Plan

Address our financial position in a fair and balanced way – part of this objective is proactively exploring all avenues to support local services, including funding from partners. The OPE funding provides an opportunity to undertake preparatory work for development in Estate Buildings without calling on the Council's capital plan.

Continue to deliver a greener, healthier Kirklees and address the challenges of climate change – the development of Estate Buildings provides an opportunity to reuse an existing asset, which is more carbon efficient than undertaking new build. It will also provide homes in a sustainable location, close to the railway station and the facilities of the town centre.

Continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish – investment in Estate Buildings is part of the Huddersfield Blueprint vision. Specifically, it is part of the vision for town centre living, whereby people living in the town centres support a thriving and healthy town centre economy.

3.2 Financial Implications

The work undertaken at Estate Buildings via this OPE funding should ultimately reduce the amount of any gap funding required for a future developer. Therefore, it reduces the risk of having to call on the Council's capital plan to support any future development.

It will also reduce the ongoing management and maintenance costs. In addition, by making the development more viable for a private sector developer, it supports the transfer of an asset out of Council ownership, and to the private sector.

As set out in 2.0, revenue funding of £60,000 for the specification and tendering of the work has been provided by the West Yorkshire Combined Authority's Housing Revenue Fund.

In addition, support is being given by the Capital Delivery team.

3.3 **Legal Implications**

The funding has previously been accepted via delegated powers.

The work undertaken with the OPE funding will require a standard JCT contractual arrangement with the contractor. This is usual in all projects of this nature and will be dealt with via the Capital Delivery team in liaison with Legal, Governance and Commissioning.

3.4 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

The key risks are set out in section 2.0 above.

The primary risk relates to the potential inability to meet funding deadlines, in particular the ultimate deadline of 31st March 2028 to be in contract to deliver homes. If no developer has been secured by this date, there is a risk that the funder will clawback the grant which has been given. However, this has to be offset against the benefits of the funding set out in 2.0 above, which is that expenditure will make the building more attractive to the market and investors, and therefore ultimately more likely to be transferred out of the Council's ownership, removing the liability of the asset.

Integrated Impact Assessment – there is no policy or service impact on protected characteristic groups from the expenditure of this grant on the works to Estate Buildings.

4 Consultation

No specific consultation has been undertaken in relation to the undertaking of the work at Estate Buildings. There is no impact on service delivery, process or policy.

The Capital Delivery team have liaised with the Local Planning Authority as part of specifying the work.

More formal consultation as part of the planning and development process would be initiated when the project progresses further.

5 Engagement

No specific engagement has been undertaken in relation to the undertaking of the work at Estate Buildings. There is no impact on service delivery, process or policy.

As set out above, more formal consultation and engagement as part of the planning and development process would be initiated when the project progresses further.

6 Options

6.1 Options Considered

a) Do nothing – reject funding offer and do not implement enabling works to Estate Buildings

b) Initiate a comprehensive package of redevelopment works funded by the Council's capital plan

c) Accept funding offer and progress enabling works

6.2 Reasons for recommended Option

a) Do nothing – reject funding offer and do not implement enabling works to Estate Buildings

- In this scenario, the grant funding would be handed back and no work would be implemented to Estate Buildings. The building would be less attractive to any potential developer and investor, and the Council would very likely continue to hold the asset.

b) Initiate a comprehensive package of redevelopment works funded by the Council's capital plan

- It would be possible for the Council to redevelop the building for housing. However, this would come with a significant resource call on the capital plan, and development of heritage assets for housing is not the Council's area of expertise. The scale of such investment is not realistic given the Council's overall financial position, and a specialist developer is best placed to ultimately deliver conversion works.

c) Accept funding offer and progress enabling works

- As set out above, this is the preferred option. It allows enabling works to the building to be carried out without a call on the Council's capital plan, with the aim of making it more attractive to developers and investors

7 Next steps and timelines

- The next step is to proceed with procuring the enabling works. Preparatory work for this has already been carried out, in order that a contract can be entered into by the funding deadline of 31st March 2025, subject to Cabinet approval of the expenditure.
- The work will take place during 2025
- In tandem with the enabling works, officers are progressing proposals to identify and secure a developer and additional external funding, with the aim of meeting the 31st March 2028 deadline for being in contract to deliver homes. This will be the subject of a future report to Cabinet.

8 Contact officer

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9 Background Papers and History of Decisions

Cabinet report 26 July 2022, item 7:

https://democracy.kirklees.gov.uk/documents/s47252/220714%20cabinet%20report%20Estates%20FINALv2.pdf

10 **Appendices**
None

11 Service Director responsible

Joanne Bartholomew – Service Director - Development

Kirklees COUNCIL

Report title: Half Yearly Monitoring report on Treasury Management activities 2024/25

Meeting:	**Cabinet (Reference from Corporate Governance and Audit Committee, Reference to Council)**
Date:	**Corporate Governance and Audit Committee 6 December 2024 / Cabinet 21 January 2025 / Council 12 February 2025**
Cabinet Member (if applicable)	**Councillor Graham Turner**
Key Decision **Eligible for Call In**	**No** **No**
Purpose of Report The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2024/25 covering the period 1 April to 30 September 2024.	
Recommendation and Reasons To note the treasury management performance during the first half of 2024/25 as set out in this report. This report has previously been presented to Corporate Governance and Audit Committee in December 2024.	
Resource Implications: There are no additional resource implications required as part of this report.	
Date signed off by Strategic Director & name **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director for Legal Governance and Commissioning?**	**N/A** **Kevin Mulvaney – 27/11/2024** **Sam Lawton –27/11/2024**

Electoral wards affected: N/A

Ward Councillors consulted: N/A

Public or private: Public

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

1. Summary

1.1 The report gives assurance that the Council's treasury management function is being managed prudently and pro-actively and that the Council complied with its treasury management prudential indicators in the year (Appendix 4).

1.2 External investments, including the £10.0 million Local Authority Property Fund (LAPF), averaged £61.6 million during the period at an average rate of 5.06%. Investments ranged from a peak of £103.5m million in April to a low of £27.9 million in August.

1.3 The large range in investment balances are because of receiving significant cash sums at the start of the month, for example DSG (Dedicated Schools Grant) monies and Council Tax/NNDR, which result in peaks of cash for a short period of time.

1.4 The Council's net borrowing increased by £25.2 million in the 6 month period, from £668.2 million at 31 March 2024 to £693.4 million at 30 September 2024.

1.5 All treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Appendix 1.

1.6 The treasury management revenue budget for 2024/25 is £27.1 million. This is covered in more detail at paragraph 2.5.1 later in this report.

1.7 This report includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly revenue reports along with the treasury management indicators.

1.8 The main findings from the 2023/24 MRP review is included at Appendix 6.

2 Information required to take a decision:

2.1 Introduction

2.1.1 The treasury management strategy for 2024/25 was approved by Council on 6 March 2024. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30.0 million, largely for the purpose of managing day-to-day cash flow requirements

2.1.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with Money Market Funds, the Debt Management Office (DMO), Local Authorities and major British owned banks and building societies. Diversification amongst counterparties is key.

2.2 The Economy and Interest Rates

2.2.1 UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 1.7% in September, largely due to base effects from energy prices but also a general easing in inflationary pressures. Core and services price inflation remained higher at 3.2% and 4.9% respectively in September.

2.2.2 The UK economy continued to expand over the period as it recovered from a technical recession, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. UK GDP growth, however, slowed materially in calendar year quarter three (July to September 2024), registering 0.1%. Of the monthly figures, the economy was estimated to have contracted by 0.1% in September.

2.2.3 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to September showed the unemployment rate rose to 4.3% from 4.0% in the previous three-month period while the employment rate fell to 74.8% from 75.0%.

2.2.4 Over the same period average regular earnings (excluding bonuses) was 4.8%, down from 5.4% in the earlier period and total earnings (including bonuses) was 4.3%. Adjusting for inflation, real regular pay rose by 1.9% and total pay by 1.4%.

2.2.5 With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

2.2.6 Arlingclose, the Council’s treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one (which did happen), taking Bank Rate down to around 3% by the end of 2025. Although the most recent forecasts (post budget) now indicate that this rate is now likely to be c3.75%.

2.2.7 The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years’ energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

2.2.8 Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.

2.2.9 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

2.3 Local Context

2.3.1 On 30 September 2024, the Council had net borrowing of £693.4 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	Actual 2023/24 £m	**Strategy Estimate 2024/25 £m**	**Revised Forecast 2024/25 £m**
General Fund CFR - Non PFI	663.2	706.8	714.0
PFI	33.6	31.2	31.2
HRA CFR - Non PFI	163.7	169.3	163.7
PFI	40.6	38.1	38.1
Total CFR	**901.1**	**945.4**	**947.0**
Less: PFI debt liabilities	74.2	69.3	69.3
: Other debt liabilities	3.4	3.5	3.5
Borrowing CFR	**823.5**	**872.6**	**874.2**
Less actual external borrowing *	707.3	614.9	711.4
Internal (over) borrowing	116.2	257.7	162.8
Total borrowing	**823.5**	**872.6**	**874.2**
Less: Balance sheet resources	155.3	144.0	122.6
Net borrowing	**668.2**	**728.6**	**751.6**
Investments	39.1	30.0	30.0

*shows only loans to which the Council is committed to the year end and excludes future borrowing and refinancing

2.3.2 The treasury management position at 30 September 2024 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.24 Balance £m	Movement £m	30.09.24 Balance £m	30.09.24 Weighted Average Rate %
Long-term borrowing:				
PWLB	550.4	23.0	573.4	4.21
LOBOs	30.8	0.0	30.8	4.39
Loan Stock	7.0	0.0	7.0	11.60
Other LT Loans	40.0	0.0	40.0	3.89
Other MT Loans	37.7	-10.7	27.0	4.56
Short-term borrowing	41.4	28.6	70.0	4.92
Total borrowing	**707.3**	**40.9**	**748.2**	**4.21**
Long-term investments	10	0.0	10.0	N/A
Short-term investments	0	20.0	20.0	N/A
Cash and cash equivalents	29.1	-4.4	24.7	N/A
Total investments	**39.1**	**15.6**	**54.7**	N/A
Net borrowing	**668.2**	**25.2**	**693.4**	

2.4 Investment Activity

2.4.1 The Council invested an average balance of £51.6 million externally (excluding the LAPF) during the period (£34.5 million in the first six months of 2023/24), generating £1,330k in investment income over the period (£789k in 2023/24). The LAPF investment of £10.0 million generated £227k of dividend income during the period (£198k in the first six months of 2023/24).

2.4.2 Debt repayments are weighted towards the second half of the year; to spread risk and given the Council's significant borrowing requirement, even amounts of borrowing have been taken throughout the first six months of the year along with taking borrowing when opportunities arose if yields dipped. This has resulted in higher-than-normal cash balances compared to the 2024/25 strategy.

2.4.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk on incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.4.4 Balances were mainly invested in instant access accounts such as Money Market Funds, short term deposits, Debt Management Office (DMO), Local Authority fixed term deposits and the LAPF. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.

2.4.5 As demonstrated by the liability benchmark in this report at Appendix 4, the Council expects to be a long-term borrower and treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

2.4.6 Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term rates largely being around these levels. The rates on Debt Management Account Deposit Facility (DMADF) also rose, ranging between 4.92% and 5.20% and Money Market Rates between 4.91% and 5.27%.

2.4.7 The Council's average investment rate for the period was 5.06%. This is higher than the average in the same period in 2023/24 of 4.43%. Returns on liquid cash balances were 5.16%

2.4.8 The Council continues to hold £10 million of strategic investment in the Local Authorities Pooled Investment Fund (LAPF). The fund returned a net yield of 4.53% after deducting charges. The actual gross dividend yield quoted from the fund on Net Asset Value was 5.21% at the end of September for the last 12 months, and the fund size was £1,032.3 million (4.66% and £1,186.3 million respectively for the 12 months to September 2023).

2.4.9 Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three-to-five-year minimum period total returns will exceed cash interest rates.

2.4.10 The chart at Appendix 3, provided by Arlingclose, compares the Council's performance against other Local Authorities at the end of September. In order to gain better rates of return, the majority of Local Authorities with a higher rate of return have further external investments creating a more diverse portfolio.

2.5 Revenue Budget Monitoring

2.5.1 The treasury management budget is £27.1 million. Forecasted outturn is currently under budget by £1.0 million and this position is reflected in the Council's Q2 financial report to Cabinet later this month. This reflects higher levels of investment balances resulting in increased investment income than budgeted.

2.6 Borrowing Update

2.6.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decisions that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes

2.6.2 The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in the future.

2.6.3 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing is also allowed for financing capital expenditure primarily related to the delivery of a Local Authority's function. The Council's borrowing is undertaken for these purposes only.

2.6.4 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.

2.6.5 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

2.6.6 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a scarcity of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

2.6.7 The PWLB HRA rate which is 0.4% below the certainty rate has been extended further to March 2026. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans.

2.7 Borrowing Activity

2.7.1 As outlined in the Treasury Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

2.7.2 In terms of borrowing, long-term loans (including LOBO's - see paragraph 2.7.6) at the end of September totalled £678.2 million (£562.1 million 31 March 2024) and short-term loans £70.0 million (£96.7 million 31 March 2024).

2.7.3 Fixed rate loans account for 95.84% of total long-term debt giving the Council stability in its interest costs. The maturity profile for long-term loans is shown in Appendix 2 and shows that no more than 9.64% of debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.

2.7.4 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark (see Appendix 4), which also considers usable reserves and working capital. The mid-year forecasted liability benchmark, based on updated capital plans, highlights that there is an expectation of additional borrowing of £70.2 million for the year.

2.7.4 During the period £35m of PWLB EIP loans were taken along with £20m of medium term loans from other Local Authorities. These loans provide some longer-term certainty and stability to the debt portfolio. A mixture of short, medium-term and further PWLB will be taken during the remainder of the year to fund the additional borrowing required. The rate assumption in the treasury budget for 2024/25 is 5.35%.

Medium and Long-term loans taken during the period 01/04/24 to 30/09/24

	Loan Period	Amount £m	Rate %	Date to be repaid
PWLB 739810 – EIP	12 years	20.0	4.67%	28/06/2036*
PWLB 751915 – EIP	11 years	10.0	4.37%	12/08/2035*
PWLB 759388 – EIP	12 years	5.0	4.52%	12/09/2036*
Oxfordshire County Council	3 years	5.0	5.00%	17/03/2027
West Yorkshire Combined Authority	11 months	5.0	5.15%	30/04/2025
Cambridgeshire & Peterborough Combined Authority	2 years	5.0	4.70%	06/08/2026
Elmbridge Borough Council	2 years	5.0	4.50%	14/09/2026
Total		**55.0**		

*EIP final repayment date

2.7.5 Appendix 5 sets out in year repayments on long-term borrowing and further re-payments for the next 6 months.

2.7.6 The Council has £30.0 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.

2.7.7 As market rates remain high, there is an increased probability of call options on the LOBOs being exercised by lenders. No LOBO loans were called during the 6 month period to September 2024, however there remains a possibility they could within the next 12 months and as such have been classified as short-term borrowing in the debt maturity table in Appendix 2.

2.7.8 If the option is exercised and an increased rate proposed, the Council plans to repay the loan at no additional cost as accepting the revised terms would mean the Council would still have refinancing risk in later years. If required, the Council will repay the LOBO's by borrowing from other local authorities or the PWLB.

2.8 MRP Update

2.8.1 During 2023/24 an external review of MRP identified an overprovision which allowed for an unwind of £6.3 million to revenue in 2023/24. A further saving of £15.2 million will be released through a Voluntary Revenue Provision in 2024/25 and £10.8 million in 2025/26. Detail is provided in Appendix 6.

2.9 Risk and Compliance issues

2.9.1 The Council reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, including the prudential indicators. Details can be found in Appendix 4. Indicators relating to affordability and prudence are highlighted in this appendix.

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

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

3 Implications for the Council

3.1 Council Plan
N/A

3.2 Financial Implications
Any changes in assumed borrowing and investment requirements, balances and interest rates have been reflected in revenue budget monitoring reports during the year and the 2025/26 budget will be set to reflect the investment as per the capital plan and using the latest advice on forecast interest rates.

3.3 Legal Implications
N/A

3.4 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)
N/A

4 Consultees and their opinions
N/A

5 Options
N/A

6 Next steps and timelines
Comments and feedback from CGAC will be incorporated into this report which will be subsequently presented to Cabinet and Council in January.

7 Contact Officer

James Anderson	Head of Accountancy	01484 221000
Rachel Firth	Finance Manager	01484 221000

8 Background Papers and History of Decisions
CIPFA's Prudential Code for Capital Finance in Local Authorities.
CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Treasury Management in the Public Services – Guidance notes
The treasury management strategy report for 2024/25 - Council 6 March 2024
Council Budget Strategy Update Report 2025/26 – Council 18 September 2024

Annual Report on Treasury Management 2023/24 - Annual Financial Outturn Report 2023/24; Council 17 July 2024.

9 Appendices

Appendix 1: Investments 24/25
Appendix 2: Debt Maturity
Appendix 3: Average Return on Total Investments
Appendix 4: Treasury Management Prudential Indicators
Appendix 5: Long-term loans
Appendix 6: Minimum Revenue Provision (MRP)
Appendix 7: Treasury Management Practices (TMP)
Appendix 8: PWLB Borrowing Rates Table
Appendix 9: Glossary of Treasury Terms

10 Service Director responsible

Kevin Mulvaney 01484 221000

Appendix 1

Kirklees Council Investments 2024/25

Counterparty		Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2024*	1 April 2024 (opening)			30-Jun-24			30-Sep-24		
					£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment
Specified Investments													
LAPF	Property Fund	10.0	-	-	10.0	-	***	10.0	-	***	10.0	-	***
DMO	Central Government	Unlimited	-	F1+/AA-	-	-	Fixed Deposit	5.9	5.19%	Fixed Deposit	-	-	Fixed Deposit
PCC for Dorset	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	6.5	5.30%	Fixed Deposit	-	-	Fixed Deposit
Newport City Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	7.0	5.26%	Fixed Deposit			Fixed Deposit
BCP Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	5.0	5.25%	Fixed Deposit			Fixed Deposit
Bedford Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	10.0	5.30%	Fixed Deposit			Fixed Deposit
Luton Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	5.0	5.25%	Fixed Deposit			Fixed Deposit
Crawley Borough Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
London Borough of Waltham Forest	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
Leeds City Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
West Northamptonshire Council	Local Authority	10.0	-	F1+/AA-	-	-	Fixed Deposit	-	-	Fixed Deposit	5.0	5.00%	Fixed Deposit
Barclays Deposit Account	Bank	3.0	-	F1/A+	0.0	4.65%	Fixed Deposit	0.0	4.65%	Fixed Deposit	0.0	4.40%	Fixed Deposit
Aberdeen Standard	MMF**	10.0	AAA-A	AAA	9.8	5.27%	MMF	9.9	5.23%	MMF	8.2	5.01%	MMF
Aviva	MMF**	10.0	Aaa-A2	Aaa*	9.9	5.25%	MMF	9.8	5.25%	MMF	10.0	5.01%	MMF
Deutsche	MMF**	10.0	AAA-A	AAA	9.4	5.25%	MMF	0.1	5.19%	MMF	6.6	5.00%	MMF
Goldman Sachs	MMF**	10.0	AAA-A	AAA	0.0	5.14%	MMF	0.0	5.13%	MMF	0.0	4.92%	MMF
					39.1			**69.2**			**54.7**		
Sector analysis													
Property Fund		10.0			10.0	26%		10.0	14%		10.0	18%	
Local Authorities		10.0			0.0	0%		33.5	48%		20.0	37%	
Bank		3.0			0.0	0%		0.0	0%		0.0	0%	
MMF**		50.0			29.1	74%		19.8	29%		24.7	45%	
Central Government		Unlimited			0.0	0%		5.9	9%		0.0	0%	
					39.1	100%		**69.2**	100%		**54.7**	100%	
Country analysis													
UK					10.0	26%		49.4	71%		30.0	55%	
MMF**					29.1	74%		19.8	29%		24.7	45%	
					39.1	100%		**69.2**	100%		**54.7**	100%	

*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

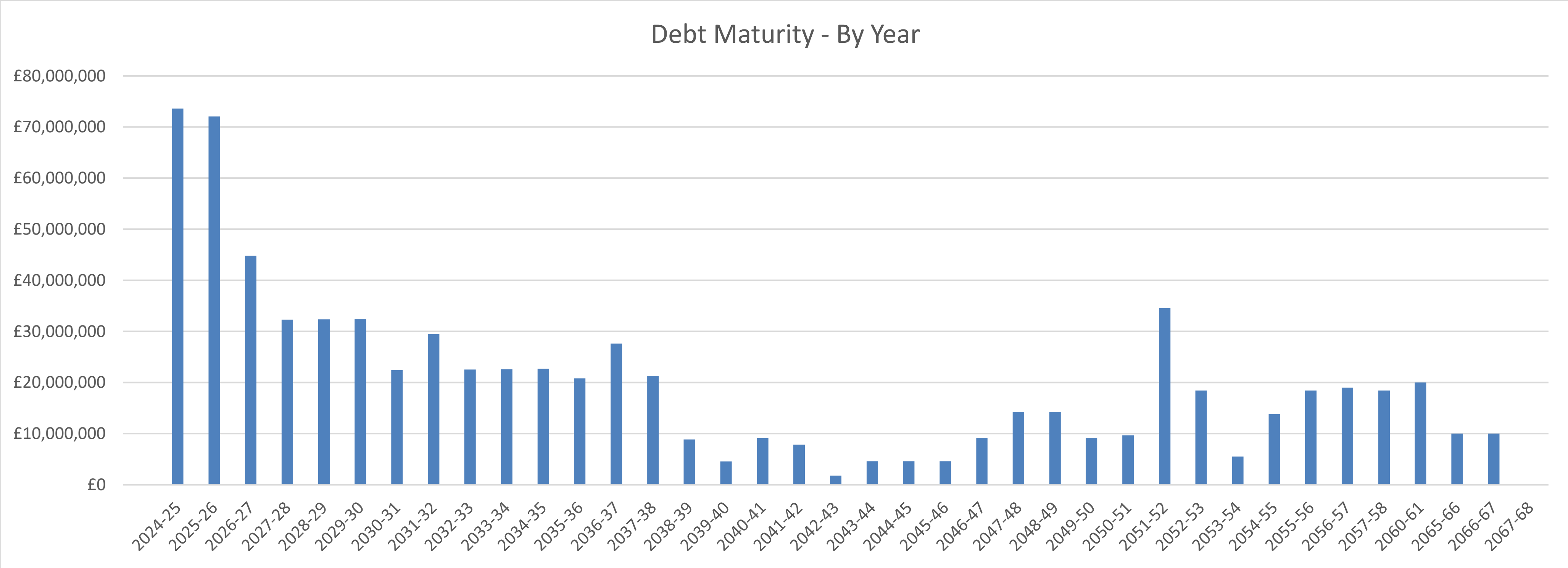
**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva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

***Specialised property fund available for Local Authority investors.

Key – Fitch's credit ratings: **Appendix 1 Continued**

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

Appendix 2


Debt Maturity - By Year
£80,000,000
£70,000,000
£60,000,000
£50,000,000
£40,000,000
£30,000,000
£20,000,000
£10,000,000
£0
2024-25
2025-26
2026-27
2027-28
2028-29
2029-30
2030-31
2031-32
2032-33
2033-34
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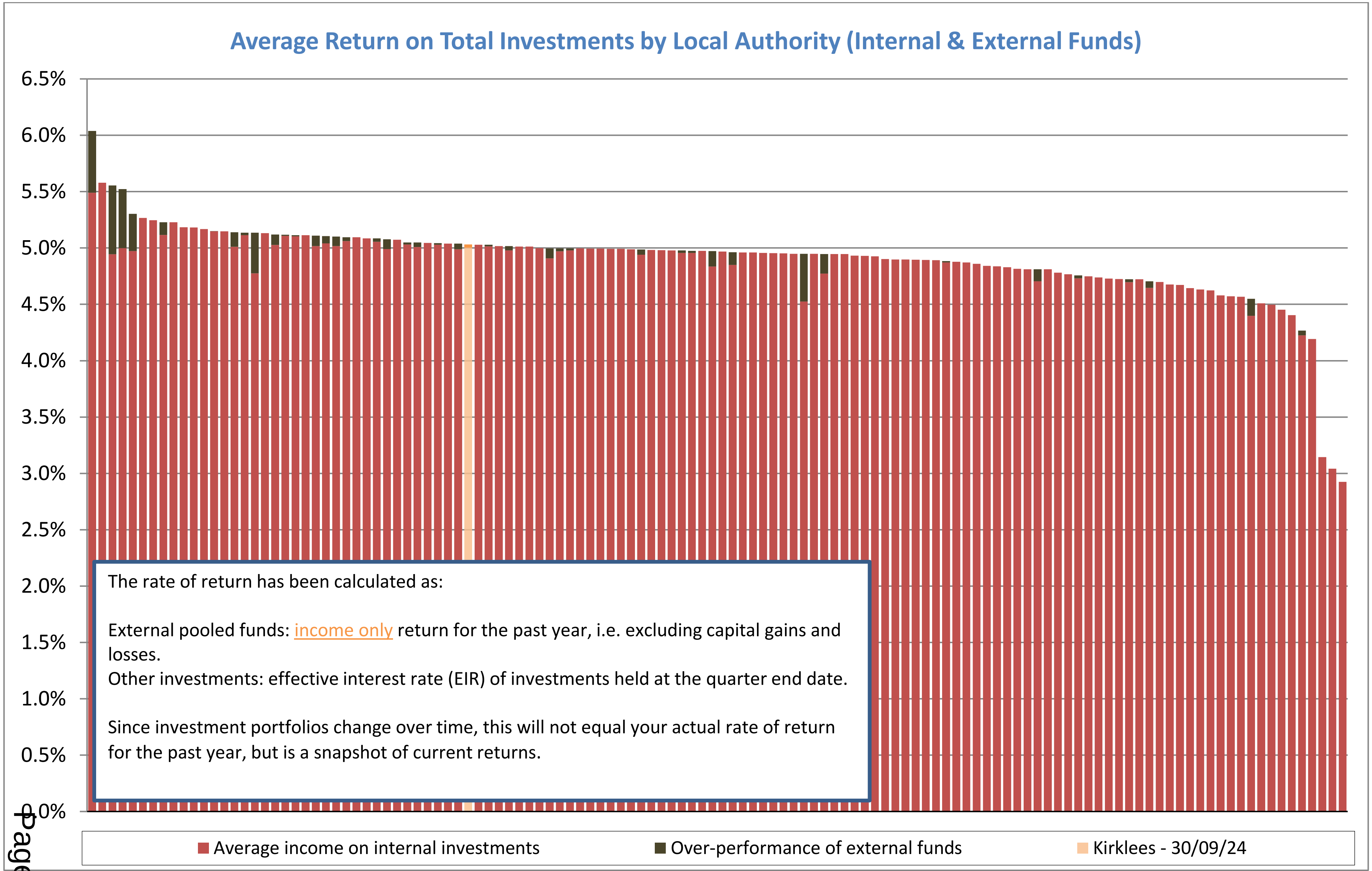
2067-68

Appendix 3


Average Return on Total Investments by Local Authority (Internal & External Funds)
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
The rate of return has been calculated as:
External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.
Other investments: effective interest rate (EIR) of investments held at the quarter end date.
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.
Average income on internal investments
Over-performance of external funds
Kirklees - 30/09/24

Appendix 4

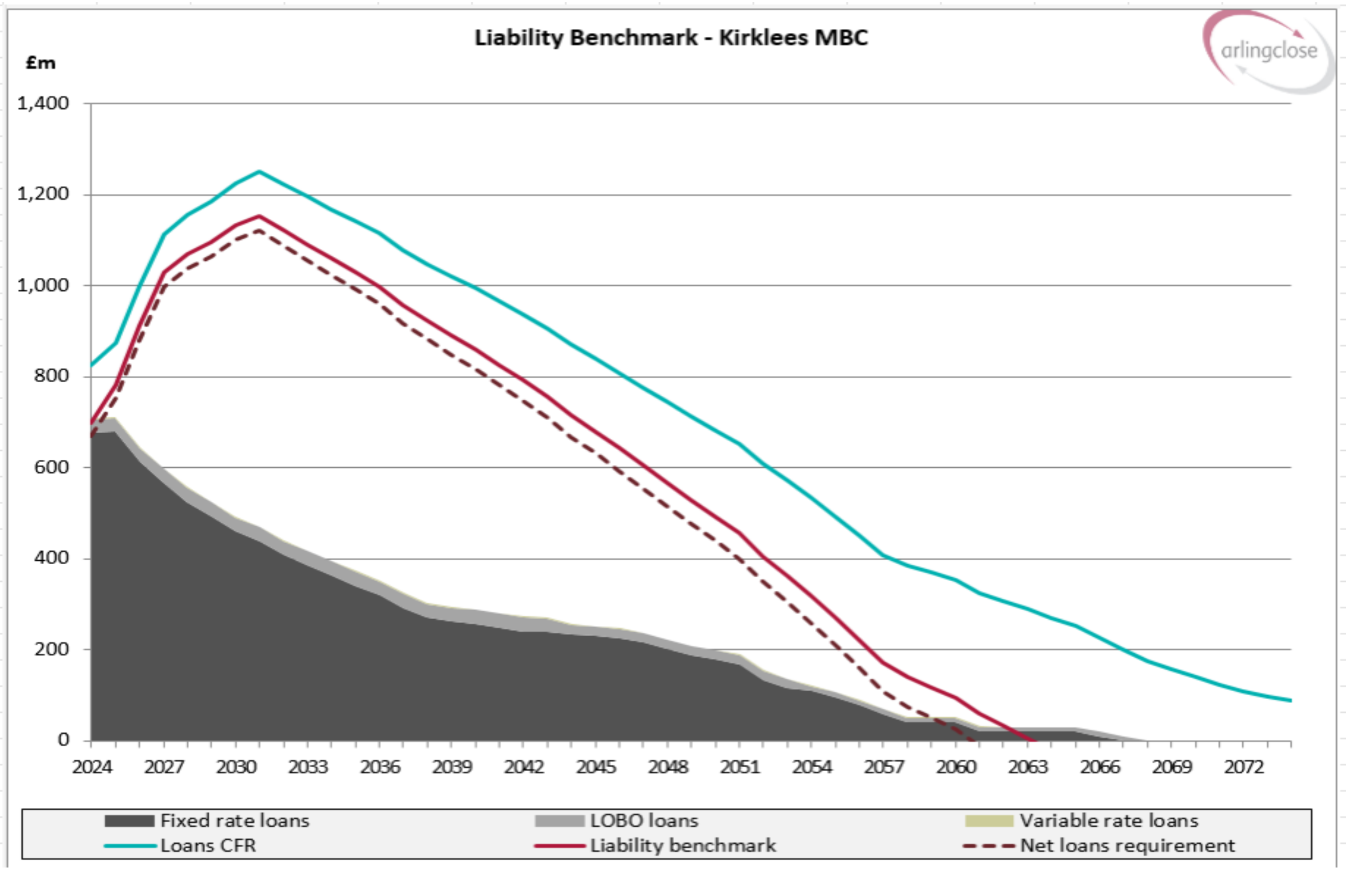
Treasury Management Prudential Indicators

Liability Benchmark

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £30.0 million required to manage day-to-day cash flow.

	31.03.24 actual £m	31.03.25 forecast £m	31.03.26 forecast £m	31.03.27 forecast £m
Loans CFR	**823.5**	**874.2**	**996.8**	**1113.0**
Less: Balance sheet resources	155.3	122.6	116.7	115.5
Net loans requirement	**668.2**	**751.6**	**880.1**	**997.5**
Plus: Liquidity allowance	30.0	30.0	30.0	30.0
Liability benchmark	**698.2**	**781.6**	**910.1**	**1027.5**
Existing borrowing	**707.3**	**711.4**	**644.3**	**599.6**

Following on from the medium term forecast above, the long the long-term liability benchmark assumes capital expenditure funded by borrowing of £55 million in 2024/25, minimum revenue provision based on asset life and reduction in balance sheet resources of £33 million.



The total liability benchmark is shown in the chart above together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark reaching a peak in 2032 highlighting the gap between current borrowing identified in grey, which is reducing over time with repayments, and the additional borrowing required to fund the capital plan.

<u>Maturity Structure of Borrowing</u>

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper limit	Lower limit	30.09.24 actual	Complied
Under 12 months	20%	0%	17%	Yes
12 months and within 24 months	20%	0%	6%	Yes
24 months and within 5 years	60%	0%	14%	Yes
5 years and within 10 years	80%	0%	16%	Yes
10 years and above	100%	20%	47%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO options of £30 million have a potential repayment date during 2024/25 and have been included in the under 12 months line.

<u>Long term Treasury Management Investments</u>

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	n/a	n/a	n/a	n/a
Actual principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m
Complied	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

<u>Interest Rate Exposures</u>

Bank Rate reduced by 0.25% from 5.25% to 5.0% in August 2024.
For context, the changes in interest rates during the quarter were:

	31.03.24	**30.09.24**
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

Appendix 5

Long-term loans repaid during the period 01/04/24 to 30/09/24

Counterparty	**Amount £000s**	**Rate %**	**Date repaid**
Salix (Annuity)	139	0.00%	01-Apr-24
Salix (Annuity)	182	0.00%	01-Apr-24
Salix (Annuity)	168	0.00%	01-Apr-24
PWLB (Annuity) 496956	432	4.58%	02-Apr-24
Crawley Borough Council	5,000	0.50%	02-Apr-24
Leicester City Council	5,000	0.75%	12-Apr-24
PWLB (EIP) 674705	333	5.02%	15-Apr-24
PWLB (EIP) 711011	2,000	5.42%	15-Apr-24
PWLB (EIP) 340221	250	1.63%	27-Apr-24
PWLB (EIP) 439173	250	1.66%	17-May-24
PWLB (EIP) 677193	333	4.85%	22-May-24
PWLB (EIP) 680811	833	4.83%	06-Jun-24
PWLB (EIP) 685435	769	4.59%	20-Jun-24
PWLB (EIP) 685834	769	4.37%	21-Jun-24
PWLB (EIP) 373440	250	1.46%	12-Jul-24
PWLB (EIP) 643579	278	5.01%	29-Jul-24
PWLB (EIP) 594601	500	4.10%	31-Jul-24
PWLB (EIP) 594848	536	3.99%	01-Aug-24
PWLB (EIP) 538379	500	2.60%	09-Aug-24
PWLB (EIP) 487385	250	2.28%	21-Aug-24
Salix (Annuity)	186	0.00%	01-Sep-24
PWLB (EIP) 313112	250	1.64%	04-Sep-24
PWLB (EIP) 493145	250	1.98%	09-Sep-24
PWLB (EIP) 711013	385	4.75%	13-Sep-24
PWLB (EIP) 712740	357	4.59%	19-Sep-24
PWLB (EIP) 713074	357	4.64%	20-Sep-24
PWLB (EIP) 608189	667	4.15%	21-Sep-24
PWLB (EIP) 659904	333	5.06%	23-Sep-24
PWLB (EIP) 660447	333	5.08%	23-Sep-24
PWLB (EIP) 661522	357	5.00%	27-Sep-24
PWLB (Annuity) 496956	442	4.58%	29-Sep-24
Total	22,692		

Long-term loans to be repaid during the period 01/10/24 to 31/03/25 (excludes LOBO options)

	Amount £000s	Rate %	Date to be repaid
Salix (Annuity)	182	0.00%	01-Oct-24
Salix (Annuity)	168	0.00%	01-Oct-24
PWLB (EIP) 674705	333	5.02%	14-Oct-24
PWLB (EIP) 711011	2,000	5.42%	14-Oct-24
PWLB (EIP) 340221	250	1.63%	27-Oct-24
Wealden District Council	5,000	5.35%	15-Nov-24
PWLB (EIP) 439173	250	1.66%	17-Nov-24
PWLB (EIP) 677193	333	4.85%	22-Nov-24
PCC for West Yorkshire	10,000	5.10%	02-Dec-24
PWLB (EIP) 680811	833	4.83%	06-Dec-24
West Midlands Combined Authority	5,000	4.50%	12-Dec-24
Preston City Council	3,500	5.20%	16-Dec-24
PWLB (EIP) 685435	769	4.59%	20-Dec-24
PWLB (EIP) 685834	769	4.37%	23-Dec-24
PWLB (EIP) 739810	833	4.67%	30-Dec-24
PWLB (EIP) 373440	250	1.46%	13-Jan-25
PWLB (EIP) 643579	278	5.01%	27-Jan-25
PWLB (EIP) 594601	500	4.10%	31-Jan-25
West Midlands Combined Authority	5,000	4.50%	31-Jan-25
PWLB (EIP) 594848	536	3.99%	01-Feb-25
West Midlands Combined Authority	5,000	4.50%	03-Feb-25
PWLB (EIP) 538379	500	2.60%	09-Feb-25
PWLB (EIP) 751915	455	4.37%	12-Feb-25
PWLB (EIP) 487385	250	2.28%	21-Feb-25
Salix (Annuity)	186	0.00%	01-Mar-25
PWLB (EIP) 313112	250	1.64%	04-Mar-25
PWLB (EIP) 493145	250	1.98%	09-Mar-25
PWLB (EIP) 759388	208	4.52%	12-Mar-25
PWLB (EIP) 711013	385	4.75%	13-Mar-25
Vale of White Horse District Council	5,000	0.80%	18-Mar-25
PWLB (EIP) 712740	357	4.59%	19-Mar-25
PWLB (EIP) 713074	357	4.64%	20-Mar-25
PWLB (EIP) 608189	667	4.15%	21-Mar-25
PWLB (EIP) 659904	333	5.06%	21-Mar-25
PWLB (EIP) 660447	333	5.08%	24-Mar-25
PWLB (EIP) 661522	357	5.00%	27-Mar-25
PWLB (Annuity) 496956	452	4.58%	29-Mar-25
Total	52,126		

Medium and Long-term loans taken during the period 01/04/24 to 30/09/24

	Loan Period	**Amount £m**	**Rate %**	**Date to be repaid**
PWLB 739810 – EIP	12 years	20.0	4.67%	28/06/2036*
PWLB 751915 – EIP	11 years	10.0	4.37%	12/08/2035*
PWLB 759388 – EIP	12 years	5.0	4.52%	12/09/2036*
Oxfordshire County Council	3 years	5.0	5.00%	17/03/2027
West Yorkshire Combined Authority	11 months	5.0	5.15%	30/04/2025
Cambridgeshire & Peterborough Combined Authority	2 years	5.0	4.70%	06/08/2026
Elmbridge Borough Council	2 years	5.0	4.50%	14/09/2026
Total		**55.0**		

*Final EIP payment date

MINIMUM REVENUE PROVISION (MRP)

MRP for debt repayment

- In accordance with the Local Government Act 2003, the Council is required to pay off an element of accumulated General Fund capital expenditure each year through a revenue charge known as the Minimum Revenue Provision (MRP).

- The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued by MCLG in 2018. The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.

- The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

- The Guidance provides suggested methods for the calculation of MRP; however, the Guidance and legislation do not define what is prudent. It is for each Local Authority to determine a prudent repayment based on its own individual circumstances, considering the medium and long-term financial plans, current budgetary pressures, future capital expenditure plans and funding needs.

Review

- During 2023/24 the interim S151 requested an independent review of the current MRP strategy.

- The objective of the review was to identify opportunities to move to a more suitable and cost effective MRP strategy whilst ensuring that the provision remains prudent and compliant with statutory guidance.

- The review identified various options for supported and unsupported borrowing which could be implemented within the Guidance; the Council has chosen within these options to adopt the methodologies which are deemed best suited to Kirklees Council.

- The Council applies an annuity method for calculating MRP for both supported and unsupported borrowing.

- The Council is currently using an annuity rate of 4.79% on its supported borrowing. This is based on the average 50-year PWLB annuity rate in 2007/08, the year in which the annuity policy has been applied from.

- The Council has opted to continue with the current methodology and use a 34-year period, which is the remainder of the 50-year life which was applied in 2007/08.

- On unsupported borrowing, the Council applied an annuity approach in the MRP calculation based on grouping projects according to asset lives.

- Following the review, the Council has opted to use a single annuity calculation for all outstanding historic expenditure at 31 March 2023, which combines each historic year on a weighted average life basis. This option re-profiles the MRP charges into future years, however this option repays the debt liability much earlier than the existing charges profile and can therefore be viewed as more prudent. From 2024/25 any borrowing for capital expenditure, the weighted live of the assets will be applied to the annuity rather than individual lives and grouping assets together.

- The review identified a 5-year total overprovision of £53.5 million between 2023/24 and 2027/28 (£34.2 whole life NPV).

Benefits of the review

- Provides the Council with the flexibility and scope to manage the release of the revenue savings identified by making additional MRP through Voluntary Revenue Provision ("VRP"), which can be used to offset future years charges or provide a short term funding source to deal with unexpected costs or fund transformational activity. However, Members need to be aware that should reserves be used in this manner, they will need to be replenished in the medium term when the over provision unwinds and base budgets require a reset.

- The outstanding unsupported debt liability will be written off in full earlier than under the current method.

- The weighted average method of calculation for unsupported borrowing is a much simpler calculation than the current method, providing for more concise and user-friendly working papers.

- It is important to note that all the options identified are prospective and do not amend any previous year's calculations.

Appendix 7

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. TMP 1 Risk management

The Service Director - Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

(i) Credit and counterparty risk management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, methods and techniques are listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

(ii) Liquidity risk management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(iii) Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

(iv) Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

(v) Refinancing risk management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(vi) Legal and regulatory risk management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

(vii) Fraud, error and corruption, and contingency management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(viii) Market risk management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

2. **TMP2 Performance measurement**

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery and of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

3. **TMP3 Decision-making and analysis**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **TMP4 Approved instruments, methods and techniques**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice when entering into arrangements to use such products.

5. **TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Service Director - Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Service Director - Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the Service Director - Finance in respect of treasury management is set out in the schedule to this document. The Service Director - Finance will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **TMP6 Reporting requirements and management information arrangements**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to this document.

7. **TMP7 Budgeting, accounting and audit arrangements**

The Service Director - Finance will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Service Director - Finance will exercise effective controls over this budget, and will report any major variations.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this function's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.

8. **TMP8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director - Finance and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director - Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **TMP9 Money laundering**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **TMP10 Training and qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are detailed in the schedule to this document.

The Service Director - Finance will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **TMP11 Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such arrangement's rests with the Service Director - Finance, and details of the current arrangements are set out in the schedule to this document.

12. **TMP12 Corporate governance**

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Service Director - Finance will monitor and, if necessary, report upon the effectiveness of these arrangements.

Management Practices for Non-Treasury Investments

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

PWLB Borrowing Rates %

	30/09/2024	28/03/2024	29/09/2023	31/03/2023	30/09/2022	31/03/2022	30/09/2021
Annuity							
15 years	4.90	4.86	5.39	4.46	5.17	2.54	1.87
20 years	5.10	5.04	5.54	4.60	5.14	2.67	2.07
30 years	5.43	5.35	5.81	4.87	5.15	2.84	2.31
50 years	5.53	5.39	5.80	4.83	4.80	2.79	2.38
Maturity							
15 years	5.29	5.23	5.70	4.78	5.15	2.81	2.28
20 years	5.47	5.38	5.83	4.90	5.11	2.86	2.38
30 years	5.55	5.41	5.84	4.86	4.85	2.78	2.36
50 years	5.33	5.21	5.61	4.61	4.41	2.59	2.17
EIP							
15 years	4.86	4.83	5.36	4.45	5.20	2.54	1.86
20 years	5.01	4.96	5.46	4.54	5.14	2.65	2.04
30 years	5.30	5.24	5.71	4.79	5.15	2.82	2.28
50 years	5.54	5.42	5.86	4.90	4.99	2.83	2.39

Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the *Operational Boundary* to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Basis Point	1/100th of 1%, i.e. 0.01%
Bill	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund).
Capital receipts	Money obtained on the sale of a capital asset.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CIPFA	Chartered Institute of Public Finance and Accountancy
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes/pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI ***Also see RPI***	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Counterparty List	List of approved financial institutions with which the Council can place investments.
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Fund (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting.
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the Housing Revenue Account).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute.
IFRS	International Financial Reporting Standards.
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
Local Authority Property Fund (LAPF)	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (see Collective Investment Scheme).
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Minimum Revenue Provision (MRP)	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Net Asset Value (NAV)	A fund’s net asset value is calculated by taking the current value of the fund’s assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority’s plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Pooled funds	See Collective Investment Schemes (above).
Premiums and Discounts	In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate. *The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB’s lending arrangements circular.
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Investment Property	Property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
Risk	**Credit and counterparty risk** The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources. **Liquidity risk** The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation’s business/service objectives will be thereby compromised. **Refinancing risk** The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time. **Interest Rate risk**

	The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. **Legal risk** The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly. **Operational risk** The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk. **Market Risk** The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure.
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument.