Kirklees COUNCIL

Name of meeting: Cabinet/Council
Date: 3 October/12 October 2016

Title of report: Council budget update report 2017-21 incorporating an Efficiency Plan

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the Council's Forward Plan (key decisions and private reports?	Key decision - Yes Private report/private appendix - no
The Decision - Is it eligible for "call in" by Scrutiny?	No
Date signed off by Director and name **Is it signed off by Director of Resources?** **Is it signed off by the Assistant Director (Legal, Governance & Monitoring)?**	Debbie Hogg, 22 September 2016 Yes (see above) Julie Muscroft,22 September 2016
Cabinet member portfolio	Resources

Electoral wards affected: All

Ward Councillors consulted: All

Public or private: Public

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1. Purpose of the Report

1.1 To determine the Cabinet's approach to the annual update of the Council's Medium Term Financial Plan (MTFP). This is reported to full Council each year, and sets a framework for the development of draft spending plans for future years by officers and Cabinet.

1.2 The Cabinet is required under Financial Procedure Rules to submit to Council a provisional budget strategy for the following 3 years, no later than October, each year. The provisional budget strategy in this report is a four year strategy.

1.3 The Council's updated budget plans include the take up of the Government's multi-year general fund settlement offer for the rest of the current Parliament, conditional on Councils publishing an Efficiency Plan by 14 October 2016 (see also, Secretary of State letter at Appendix C). The Council's Efficiency Plan is included in this report at Appendix D, combined with the Council's updated budget plans and strategies. Councils who do not produce a plan may receive a lower grant settlement on an annual basis.

The structure of this report includes an overall summary, followed by a range of supporting information set out in the following appendices :

<u>Appendices</u>

A	Section 1 – General Fund
	Section 2 – Housing Revenue Account (HRA)
B	Summary general fund funding and spend forecasts 2017-21
C	Secretary of State letter 10 March 2016 – guidance on the Efficiency Plan
D	Kirklees Council Efficiency Plan 2017-21 submission

<u>RESTRICTIONS ON VOTING</u>

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

(a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

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

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

2. Summary

GENERAL FUND

2.1 <u>Current budget plans</u>

2.1.1 Successive Council budget rounds have highlighted the extent of national government's commitment to reducing public expenditure spend over a number of parliaments. Local government funding allocations (revenue support grant) has reduced by 40% over the 2010-16 period, and the most recent government financial settlement indicated a further 34% national funding reduction for Councils over the 2016-20 period.

2.1.2 The Council's funding reduction is broadly in line with the national pattern, and has contributed significantly to the financial challenges continuing to face the Council, at the same time as having to manage the financial impact of a range of cost and demand led pressures on services and cost of living (inflationary) pressures on pay and more latterly, the impact of Government national minimum wage uplifts and impacts on adult social care provider costs.

2.1.3 One of the Government's comparative measures of funding is 'Council core spending power'. This is based on government forward projections of expected Council funding availability, including council tax requirement (including the adult social care precept), local share of business rates, revenue support grant, top up grant, and new homes bonus grant.

2.1.4 Converting this to a funding amount per head, the figure for Kirklees in 2016-17 is £684, and is the eighth lowest of all Local Authorities nationally, and the second lowest of the metropolitan authorities, behind Trafford at £619. This measure reflects the fact that, relatively speaking, Kirklees is, and will continue to be ,one of the lowest funded authorities per head of population, in the Country (*source-Leicestershire County Council website*).

2.1.5 Current general fund budget plans for the period 2016-19 (including indicative year 4 figures, 2019-20) were approved at budget Council on 17 February 2016, and are summarised at Table 1 below :

TABLE 1 – current approved general fund budget plans 2016-20

Current approved plans - General Fund	**16-17 £m**	**17-18 £m**	**18-19 £m**	**19-20 £m**
Funding available	(293)	(285)	(281)	(280)
Net spend *Planned savings*	321 (10)	330 (29)	340 (29)	347 (29)
Net spend after savings	**311**	**301**	**311**	**318**
Budget Gap	**18**	**16**	**30**	**38**
Use of balances / reserves	(18)	-	-	-
Remaining Budget Gap	**nil**	**16**	**30**	**38**

2.1.6 Current approved budget plans summarised at Table 1 above includes the delivery of target budget savings of £10m in 2016-17, and a further £19m in 2017-18; £29m in total over a 2 year period. This still leaves a remaining budget gap of £16m in 2017-18, increasing to £30m in 2018-19 and £38m by 2019-20.

2.1.7 The Council has set out an approach to a New Council, informed by a more fundamental review and re-shaping of existing Council spend, including a Cross-Directorate review of spending priorities, guided by the Council's two key strategies; Economic Strategy and Joint Health & Wellbeing Strategy. A New Council approach is also based around specific priorities on Early Intervention & Prevention and Economic Resilience. The Council's Efficiency Plan attached at Appendix D, sets out more detailed context for the Council's strategy and approach for a New Council.

2.1.8 Current approved budget plans also include the planned drawdown of general fund balances and reserves totalling £17.5m in 2016-17, in order to deliver a 'balanced budget' in this year. Council reserves (excluding schools reserves that statutorily cannot be used for other purposes) are forecast to be in the region of £57m by the current year end. The equivalent figure just 2 years ago was £110m. Included within the £57m are a further £28m corporate priority spend commitments to support the direction of travel to a New Council. This then leaves no more than £29m available to support Council forward budget plans. To put this into context, £29m is equivalent to 5 weeks Council revenue (net) spend on a current annual revenue budget of £311m.

2.1.9 The movement in reserves over the last couple of years mainly reflects a planned approach to build up reserves over more recent years in anticipation of the scale of the financial challenges facing the Council, and these could then be used short term to effectively buy time for the Council to plan for the longer term.

2.1.10 Current budget plans acknowledged that Council reserves were forecast to reduce significantly, and should not be relied upon to balance budgets going forward. Further options and proposals would need to be considered this budget round to deal with the remaining budget gap, if the Council was to deliver a sustainable annual 'balanced' budget requirement over the medium term.

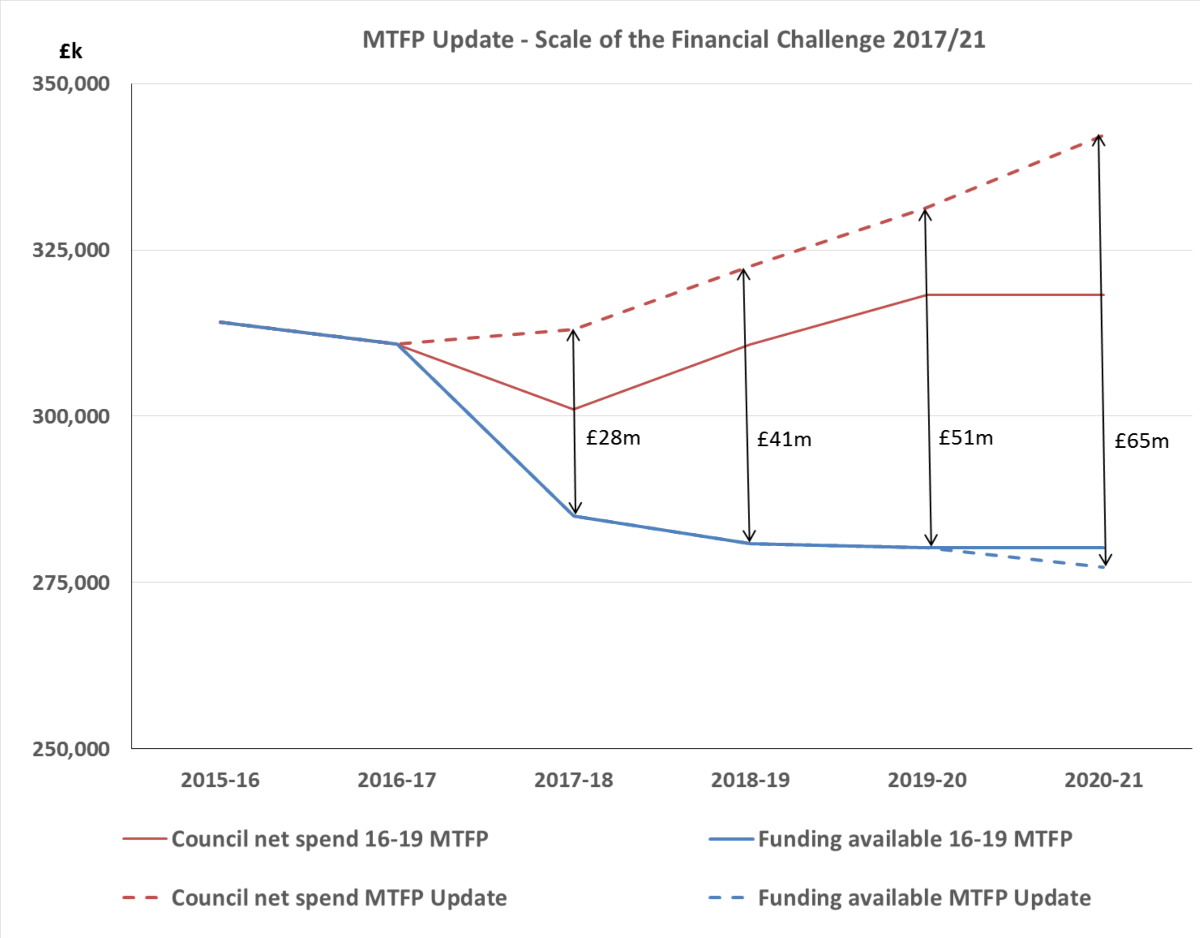
2.2 MTFP 2017-21; baseline funding and spend reviewed

2.2.1 The annual update of the Council's MTFP takes as its starting point, the roll forward of current budget plans. The MTFP update has then reviewed and updated a number of baseline funding and spend projections, and factored these into a re-freshed MTFP update for the 2017-21 period. The overall impact of these changes is summarised at Table 2 below:

TABLE 2 –MTFP update 2017-21

General Fund	17-18	18-19	19-20	20-21
FUNDING AVAILABLE	**£m**	**£m**	**£m**	**£m**
Current plans 2016-20	(285)	(281)	(280)	(280)
MTFP Update ; baseline review	0	0	0	3
Updated funding available 2017-21	**(285)**	**(281)**	**(280)**	**(277)**
SPENDING ALLOCATION				
Current plans 2016-20	302	311	318	318
MTFP Update; baseline review	11	11	13	24
Updated spending allocation 2017-21	**313**	**322**	**331**	**342**
Budget Gap MTFP Update	**28**	**41**	**51**	**65**
(Original Budget Gap MTFP 16-19)	*16*	*30*	*38*	*38*

2.2.2 The impact of the baseline review of funding and spend, is also summarised graphically below:



2.2.3 The solid blue and red lines in the above graph correspond to current budget plan (2016-19) funding available and spending plans. The gap between the two solid lines, is effectively the budget gap. What this demonstrates is that the Council's current spending plans beyond 2016-17 exceed the amount of funding available, and clearly this will not deliver a balanced budget, which is a legal requirement for the Council.

2.2.4 The MTFP update has then reviewed baseline funding and spend projections and this has resulted in revised projections of funding available and spend projections, represented by the dotted lines in the above graph. The differences between the two dotted lines are shown by the arrows in the above graph, and represent updated budget gap forecasts over the 2017-21 period.

2.2.5 As a result of these baseline funding and spend changes, the MTFP update presented here indicates that the scale of the financial challenge for the Council has increased even from existing budget plans, with a forecast budget gap now of **£28m** in 2017-18, increasing to **£41m** in 2018-19 , **£51m** in 2019-21 and **£65m** in 2020-21.

2.2.6 The baseline review of spend in particular reflects a spending 're-base' in response to current demand led service pressures in both Adults and Children's activity, and a re-basing of planned savings in 2017-18 against demand led activity. The baseline review also factors in assumed future year demographic pressures against Adult activity for the over 65's. Appendix A, section 1.6, Table 3 sets out the updated spend projections in more detail. The updated summary budget position for the Council over the 2017-21 period is set out at Appendix B.

2.3 Early consideration of savings

2.3.1 Robust and deliverable options and proposals will need to be considered by officers and members to ensure the updated budget gap is addressed to deliver a sustainable balanced budget over the period, within the funding the Council has available.

2.3.2 Officers are working up a range of options and proposals to bring forward into the member and Council budget arena for this budget round, including early Cabinet member engagement on these proposals through a number of budget challenge sessions during September 2016.

2.3.3 These early member challenge sessions will consider new savings proposals, alongside a review of the deliverability of existing savings in current budget plans. The MTFP update has reviewed the deliverability of demand led savings in existing budget plans, and factored this into revised baseline spend projections.

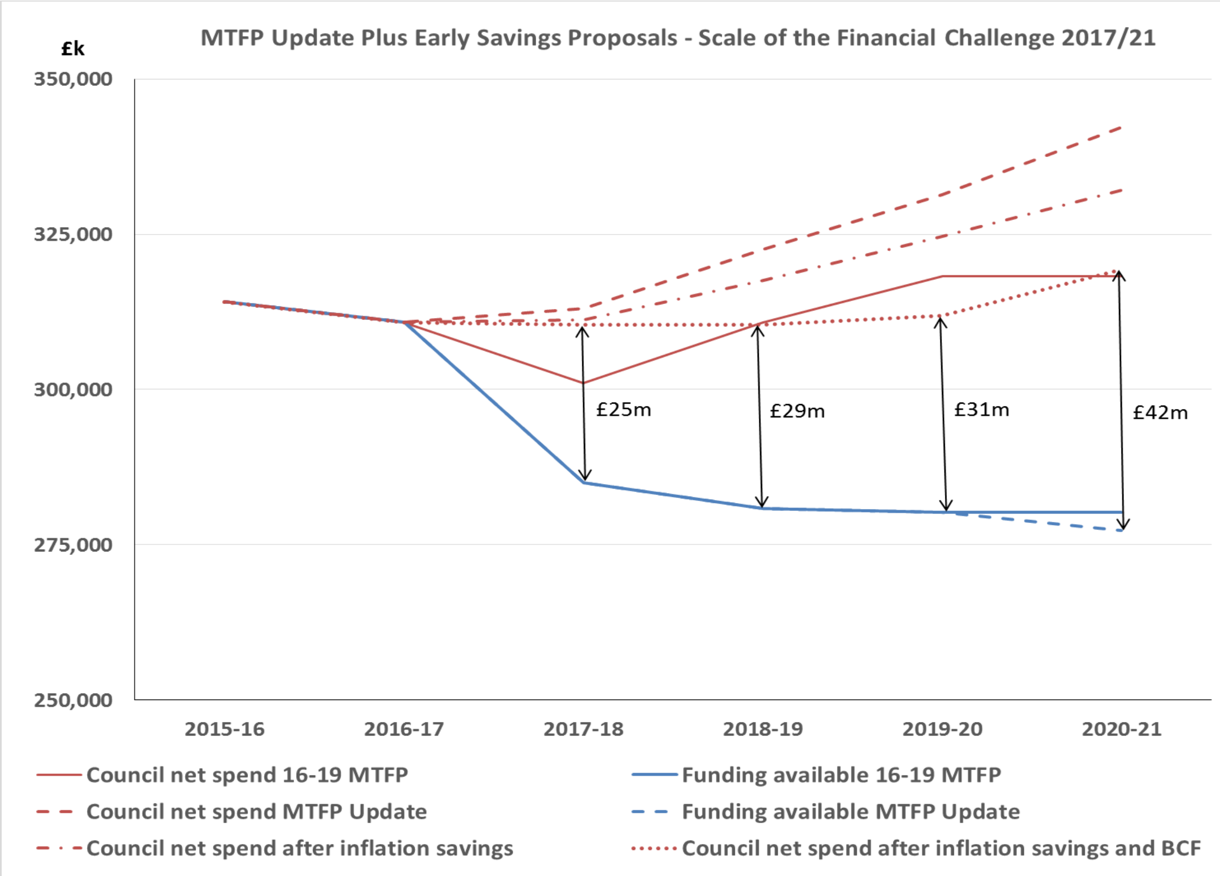
2.3.4 In view of the continuing and increasing scale of the financial challenges facing the Council, officers at this stage are also recommending Council approval as part of this report, for a number of early savings proposals to address at least some of the budget gap.

2.3.5 Table 3 below illustrates the financial impact of these early proposals which collectively could deliver £3m savings in 2017-18, increasing cumulatively to £12m in 2018-19, £20m in 2019-20 and £23m in 2020-21.

Table 3- Financial Impact of Early Savings Proposals

General Fund	17-18	18-19	19-20	20-21
	£m	£m	£m	£m
Budget Gap MTFP Update	**28**	**41**	**51**	**65**
Early savings proposals:				
Inflation	(2)	(5)	(7)	(10)
Improved Better Care Funding Offer	(1)	(7)	(13)	(13)
	(3)	(12)	(20)	(23)
Remaining Budget Gap	**25**	**29**	**31**	**42**

2.3.6 Early consideration of savings proposals as per Table 3 above would reduce the budget gap to **£25m** in 2017-18, increasing to **£29m** in 2018-19, **£31m** in 2019-20 and **£42m** in 2020-21. This is also illustrated graphically below:



2.3.7 The early savings proposals reflect plans for reducing overall inflation provision, and building into Adult service projections, additional Better Care Funding to offset baseline service cost increases. These are considered further, in the following sections.

INFLATION REVIEW

2.3.8 The proposal is for a reduced price inflation requirement over the 2017-21 period by limiting price inflation to exceptions only i.e. demand led Adults and Children's activity, waste contract and energy. This will deliver additional savings of £1.8m in 2017-18, increasing cumulatively to £5.1m in 2018-19, £6.7m in 2019-20 and £10.2m in 2020-21 (see also, Appendix A, Section 1, paras 1.7.3 to 1.7.6). Service areas, other than the exceptions highlighted, will be expected to manage price inflation within cash limits over the next 4 years.

2.3.9 There is also a proposed re-base of markets and car parking income inflation from the current 2% annual uplift built into current budget plans, to zero, over the next 4 years. This acknowledges the specific and challenging external market conditions forecast to continue to impact on the income generating potential of these Council activities over the medium term.

ADDITIONAL EXTERNAL GRANT FUNDING - BETTER CARE FUND

2.3.10 The Better Care Fund (BCF) was implemented in April 2015, and brings together a range of existing health and Council funding into a pooled budget; £3.5 billion nationally. Kirklees pooled budget is £30.7m, and consists of existing health (Greater Huddersfield and North Kirklees Clinical Commissioning Groups), and Council budgeted spend. The Council's share is £16.3m.

2.3.11 The pooled budget is intended to promote locally, joint Health and Council commissioned approaches that support better and more integrated health and adult social care delivery across partner organisations.

2.3.12 The Council approved budget plans for 2016-19 noted that the Government's 2016-17 funding settlement for Councils included a significant increase in better care funding nationally, equivalent to £1.5 billion, by 2019-20. Locally this equates to £0.8m additional Kirklees BCF funding in 2017-18, increasing to £7.1m in 2018-19, and £12.9m in 2019-20. Furthermore, this was to be earmarked for adult social care activity.

2.3.13 Government also indicated at the time that the additional BCF proposals above would be subject to a more detailed national consultation, currently awaited, to review the basis of the distribution of the additional funding. In view of this, approved Council budget plans for 2016-19 made no specific budget assumptions regarding the additional BCF 'offer', pending the outcome of any future consultation.

2.3.14 The Department of Communities and Local Government (DCLG) has issued a technical consultation on the 2017-18 financial settlement, which runs from 15 September to 28 October 2016. The consultation proposals include re-affirmation of government intent to allocate additional better Care Funding to Councils, as per the indicative amounts included in the 2016-17 financial settlement. In light of the adjustments factored into adult baseline spend projections over the medium term (para 2..2.6 earlier), and current government intent re-affirmed in the current technical consultation, the proposal is to include the additional Better Care Funding at this stage, as an early Council saving consideration.

CAPITAL

2.3.15 The annual budget report approved by full budget Council every February also includes the 5 year re-fresh of the Council capital plan. The current capital plan is resourced by a combination of external funding, capital receipts and new borrowing; the latter impacts on Council revenue (treasury management) budget requirement. The current capital plan includes £174m baseline, £94m strategic priorities and £15m risks and pressures, over the 2016-21 period. As part of the capital plan re-fresh, officers intend to bring forward proposals to review the current £174m baseline capital allocation, and any associated revenue savings potential.

LOCAL PLAN

2.3.16 The Council is currently drafting a new development plan for the District, also referred to as the Local Plan. The Plan will establish the vision and strategic objectives for the development of Kirklees up to 2031 and a spatial strategy setting out how development will be accommodated across the District. The timetable and milestones for the Local Plan include reporting to full Council on 12 October, followed by a public consultation and then submission to the secretary of state in March 2017, for adoption early 2018. At this stage, the MTFP update includes a number of working assumptions regarding predicted growth in the annual council tax base based on recent and current trends, and prudent assumptions regarding business rates base going forward, similarly based on recent and current trends (see also, Appendix A, Section 1, para 1.5 and 1.3)

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2.3.17 Depending on the emerging detail and timing of the Local Plan being formally adopted, it will be a key facilitator for potential future growth in council tax and business rates in the District, acknowledging that the timescale for new developments to materialise, will most likely be from 2020/21 onwards. Set alongside emerging government proposals for 100% devolution of business rates to Councils, most likely to take effect from 2020/21 (see also, Appendix A, Section 1, paras 1.3 for more detail on the proposals), economic growth in the district will become an increasingly important determinant of funding available to the Council over the longer term.

EFFICIENCY PLAN

2.3.18 The Council's Efficiency Plan submission to DCLG is included as part of the Council's MTFP update report, at Appendix D. It includes a 'meeting the challenge' section, and accompanying table which sets out the scale of the financial challenge for the Council. The table attached assumes that the early savings proposals included in this report, will be approved, and then sets out the remaining budget gap forecast over the 2017-21 period, as set out at Table 3 (para 2.3.5) above.

2.3.19 As noted earlier at paras 2.3.1 to 2.3.3, in addition to the early savings proposals included in this report for member approval, officers are currently working on a number of other budget options and proposals which will be considered by members in due course through the remainder of the current budget round.

2.3.20 The Efficiency Plan quotes a very indicative high level snapshot quantification of the extent of the other budget options and proposals currently being worked on by officers. These are referred to in the Efficiency Plan as 'identified savings'. These are currently a work in progress. The reason for incorporating these into the Efficiency Plan at this stage is to demonstrate the scale of the challenge, and the extent to which the Council is working towards delivering a sustainable and balanced budget over the medium term financial plan, within the funding available.

HOUSING REVENUE ACCOUNT (HRA)

2.4 Current budget plans

2.4.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account. All income and expenditure relating to the provision of landlord services to about 23,000 Council tenants, is accounted for entirely in the HRA. It is wholly self-financed, and has to live within its means. Over 90% of HRA funding is derived from Council tenant rental income. Current year, 2016-17 annual HRA funding is in the region of £90m.

2.4.2 The current budget planning framework for the HRA is driven by the 30 year HRA business plan. The 30 year HRA business plan sets out the overall financial envelope for the self-financed HRA, within which the Council, working in partnership with its arms length management provider, Kirklees Neighbourhood Housing (KNH), aim to deliver on the following 4 key objectives:

i) service HRA debt,

ii) maintain existing Council housing stock at decency standard over the longer term,
iii) provide a high quality housing management and housing repair service, and
iv) explore opportunities for additional investment to support Council priorities

2.4.3 Following the implementation of self-financing for the HRA from April 2012, the 30 year business plan was considered to be financially viable over the long term, to the extent that it could deliver on the four objectives set out in 2.4.2 above. This was also based on government's pre-existing commitment to maintain annual social rent increases at CPI + 1%, initially at least to 2025, as part of the self-financing 'offer'.

2.4.4 Subsequently, Government announced its intention early 2015 to implement an absolute 1% annual reduction in social housing rents each year for the next 4 years, from April 2016. The 1% rent reduction applied both to Council housing and registered provider tenancies. The rent reduction was subsequently enacted through the Welfare and Reform Act 2016.

2.4.5 The financial impact of the 1% annual rent reduction was compared to pre-existing annual rent uplift forecasts at CPI + 1% previously built into HRA budget 3 year plans and the longer term HRA business plan. The difference was estimated to be about £1.7m in 2016-17, increasing each year thereafter to about £10.5m annual rental income loss by 2020; equivalent to 13% annual rental income loss by 2020, compared to previous rent forecasts.

2.4.6 The annual rental income loss highlighted above was acknowledged to have significant implications for the financial viability of the self-financed HRA business plan over the longer term, and this framed the context for HRA budget preparation and subsequently approved plans for 2016-19.

2.4.7 The modelled impact of the 1% rent reduction on the HRA business plan was that the HRA was only financially sustainable over the next 5 years, at which point it went into an overall operating deficit. This meant there was no longer sufficient funding to deliver on any of the 4 objectives set out at para 2.4.2 above. This was clearly an unsustainable financial position for the HRA, and needed early actions to address.

2.4.8 Council approved HRA budget plans for 2016-19 set a medium term savings target of £11m to be delivered by 2020, specifically to mitigate the estimated rental income loss over the period. The approved budget plans included early delivery of £4m revenue savings in 2016-17 through an officer led exercise re-aligning HRA budgets to current spend.

2.4.9 At the time 2016-19 HRA budgets were approved, government was drafting legislation setting out a range of 'Welfare Reform and Work' and 'Housing & Planning' Bill proposals which included a number of draft housing policies that were considered a potential further risk to HRA financial viability. This included proposals to compensate Registered Providers for loss of housing stock through the introduction of voluntary right to buy in this sector, by way of an annual levy or charge to Councils with HRA's.

2.5 MTFP 2017-21; baseline funding and spend updated

2.5.1 The MTFP update for the HRA rolls forward current budget plans as the starting point. The HRA 30 year business plan, which takes account of current budget plans, is being re-freshed; working assumptions set out in more detail at Appendix A, Section 2.

2.5.2 The HRA business plan re-fresh is being informed in particular by a current baseline review of capital resource requirements to deliver decency in Council housing stock over the 30 year period. The HRA business plan update will also factor in the potential impact of a range of government housing policy reforms, including the annual levy referred to at para 2.4.9 above.

2.5.3 At the time of writing this report, Government has yet to clarify the detail of the annual levy proposal and other housing policy proposals, including pay to stay, (see also Appendix A, Section 2, para 2.2.8) following the enactment of the Housing and Planning Act, which was given royal assent in May 2016.

2.5.4 In light of the above, at this stage, the re-fresh of the 30 year HRA business plan is very much a work in progress. What is reflected at Appendix A, section 2 is a current snapshot, and this will be subject to further review. What it does indicate is that while some progress has been made, the HRA is still some way off being able to deliver a sustainable and viable “self-financed” 30 year business plan, that can continue to deliver the 4 key objectives set out at 2.4.2 earlier.

2.5.5 The intention is that the Council, in conjunction with its partner Arms Length Provider, Kirklees Neighbourhood Housing, will continue to work on re-freshing the 30 year HRA business plan through the remainder of this budget round; in particular informed by further government clarification on the detail of the annual levy and other housing policy proposals.

2.6 Budget planning framework

2.6.1 The updated general fund revenue baseline funding and spend review, early consideration of savings and updated budget gap, as set out at Table 3 earlier, provide the budget planning framework for officers to bring forward proposals to Cabinet and all members through the remainder of the current budget round, in order to deliver a sustainable general fund ‘balanced’ budget over the 2017-21 period.

2.6.2 The Council and KNH continue the budget approach set out last year, and will work in partnership to further refine the 30 year HRA business plan, and bring forward options and proposals as part of a planned 3 year strategy, with the aim of delivering a financially viable and sustainable 30 year HRA business plan that meets the 4 key objectives set out in para 2.4.2 earlier.

3. Information required to make a decision

3.1 Appendix A, Section 1, sets out in more detail, key baseline general fund funding and cost changes and assumptions underpinning the budget planning framework set out in this MTFP update report , which covers the period 2017-21.

3.2 Current financial and organisational intelligence informing baseline funding and cost adjustments also takes account of the most current financial monitoring, Quarter 1, 2016-17, presented to Cabinet 23 August 2017 (see report link below) :

https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=139&MId=4977

3.3 Appendix A, Section 2, sets out in more detail, current updated funding and cost forecasts and assumptions and sensitivities built into the re-freshed 30 year HRA business plan, acknowledging that it remains very much a work in progress.

4. Implications for the Council

4.1 A robust Medium Term Financial Plan and budget strategy is a key element of financial and service planning. This will be updated in detail by full Council in February 2016. This report sets a framework for development of draft plans by officers and Cabinet, for consideration by all Members in due course.

4.2 Key funding and cost assumptions factored into the MTFP update at this stage will be subject to further review, early January 2017, informed by most current local and national intelligence, including the outcome of the Autumn Statement and the provisional government funding settlement for Councils for 2017-18 and indicative totals for future years.

4.3 Any further material changes to funding and cost assumptions at this stage will be considered for incorporation into the finalised annual budget report for Cabinet and Council approval in February 2017.

4.4 This will also include further consideration of available reserves. Quarter 1 (month 3) revenue monitoring report to Cabinet on 23 August 2016 reported that, based on current and forecast drawdowns on Council reserves, they could be in the region of £57m from April 2017.

4.5 However, this figure includes £28m specifically committed to fund key Council developments to deliver a New Council. Net of this, actual remaining balances and earmarked reserves potential available to support Council forward budget plans is nearer £29m. This excludes statutory reserves which are schools specific and cannot be re-designated for other purposes.

4.6 The Council continues to face significant and increasing financial challenges and must ensure it can achieve a sustainable, balanced budget over the medium term and beyond. The accompanying Efficiency Plan sets out ; Council's approach to the financial challenges it has faced to date, what it has delivered to date, direction of travel to a New Council, scale of financial challenges going forward, what it is doing currently to meet the challenge, and what further challenges remain ahead.

4.7 The Department of Communities and Local Government (DCLG) technical consultation on the 2017-18 financial settlement states that Government intends to confirm the constituent elements of the Efficiency Plan offer for qualifying Councils, soon after the 14 October deadline for accepting the offer. Government is also considering expanding the offer to include more grants, to provide more certainty over a greater proportion of their funding for the rest of this Parliament.

<u>RISK ASSESSMENT</u>

4.8 The MTFP update is based on a range of local and national intelligence, and risk assessments underpinning current and future funding and cost assumptions , acknowledging that the extent of the following are all potential risk factors to the delivery of balanced budget plans over the medium term :

- Demand on assessed services (adults & children) continues to grow
- Number of children looked after continues to increase
- Customer expectation increase & public satisfaction deteriorate
- Transformation plans do not realise the scale of ambition
- Improved better care funding doesn't flow from Clinical Commissioning Groups or is less than the sums factored into the Medium Term Financial Plan update
- Continue to experience challenges in delivery of savings (time & value)
- Income forecasts are not realised and funding position deteriorates further
- Service delivery failure & additional investment required
- Government clarification on the detail and timing of key social housing policy changes enacted through the Welfare & Reform and Housing & Planning Acts 2016

Budget Consultation

4.9 The Council's overall budget planning framework includes consideration of wider engagement and timetabling on stakeholder views on high level priorities in resource allocation. It is anticipated that this will take place primarily as an online exercise, during a 6 week period between October and November 2016. Stakeholder views on emerging HRA budget proposals will be considered through the relevant Council Tenant stakeholder forums, including Tenants and Residents Committees.

4.10 In addition, there may be a requirement for more detailed service consultations, led by the relevant services, on specific service budget proposals. These will engage service users as early as possible, and target the groups most likely to be affected.

4.11 There is also on-going engagement with the business and voluntary and community sectors.

4.12 Key budget proposals include accompanying evidence available to members; namely officer led equalities impact assessments, which are undertaken annually and reviewed and updated as appropriate, on a range of budget proposals. These are also made available on the Council's website, in a timely way. This purpose of the assessments is to ensure that decision makers have due regard to the Council's equalities duties on key decisions.

5. Consultees and their opinions

5.1 This report is based on consultation with the Council's Executive Team and Cabinet Members in assessing the current issues, risks and factors to be addressed.

6. Next Steps

6.1 Resultant budget proposals will be submitted to Cabinet and full Council. The Director of Resources will co-ordinate the development of draft budget proposals and options, and supporting budget documentation within the budget framework and planning totals.

6.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at full Council on 17 February 2017

7. Officer recommendations and reasons

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

7.1 <u>General Fund Revenue</u>

i) approve the early high level re-fresh of baseline funding and cost projections incorporated into this report (para 2.2.1, Table 2),

ii) approve early savings proposals set out in this report as part of the MTFP update 2017-21 (paras 2.3.4 to 2.3.14),

iii) approve the budget planning framework as set out in this report, subject to member approval of i) and ii) above (para 2.6.4)

iv) approve the Council's Efficiency Plan (Appendix D attached), & submission to DCLG on or prior to 14th October 2016

v) approve the proposed budget consultation approach and timetable (paras 4.9 to 4.12), and

vi) note that officers will update members later in the year on any material changes to high level cost and income assumptions as set out in this MTFP update; in particular informed by the Autumn Statement announcement expected late November 2016, and further by the 2016 Local Government Finance Settlement (paras 4.1 to 4.3).

This strategy allows the budget plan to be adjusted for the major factors identified and sets the basis for officers to update draft service plans within a clear Council budget framework.

7.2 <u>Housing Revenue Account (HRA)</u>

vii) approve HRA budget planning framework as set out in this report (para 2.6.2)

8. Cabinet Portfolio Holder recommendation

The cabinet portfolio holder endorses the proposals in this report.

9. Contact Officer

Eamonn Croston Strategic Council Finance Manager 01484 221000

10. Background papers and History of Decisions

Annual budget report 2016-19
Annual outturn and rollover report 2015-16
Annual statement of accounts (draft) 2015-16
Revenue & Capital monitoring report 2016-17; Quarter 1

11. Assistant Director responsible

Debbie Hogg Assistant Director 01484 221000

APPENDIX A

COUNCIL BUDGET STRATEGY UPDATE REPORT
SECTION 1 – GENERAL FUND

1. Key Points

1.1 BACKGROUND

1.1.1 National government's policy on reducing the national debt burden through significant public expenditure reductions has had a significant impact on Council funding; both over the lifetime of the previous parliament and further anticipated funding reductions over the lifetime of the current parliament to 2020. At the same time, the Council has to manage a range of continuing service pressures within available funding, including demographic (over 65's) pressures in Adult Services, service pressures impacting on Looked after Children, and cost of living (inflation) pressures.

1.1.2 The Council has planned for and achieved savings of £106m between 2011-16, and last year's budget strategy update report indicated a further savings requirement of £59m over the 2016-19 period; £165m in total over 2011-19.

1.1.3 The Council's Medium Term Financial Plan (MTFP) has been informed in particular by the aim of delivering options for re-shaping to a New Council, guided by the Council's two strategies; Economic Strategy and Health & Wellbeing strategy, to achieve the following:

i) the Council will use available resources to best effect/support the Council's priorities, and

ii) the Council can live within its means for the foreseeable future

1.1.4 The re-shaping to a New Council also reflects a focus on developing cross-Directorate options which includes specific priorities on Early Intervention and Prevention, and Economic Resilience.

1.1.5 Full Council on 17 February 2016 approved a net revenue budget for 2016-17 of ***£311m***, incorporating planned savings of £10m, and the use of available one-off balances and earmarked reserves of just under £18m, to deliver a balanced budget.

1.1.6 Years 2 and 3 of the MTFP included a broader range of cross-Directorate proposals as the shape of the Council moves towards a New Council, acknowledging that these proposals would continue to be developed over the MTFP. This included further planned savings totaling £19m.

1.1.7 The approved budget plans further noted that longer term, even after taking account of year 2 and 3 proposals as above, the spending allocations for the 2017-20 period exceeded funding available by £16m in 2017-18, increasing to £30m by 2018-19 and £38m by 2019-20. This was acknowledged to be unsustainable and would need to be addressed through future budget rounds in order to deliver a sustainable balanced budget over the medium term.

The detailed revenue budget book accompanying the approved budget 2016-20 can be found by the following web link for information:

http://www.kirklees.gov.uk/beta/delivering-services/pdf/Revenue-Budget-2016-19.pdf

1.1.8 A review of high level funding and cost assumptions has been undertaken to help inform this MTFP update, using a range of current local and national intelligence. The MTFP update also now incorporates a new year 3 and new year 4. The outcome of this funding and cost review is set out in the following sections.

MTFP UPDATE - FUNDING & SPENDING ALLOCATIONS REVIEWED

1.2 BASELINE FUNDING ADJUSTMENTS

1.2.1 Table 1 below summarises updated MTFP funding available, building on current approved budget plans, and based on a range of current local and national intelligence:

Table 1 – MTFP Update, Funding Available

General Fund	**17-18**	**18-19**	**19-20**	**20-21**	**Report ref :**
FUNDING AVAILABLE (current budget plans)	**£m**	**£m**	**£m**	**£m**	**(Section 1)**
Business rates (Local Share)	*(52)*	*(53)*	*(54)*	*(54)*	1.3.1 - 1.3.8
Top Up grant	*(22)*	*(23)*	*(23)*	*(23)*	1.3.7
Revenue Support Grant	*(33)*	*(23)*	*(13)*	*(13)*	1.3.9-1.3.10
Business rates retention Scheme	(107)	(99)	(90)	(90)	
Un-ringfenced grants	(21)	(18)	(18)	(18)	1.4
Council tax	(157)	(164)	(172)	(172)	1.5
Total Funding	(285)	(281)	(280)	(280)	
MTFP update - funding changes					
Business Rates (local share)				(1)	1.3.7
Top Up grant				(1)	1.3.7
Revenue Support Grant				13	1.3.9-1.3.10
Council Tax				(8)	1.5
Updated funding available 17-21	**(285)**	**(281)**	**(280)**	**(277)**	

1.2.2 The key assumptions underpinning the updated funding forecasts at Table 1 above, are set out in the following sections.

1.3 BUSINESS RATES RETENTION SCHEME

BUSINESS RATES LOCAL SHARE

1.3.1 The figures included in Table 1 above reflect the Council's estimated (Local) share of business rates, which is equivalent to 49%. The remaining 51% collected locally is paid over to central government (50%), and Fire authority (1%).

1.3.2 Current year business rates forecasts suggest that the Council's Local Share, is currently £1.8m under budget, and a further £1.2m less (£3m in total) than the equivalent government control figures. The significance of this difference is that government uses its own control figures for determining what it thinks should be the annual business rates retention scheme funding allocation, and calculates the revenue support grant allocation on this basis.

1.3.3 The £3m difference between current Council projections and government control figures reflects the risk and reward element of local business rates retention. In part the difference is linked to the ongoing impact on the Council of successful rates valuation appeals, a number of which are backdated to 2010, and some to 2005. The Council has a prudent provision set aside totaling £8.7m (£4.3m Kirklees' share), to mitigate the financial impact of backdated appeals, but the ongoing impact is to reduce the annual business rates base.

1.3.4 A new valuation list for non-domestic properties will take effect from April 2017. Government has indicated that, as with previous re-valuations, the specific impact of any re-valuation will be 'fiscally neutral' for individual Councils, with compensating grant adjustments. There will also be transitional protection arrangements for businesses affected by the re-valuation, and Government has indicated similar transitional arrangements for businesses for the 2017 re-valuation.

1.3.5 The extent to which the 2017 re-valuation may impact on new valuation appeals, beyond prudent assumptions already factored into the current business rates base budget (as per para 1.33 above) is too early to determine at this stage.

1.3.6 Government has also confirmed the continuation of the small business rates relief scheme to 2020, compensated by un-ringfenced grant, and this is also factored into current funding forecasts.

1.3.7 The only growth forecasts factored into business rates over the 4 year period , including Top Up grant, reflects government annual business rates inflation uplift assumptions (the 'multiplier' uplift) linked to CPI, at 1.8% in 2017-18,1.9% in 2018-19 and 2.0% the following 2 years, .

1.3.8 Current year 2016-17, Quarter 1, (month 3) monitoring indicates that business rates (local) share in-year forecast is less than budgeted by £1.8m (equivalent to 3.4%) against £52m target income. However, this is acknowledged to be a relatively prudent forecast, and will be reviewed later in the financial year, and will inform any further funding adjustment requirement prior to the annual budget report to Council in February 2017.

REVENUE SUPPORT GRANT

1.3.9 Revenue support grant reductions in the MTFP update are based on indicative grant reductions over the 2017-20 period, included in the Government financial settlement for 2016-17. Government has indicated that over the lifetime of the current parliament, revenue support grant would be phased out completely, and as such, the assumed 2020-21 grant allocation is nil.

1.3.10 Government has also indicated that the balance of reduced revenue support grant figures included in the financial settlement over the 2017-20 period represent a minimum funding guarantee for Councils that produce a 4 year Efficiency Plan. The Council's Efficiency Plan submission is included at Appendix D.

NATIONAL BUSINESS RATES REVIEW

1.3.11 Government has indicated that it intends for Councils to retain 100% of business rates collected locally, not the 49% currently collected. There has been an initial government consultation on overall approach (deadline 26 September 2016) which is intended to shape more specific technical proposals through Autumn 2016. This will be followed by legislation to provide the framework for these reforms, which will be introduced 'later' in the parliamentary session, and full implementation of 100% business rates retention across local government by the end of the current parliament.

1.3.12 The move to 100% business rates retention, from the current 49% is intended to drive greater self-sufficiency in Council funding. As per Government current estimates, this equates nationally to the transfer of £12.5 billion from Whitehall to local councils.

1.3.13 Government has also made clear that the transfer will be 'fiscally neutral' , and intends that in order to achieve this, the proposal will also mean Councils gaining new funding responsibilities, and some Whitehall grants will be phased out.

1.3.14 These reforms present local opportunities, incentives and flexibilities going forward, but at the same time they represent potential financial pressures and risks, also devolved to local Councils. As set out earlier at para 1.3.11, there is a protracted timetable to enable time for consideration of the key design principles underpinning the proposals; some of which are quite technically complex, as well as potentially contentious in terms of the relative distributional impact of resources across Councils, depending on approaches considered. Clearly this will be of keen interest to all Councils affected by this proposal.

1.3.15 The design principles have yet to be clearly set out, are likely to be quite complex in scope, and are not likely to be implemented before 2020-21. The MTFP update makes no assumptions about the likely financial impact at this stage, other than to note that there are likely to be both opportunities, and risks, going forward.

1.4 UN-RINGFENCED GRANTS

1.4.1 The 2016-17 Government finance settlement included detail of future year indicative un-ringfenced grant funding allocations to 2019-20. These are set out below, extended to 2020-21:

Table 2 – Un-ringfenced grant indicative allocations

Un-ringfenced grants	17-18	18-19	19-20	20-21
	£m	£m	£m	£m
Education Services Grant (ESG)	4.7	4.7	4.7	4.7
New Homes Bonus (NHB)	9.1	5.7	5.5	5.5
Housing & Council Admin Grant	2.2	2.2	2.2	2.2
Business Rates related grants	5.0	5.0	5.0	5.0
Other	0.4	0.4	0.4	0.4
Total	**21.4**	**18.0**	**17.8**	**17.8**

1.4.2 These grants are separately identifiable, but the Council can apply this funding flexibly to meet overall Council spend priorities.

1.4.3 New Homes Bonus (NHB) reduces by £3.4m to £5.7m from 2018-19, and a further £0.2m to £5.5m from 2019-20 onwards. This reflects Government's intention to re-direct £0.8 billion NHB grant nationally, to the Better Care Fund (BCF). This is part of an additional £1.5 billion increase in national BCF funding allocation to resource adult social care pressures.

1.4.4 Current approved Council budget plans have allocated the equivalent of 10% of the Council's 2016-17 New Homes Bonus funding allocation to District Committee base budgets. The Council's NHB grant allocations in later years reduce (re-directed to Better Care Fund; see also paras 1.7.7 to 1.7.10 below). The MTFP update at this stage assumes no change to District Committee base budgets in future years, notwithstanding the reduced NHB grant allocation from 2017-18 onwards.

1.4.5 Education Services Grant may also change in future years from current assumptions. In part it reduces as more schools become academies. Also, as part of a wider government review of the current national funding formula for schools, the basis of distribution and quantity of this grant may also change, noting that current plans to implement a revised national funding formula for schools has now been deferred by Government a further year, to an April 2017 implementation.

1.5 COUNCIL TAX

1.5.1 Council tax income forecasts reflect current approved budget plans, with an assumed 3.95% per annum increase each year for the next 4 years, to 2021.

This includes an assumed uplift of 1.95% per annum, which falls within the referendum threshold of 2% or above for English Councils (excluding Parish Councils).

1.5.2 It also includes an assumed uplift of 2% per annum in respect of the 'social care' precept. Government has made this available (upto 2%). The precept falls outside the referendum requirement, but has to be hypothecated to adult social care spend.

1.5.3 The cumulative impact of the social care precept is factored into Adult service budget plans, and it is intended that this will fund the financial impact of Government's national minimum wage (national living wage) uplift to £9 per hour by 2020, which has significantly increased the service's calculation of annual nursing and residential fees over the period.

1.5.4 DCLG's technical consultation on the 2017-18 financial settlement re-affirms the referendum threshold limits for 2017-18, as set out in paras 1.5.1 – 1.5.2 above. The consultation also includes proposals for the referendum principles to apply for the first time to town and parish councils whose Band D charge is higher than £75.46 and their total precept is over £500,000. This criteria does not apply to the Council's 5 parish councils, although the consultation is seeking views on extending the referendum principles to all town and parish councils.

1.5.5 At the full Council meeting on 17 January 2016, members approved the continuation of the existing Council Tax support scheme, which is based on a reduction in local support of 20%, and the council tax income forecasts here assume a continuation of this approach to 2021.

1.5.6 Current approved budget plans assume growth in the council tax base position, at 900 Band D equivalents per annum, over the 2016-19 period, and similar growth assumptions are factored into the following 2 years. This is in line with recent year trends.

1.5.7 Current year monitoring (Quarter 1) forecasts indicate council tax income collection above target income assumptions by £1m or 0.6% against target annual income of £149m. As with business rates (see also para 1.3.8 earlier), this will be reviewed later in the financial year, and an assessment made if there should be an adjustment to future year Council Tax budget income forecasts included at this stage. Any positive adjustments here may anyway be offset to some extent by potential downward adjustments on business rates.

1.6 BASELINE COST ADJUSTMENTS

1.6.1 The starting point for the review of baseline cost adjustments is to roll forward existing year 2 and 3 budget spending allocations (2017-18 and 2018-19), including planned savings totaling £19m over the period.

1.6.2 These spending allocations have then been reviewed, including a number of high level baseline cost adjustments, which are summarised at Table 3 below;

Table 3 – Spending Allocations & baseline cost adjustments

General Fund	**17-18**	**18-19**	**19-20**	**20-21**	**Report ref :**
SPENDING ALLOCATION	**£m**	**£m**	**£m**	**£m**	**(Section 1)**
Directorate Budgets (current plans 17-20)	229	232	235	235	1.6.1
MTFP update - cost adjustments :					
Adult Services					
Current year demand pressures rolled forward	3	3	3	3	1.6.5
Re-align existing 2017-18 savings target; demand led budgets	3	3	3	3	1.6.5
New year 4 additional budget to match precept	-	-	-	4	1.6.6
Demographic pressures (over 65's)	-	1	2	3	1.6.5
Continuing Care Funding pressures	1	1	1	1	1.6.5
sub-total Adult Services	***7***	***8***	***9***	***14***	
Public Health					
Public Health Grant Cut	2	2	2	2	1.6.14
Matching Reduction in expenditure	(2)	(2)	(2)	(2)	1.6.14
sub-total Public Health	***0***	***0***	***0***	***0***	
Other					
Looked after children - current year pressures rolled forward	4	4	4	4	1.6.5
Looked after children - re-align existing 2017-18 savings target; demand led budgets	2	2	2	2	1.6.5
Waste Contract - current year pressures rolled forward	1	1	1	1	1.6.5
sub-total Other	**7**	**7**	**7**	**7**	
Updated Directorate budgets	**243**	**247**	**251**	**256**	
Central Budgets (current plans)	73	79	83	83	
MTFP update - cost adjustments :					
Treasury management	*(3)*	*(4)*	*(3)*	*(2)*	1.6.15 - 1.6.16
Inflation				5	1.6.17
Updated Central Budgets	**70**	**75**	**80**	**86**	
Updated spending allocation 2017-21	**313**	**322**	**331**	**342**	

DIRECTORATE COST ADJUSTMENTS

1.6.3 The 2015-16 financial outturn and rollover report to Council on 29 June 2016 reported underlying demand led financial pressures in-year against Adults

Social Care activity, Looked after Children and Waste Contract. The link to the report is provided below:

https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=138&MId=5093

1.6.4 Following on from the above, the Quarter 1 (Month 3) 2016-17 financial monitoring report to Cabinet, reflects the continuation of the above service pressures into 2016-17, and the forecast non-deliverability of 2016-17 planned savings against this activity. The link to the report is provided below, and a specific extract relating to Adults and Children included at Appendix D :

https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=139&MId=4977

1.6.5 In light of the above, the MTFP update includes an initial re-base of service demand led budgets as set out at Table 3 above. The re-base is intended to reflect in part a more realistic baseline position, but balanced by the clear expectation for Adults and Children's service areas to manage demand led pressures within the re-based allocations set out in the MTFP update :

i) underlying current year demand led pressures (including pressures rolled forward from 2015-16),
ii) re-alignment of savings deliverability in 2017-18 against existing plans
iii) estimated demographic growth assumptions against Adult Social Care activity over the 2017-21 period;

1.6.6 Government has instructed Councils to hypothecate the social care precept income to adult social care activity, acknowledging the scale of future service pressures; in particular financial pressures on the cost of contracted adult social care resultant from government intent to uplift the national minimum wage to £9 per hour by 2020. Current Council budget plans reflect the hypothecation of the additional precept income to adult social care budgets in recognition of the national minimum wage impact on contracted service costs, plus an assumed further year 4 social care precept budget allocation.

1.6.11 Current budget plans reflect £29.6m public health grant and matching service expenditure. Of this, £6m grant has effectively been re-commissioned or applied against existing budgeted activity across other Council services that meets public health grant criteria. Effectively this element of the grant is supporting the Council's 'bottom line'. The MTFP update assumes that the £6m will continue to support the Council bottom line in this way, over the 2017-21 period. This then leaves a balance of £23.6m grant and matching expenditure in current public health budgets.

1.6.12 There was a late Government announcement reducing overall national public health grant allocations to Councils in 2016-17. The grant reduction for the Council was £2.3m. The timing of the grant reduction meant that it could not be properly factored into 2016-17 budget planning. As the majority of public health expenditure is locked into contracts for services or is supporting a broader range of council services that have a public health outcome, there is a lag to reduce expenditure in line with the budget reduction.

1.6.13 Action is being taken to redesign and re-procure contracts to deal with the reduced grant. The 2016-17 base Public health expenditure and income figures will be amended to reflect the £2.3m grant reduction in the starting point for the refreshed 2017-21 MTFP.

1.6.14 Department of Health has also indicated a further public health grant reduction of £2m in 2017-18; effectively reducing overall grant and matching budgeted expenditure available to the service, over the 2015-18 period, from £23.6m to £19.3m; equivalent to a 20% reduction over the period. The MTFP update assumes further public health budgeted expenditure reductions to match the further grant reductions. The service will bring forward specific budget proposals to reduce its cost commitments to match reductions in grant available.

CENTRAL BUDGET COST ADJUSTMENTS

TREASURY MANAGEMENT

1.6.15 The treasury management budget covers the cost of repaying debt and interest payments, net of any income earned in balances. It also includes the cost of new borrowing. Current approved budget plans largely reflect repayment and interest payments on historic debt, and for which current corporate treasury management policy factors in an annual revenue budget provision equivalent to 4% of the Council's annual net revenue budget. They also factor in new borrowing costs to support the approved 5 year corporate capital plan; interest rates on new borrowing assumed at 2% in 2016-17 and 2017-18, 2.1% in 2018-19 and 2.2% in 2019-20.

1.6.16 There has also been a slight downward revision on future interest rate projections by 0.25% across years, in light of the recent bank of England base rate reduction to 0.25%. Also, the impact of reduced capital plan rollover from 2015-16 into 2016-17 has also led to a re-profile of budget requirements into later years. The net effect of these changes has also been reflected in the MTFP update cost adjustments as set out in para 1.6.2, Table 3 earlier.

CONTINGENCIES - INFLATION

1.6.17 Future year inflation forecasts, at this stage, are allocated to central budgets. Specific inflation for pay, prices and income for 2017-18 will be allocated out to Directorates in due course, to uprate budget proposals to 2017-18 price base. However, an element of price inflation is retained centrally through the year to be allocated out to services subject to confirmation on specific inflationary uplifts e.g. energy and waste contract prices. There is a new year 4 allocation of £5m based on current MTFP assumptions of 1% pay, 2% prices and 2% income factored into the MTFP update figures.

CONTINGENCIES - OTHER

1.6.18 There is a current actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF), and the approved budget plans include a prudent set aside of £1.6m in central budgets for an assumed increase in employer pension contributions by 1% from 2017-18, to 16.1%. The MTFP update maintains this current assumption, subject to further review following the conclusion of the actuarial review later in the year.

1.6.19 There is also a central budget provision in current budget plans of £0.8m; estimated Council contribution to the government apprenticeship levy scheme which it proposes to implement from May 2017. The provision is based on 0.5% of the Council's annual pay bill. It affects all employers with an annual pay bill in excess of £3m.The detail of how the national scheme will work, and what it means for contributing employers, is currently being worked up by government. At this stage, the MTFP update assumes no change to the provision requirement.

JOINT COMMITEES

1.6.20 The MTFP update reflects current approved budget plans, which include provision for annual cumulative increases in levy contributions of about £0.5m per annum towards financing costs to support a major regional Transport Infrastructure Programme run through the Combined Authority. There are similar, proportionate levy increases across all West Yorkshire Councils. All transport figures included in Council budget plans remain subject to ongoing region wide discussions.

1.7 <u>EARLY CONSIDERATION OF SAVINGS</u>

1.7.1 The review of funding and spending allocations as described in sections 1.3 to 1.6 above, presents an increased financial challenge for the Council with an updated forecast budget gap of £28m in 2017-18, increasing to £41m in 2018-19, £51m in 2019-20 and £65m in 2020-21.

1.7.2 Officers are recommending Council approval of a number of mitigating actions to address at least some of this budget gap. Table 4 below illustrates the financial impact of these early proposals which collectively could deliver £3m in savings in 2016-17, increasing to £23m by 2020-21. Approval of these savings proposals would result in a reduced budget gap of £25m in 2017-18, increasing to 29m in 2018-19, £31m in 2019-20 and £42m in 2020-21.

<u>Table 4 – Financial Impact of Early Savings Proposals</u>

General Fund	17-18	18-19	19-20	20-21	Report ref :
	£m	£m	£m	£m	(Section 1)
Funding Available MTFP Update	(285)	(281)	(280)	(277)	1.2.1
Spending Allocation MTFP Update	313	322	331	342	1.6.2
Budget Gap MTFP Update	**28**	**41**	**51**	**65**	
Early Savings Proposals:					
Inflation Review	(2)	(5)	(7)	(10)	1.7.3-1.7.6
Improved Better Care Funding Offer	(1)	(7)	(13)	(13)	1.7.7-1.7.10
	(3)	(12)	(20)	(23)	
Spending Allocation net of Savings Proposals	310	310	311	319	
Budget Gap net of Savings Proposals	**25**	**29**	**31**	**42**	

EARLY SAVINGS PROPOSAL – INFLATION REVIEW

1.7.3 Updated inflation budget requirements are summarised in Table 5 below:

Table 5 – Inflation allocation across years (cumulative)

Heading	2017-18		2018-19		2019-20		2020-21	
	£m	%	£m	%	£m	%	£m	%
Pay	1.6	1	3.1	1	4.6	1	6.1	1
Prices	1.7	nil*	3.4	nil*	5.1	nil*	6.8	nil*
Income	(1.4)	2	(2.9)	2	(4.3)	2	(5.8)	2
Budget	1.9		3.6		5.4		7.1	
Difference from current plans	(1.8)		(5.1)		(6.7)		(10.2)	

* Prices inflation nil except for adult social care and children's contracts, energy and waste. See 1.7.5 below.

1.7.4 Pay inflation is in line with current budget assumptions, and reflects government 1% annual pay uplift over the next 4 years. Further work is being undertaken to assess the impact of the Government national minimum wage (national living wage) uplifts on directly employed staff, although at this stage it is not anticipated to have any material impact, before 2020-21 at the earliest; at the point that the national minimum wage rate is £9 per hour.

1.7.5 Current budget plans assumed price inflation in line with latest Office of Budget Responsibility (OBR) inflation forecasts over the next 4 years; 1.8% in 2017-18, 1.9% 2018-19 and 2% per annum, thereafter. Savings proposals recommend an effective price inflation freeze over the next 4 years across Council revenue budgets. The only exceptions are energy (approx. 7% per annum), waste contract (approx. 2.5% per annum), adult social care and children looked after 3rd party contracts and payments (will continue to be linked to CPI assumptions). Service areas, other than the exceptions highlighted, will be expected to manage price inflation within cash limits over the next 4 years. This will deliver cumulative savings of £2m in 2017-18 rising to £5m in 2018-19, £7m in 2019-20 and £10m in 2020-21.

1.7.6 Current budget plans assume annual income inflation at 2% per annum, and the MTFP update continues this approach, other than car parking and markets income, which assume no inflation over the next 4 years; effectively a more realistic but still challenging budget re-base to reflect current and predicted income levels against this activity. Table 6 below summarises recent income trends against these specific activities:

Table 6 – Car Parking and Markets Income Trends

	Car Parking			Markets		
Year	Budget	Outturn	Variance	Budget	Outturn	Variance
	£k	£k	£k	£k	£k	£k
2014-15	-5,645	-5,227	418	-2,080	-1,995	85
2015-16	-5,681	-5,110	571	-2,105	-1,904	201
2016-17 (Q1 projection)	-5,795	-5,279	516	-2,137	-2,022	115

EARLY SAVINGS PROPOSAL –BETTER CARE FUNDING

1.7.7 Better Care Fund (BCF) was established originally in 2015-16, comprising elements of existing health and adult social care budgets into a pooled fund, administered by the Council. The Council's pooled fund is currently at £30m. Government's 2016-17 funding settlement for Councils included a significant increase in BCF nationally, equivalent to £1.5bn by 2019-20 (of which £0.8 billion will come from a re-direct of existing New Homes Bonus Grant – see also para 1.4.3 earlier).

1.7.8 The Council's indicative share of the additional BCF funding over the 2017-20 period was set out in the 2016-17 finance settlement; £0.8m in 2017-18, increasing to £7.1m in 2018-19 and £12.9m in 2019-20.

1.7.9 Government indicated at the time that the methodology behind the indicative distribution of the additional £1.5 billion BCF funding to individual Councils, will be subject to a specific consultation, the timing of which has not been announced yet. In view of this, approved Council budget plans for 2016-19 made no specific budget assumptions regarding the additional BCF offer.

1.7.10 Early savings proposals detailed in Table 4 (para 1.7.2) above, assume the inclusion of these indicative BCF allocations in the Council's budget. It is recognised that this is a key sensitivity at this stage, to be further informed nationally by any emerging detailed consultation.

1.8 BALANCES & RESERVES

1.8.1 The Council uses the term "reserves" to mean accumulated one-off resources built up over time, that have been set aside or earmarked for specific purposes under 3 broad categories; statutory (i.e. relate to schools only), earmarked, and risk based. Remaining reserves not set aside are referred to as general fund balances.

1.8.2 Statutory reserves which relate to schools totalled £19m as at April 2016, and as these are specifically schools related, the remainder of this section focuses on earmarked reserves and balances.

1.8.3 Table 7 below reflects a current estimate of available reserves and balances to support the MTFP over the 2017-21 period, and is based on information presented as part of Quarter 1 financial monitoring forecasts reported to Cabinet on 23 August 2016:

Table 7 – Reserves and Balances

General Fund Reserves / Balances available to support MTFP	**Balance at 31st March 2016**	**Forecast Movement in Reserves**	**Estimated Balance at 31st March 2017**
	£m	**£m**	**£m**
Earmarked			
Approved Drawdown to Support MTFP		1.3	
Journey to New Council		0.6	
Revenue Grants		4.8	
Stronger Families		1.7	
Workforce Restructure		3.2	
Rollover		2.9	
Business Rates		2.3	
Other		0.2	
sub-total	**(57.4)**	**17.0**	**(40.4)**
Risk Based			
drawdown to support childrens service developments		2.9	
sub-total	**(10.0)**	**2.9**	**(7.1)**
General Balances			
Approved Drawdown to Support MTFP		16.2	
sub-total	**(25.9)**	**16.2**	**(9.7)**
Grand Total	**(93.3)**	**36.1**	**(57.2)**
Assumed set aside for specific spend commitments rolled forward into 2017-18			
minimum balances required to support Council cashflow			5.0
Workforce Restructure (Severance costs)			7.8
New Council Transformation			3.4
PFI Prepayment Reserve			3.3
Integrated Community Equipment Store			0.8
Revenue Rollover			7.6
Remaining Reserves Available to Support MTFP 2017-21			**(29.3)**

1.8.4 Available reserves (i.e. excluding statutory schools related reserves which the Council cannot use for other purposes) are estimated to be £57m by year end; compared with £93m available reserves at 31st March 2016; overall reduction of 39% over a twelve month period. The estimated reserves movements in 2016-17 equate to an unsustainable average weekly drawdown of approximately £700k (excluding minimum balances).

1.8.5 The £57m estimate is adjusted further by £28m for assumed corporate spend commitments rolled forward into 2017-18, including one-off funding for developments to support service re-design to a New Council and £5m minimum balances level.

1.8.6 Adjusting for the above, the estimated level of available Reserves to support the Council's MTFP update 2017-21 is nearer £29m; equivalent to just 9% of the Council's current annual net revenue budget. Council Reserves at this point could be considered to be at critical levels.

COUNCIL BUDGET STRATEGY UPDATE REPORT APPENDIX A

SECTION 2 – HOUSING REVENUE ACCOUNT (HRA)

2. Key Points

2.1 Background

2.1.1 HRA self-financing was implemented in April 2012. The intention was to give Councils with HRA's more confidence in being able to forecast what were intended to be more sustainable future rental income streams to help with business planning, than was possible under the previous housing subsidy system. This included government's commitment to allow for annual uplifts in social rents by consumer Price Index (CPI) + 1%, at least to 2025.

2.1.2 Based on the above, the Council's self-financed 30 year HRA business plan was modelled to be financially viable, to the extent that it could deliver the following four objectives:

i) annual servicing of existing HRA debt (£216m actual HRA debt taken on as part of the self-financing settlement); included planned annual repayment of debt over the longer term in line with HRA loan repayment profile,

ii) delivery of capital improvements to existing Council housing stock (about 23,000 Council tenancies), to a decency standard over the 30 years, in line with forecast capital resource or 'affordability' requirements,

iii) continued delivery of housing management and repair service, broadly at current cost base, and

iv) inclusion of funding for a number of HRA strategic capital priorities and scope to consider further investment opportunities

2.1.3 Also as part of self-financing, Government set an upper limit or cap for HRA borrowing. The cap for Kirklees is £247m. The difference between this and actual HRA debt outstanding is also referred to as the 'headroom' potential for HRA new borrowing. While no new borrowing had been committed at this stage in relation to further investment opportunities, there was potential to explore this further, subject to HRA being able to service any additional debt commitments.

2.1.4 Government subsequently announced in March 2015 its intention to reverse its previous social housing rent uplift commitment, and would instead reduce social housing rents by 1% per annum, each year over the 2016-20 period. The context was the fact that a significant proportion of social housing rents are funded from housing benefit (about 2/3rds, both nationally and locally), and the rent reduction was part of a wider package of government proposals to reduce the national welfare bill in line with its own medium term public expenditure reduction targets.

2.1.5 The impact was a forecast rental income loss of £1.7m in 2016-17, compared to previous forecasts factored into HRA budget plans which had assumed CPI+1%. Further 1% annual rent reductions the following 3 years meant a cumulative annual rental income loss in excess of £10.5m by 2020. The scale of annual rental income loss, compared to previous budget forecasts, impacted across the remainder of the HRA business plan beyond 2020.

2.1.6 The overall financial impact of the 1% rent reduction on the HRA business plan was that the HRA was forecast to be only financially sustainable up to 2022 and that beyond this point, it went into an overall operating deficit, which also meant insufficient resources to be able to continue to deliver the 4 objectives set out in 2.1.2 above.

2.1.7 HRA approved budget plans over the 2016-19 period included about £4m revenue savings in 2016-17,and these represented early measures to start to address the 1% rent reduction loss referred to in para 2.1.5 above. The savings were based on a baseline re-alignment of current budgets to actual spend. Quarter 1 monitoring forecasts for 2016-17, reported to Cabinet on 23 August 2016, indicate that HRA is forecast to deliver on these savings, in-year.

2.1.8 There were no plans when setting 2016-19 HRA budgets, to review corporate treasury management policy with regard to HRA, which continued to reflect a prudent annual provision for HRA debt repayment.

2.1.9 HRA capital plan approvals for 2016-21 reflected pre-existing 5 years baseline capital plans rolled forward, plus a number of strategic HRA capital plan priorities. No new borrowing was included.

2.1.10Emerging proposals for the merger of the Council's building services department with the Council's arms length management provider, Kirklees Neighbourhood housing, were also acknowledged to offer potential for medium term efficiencies. Subject to the merger going ahead, potential future efficiencies would be explored in future budget rounds.

2.1.11 There were also a number of housing policy proposals contained within draft Welfare and Work Reform and Housing and Planning bill legislation, which were acknowledged could have further repercussions for the HRA business plan, in addition to the 1% rent reduction. However, the relevant detail and legislation underpinning these proposals was still at the draft stage.

2.1.12 The intention was for the Council, working in partnership with its arms length provider, KNH, to undertake a further detailed re-fresh of the HRA 30 year business plan in preparation for this budget round. This would also be informed by any further emerging national and local intelligence following the subsequent implementation of the Welfare Work and Reform Act (March 2016) and Housing and Planning Act (May 2016).

2.1.13 The HRA 30 year business plan re-fresh is covered in more detail in the following sections.

2.2 HRA 30 year business plan updated – current work in progress

HEADLINE ASSUMPTIONS

2.2.1 The starting point for the HRA business plan update is to roll forward current approved 3 year HRA revenue and 5 year capital budget plans.

2.2.2 There is a current review of the 30 year HRA capital affordability model, which determines capital resourcing requirements to maintain decency in Council housing stock over the longer term.

2.2.3 Existing affordability projections are being updated to reflect current stock survey data, and expenditure commitments are also being reviewed and re-profiled to create more manageable and effective capital programmes. At this stage, costs for carrying out work are to current decency standards, with no significant changes to component replacement lifecycles or efficiency savings.

2.2.4 Projected right to buy sales are also being reviewed, in light of current and forecast trends, and current government housing policy proposals which potentially accelerate the sale of existing housing stock compared to previous projections.

2.2.5 The financial impact of predicted stock reductions over future years is also being reviewed, in terms of the scale of corresponding reduction in repair and maintenance and capital improvement costs, compared to previous assumptions.

2.2.6 Government has still to clarify the detail regarding a number of social housing and welfare reform proposals, notwithstanding the implementation of the 2016 Welfare Reform and Work and Housing & Planning Acts.

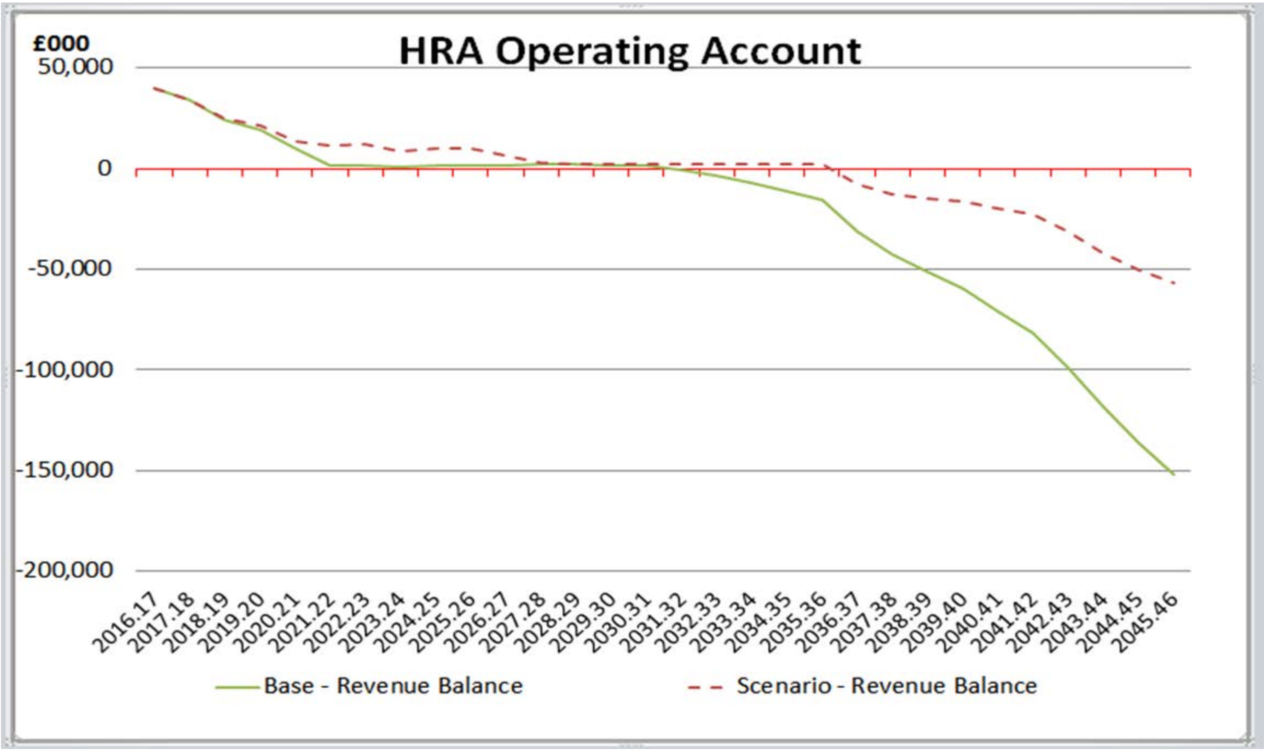
2.2.7 The HRA business plan update at this stage includes an early working assumption, based on current national intelligence, with regard to government proposals for a 'higher value' annual levy or charge, based on higher value property void rates. The levy is to be re-directed to private registered providers to compensate them for the loss of housing stock through the voluntary take up of the right to buy scheme in this sector. The working assumption is that the HRA would have to sell about 170 properties per annum at an assumed £65k average market value per property, to generate sufficient capital receipts to pay an annual levy charge of about £11m.

2.2.8 Other potential housing policy changes include pay to stay proposals, which mean that outside London, Council tenants with a combined joint household income of £40k or more will have to pay market rent (with some tapering between (£31k and £40k). The 'additional' rent collected would be paid over to Government directly. How this proposal would work in practice, its impact on potential further demand on right to buy, and the local administrative costs, have yet to be fully set out by government.

2.2.9 More prudent social rent uplifts have also been assumed from 2020-21 onwards. Current government policy indicates a reversion to CPI+1% from this date, but the business plan update assumes a more prudent CPI only uplift (in line with latest government forward inflation forecasts; 2% from 2020).

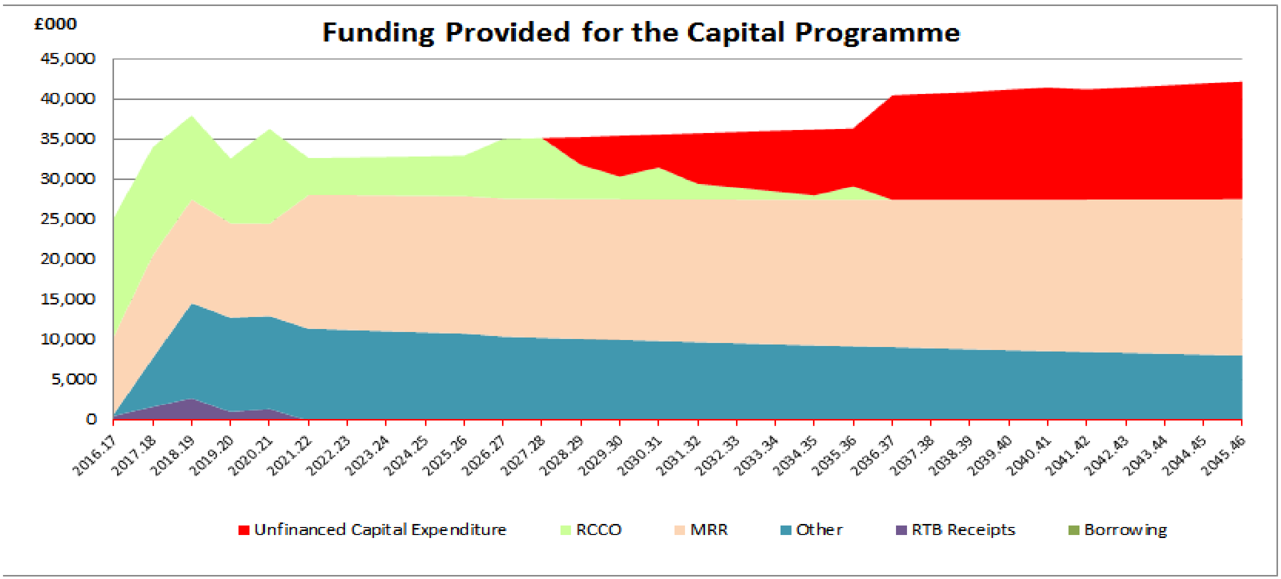
2.2.10 The net impact of the above changes on the overall 'work in progress' HRA 30 year business plan funding and spend projections, is illustrated below, graphically :

Graph 1 – HRA cashflow ; 30 year business plan current work in progress



2.2.11 Graph 1 above (dotted line) suggests the HRA would be able to maintain an overall balanced cashflow position to 2035-36, at which point the HRA starts to go into an operating deficit. However, while the revenue operating account is solvent (albeit with minimum balances of only £1.5m) by this point, the capital plan becomes unaffordable much earlier, by 2027-28. This is highlighted in the following graph :

Graph 2 – capital affordability over 30 years



2.2.12 The red shaded area in Graph 2 above indicates that the updated baseline capital plan resource requirement becomes 'unaffordable' from about 2027-28 onwards if the intention is to maintain existing housing stock at the decency standard over the entirety of the 30 year business plan. The above projection assumes no additional borrowing upto the HRA borrowing cap, but longer term the business plan is financially unsustainable, which indicates it cannot afford any new borrowing anyway.

2.2.13 The graphs as presented above are a work in progress, based on a current set of working assumptions and snapshot in time. In broad terms they suggest that there has been some progress in delivering at least in terms of short to medium term prospects for the HRA business plan, compared to 12 months ago, mainly due to the net impact of the current capital affordability baseline review which is ongoing, and delivery of £4m early savings in 2016-17 as part of last year's approved budget plans. However, a number of current working assumptions (e.g. annual levy, as per para 2.2.7 above), in the absence of government detail still awaited, need to be treated with caution here.

2.2.14 The illustrative scenario highlighted in the graphs above indicate that, notwithstanding further refinement of the business plan over coming weeks and months, the HRA business plan is nevertheless still some way yet from delivering financial sustainability over the longer term to the extent that it can continue to deliver the four key objectives set out at para 2.1.2 earlier, which remains the key focus for the self-financed HRA.

2.3 HRA RESERVES

2.3.1 Current and forecast HRA reserves are summarised at Table 1 below :

Table 1 – summary HRA reserves

	Balance at 31st March 2016	Forecast Movement in Reserves	Estimated Balance at 31st March 2017
	£m	**£m**	**£m**
General Reserves	(42.8)	-	(42.8)
Major Repairs Reserve (note 1)	-	-	-
total	**(42.8)**	**0**	**(42.8)**
Amounts set aside for specific purposes in future years:			
Business Risks			*8.5*
Working balance			*1.5*
Remaining reserves available to support HRA business plan requirements			**(32.8)**

(note 1) - opening balance of nil reflects the fact that there is an in-year contribution from HRA (annual depreciation charge - currently £15.6m) Which is then fully committed in-year to support HRA capital plan and pay down HRA debt. Statutorily this reserve cannot be used for any other purpose

2.3.2 Current HRA general reserves revenue commitments includes a set aside of £8.5m for business risks; in particular, with regard to proposed welfare reform changes, including a more wide-scale rollout of universal credit, which means direct housing benefit payments to Council tenants. The balance of commitments includes £1.5m working balance, and support to the HRA capital plan.

2.3.3 The forecast balance of reserves at £33m, are assumed to roll forward to support future year capital investment plans.

2.3.4 The annual HRA depreciation charge, which is just under £16m, funds the major repairs reserve. This reserve is fully committed each year, with no remaining balances to roll forward year on year.

2.3.5 A number of housing policy proposals following the implementation of the Welfare & Reform and Housing & Planning Acts remain subject to further government clarification. Depending on the outcome, some of the remaining reserves highlighted in Table 1 above may be required, at least short-term, to manage any significant financial impacts on the HRA bottom line, not currently factored in.

Appendix B – Updated MTFP 2017-21

GENERAL FUND	16-17	17-18	18-19	19-20	20-21
	£m	**£m**	**£m**	**£m**	**£m**
COUNCIL FUNDING					
Business rates (Local Share)	(52)	(53)	(53)	(54)	(55)
Top Up grant	(21)	(22)	(23)	(23)	(24)
Revenue Support Grant	(48)	(33)	(23)	(13)	0
Business rates retention Scheme	(121)	(108)	(99)	(90)	(79)
Un-ringfenced grants	(21)	(21)	(18)	(18)	(18)
Council tax	(149)	(156)	(164)	(172)	(180)
Collection fund balance	(2)				
Earmarked Reserves	(2)				
Total Funding	**(295)**	**(285)**	**(281)**	**(280)**	**(277)**
COUNCIL COSTS					
Children & Young People	69	59	59	59	59
Adults, Commissioning & Public Health	91	94	92	91	96
Place	36	37	37	37	37
Resources	38	36	35	35	35
Communities Transformation & Change	7	6	6	6	6
Ecconomic Resilience	13	11	11	11	11
Cross Directorate Activity	3	10	10	10	10
Central Budgets					
Treasury Management	32	30	31	32	33
Contingencies (incl inflation)	1	7	8	9	11
Central Pension & Related Costs	5	5	5	5	5
Joint Committees	21	21	22	22	22
Public Health Grant Contribution to MTFP	(6)	(6)	(6)	(6)	(6)
Total Costs	**310**	**310**	**310**	**311**	**319**
Funding Gap	**15**	**25**	**29**	**31**	**42**
Use of Balances	(15)				
Remaining Budget Gap	**0**	**25**	**29**	**31**	**42**

Appendix C

Annex

Conditions of the multi-year settlement

The Government will offer any council that wishes to take it up a four-year funding settlement to 2019-20. This includes:

- Common Council of the City of London
- London borough councils
- district councils
- county councils
- Council of the Isles of Scilly
- Greater London Authority
- metropolitan county fire and rescue authorities
- combined fire and rescue authorities.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan.

What the offer includes

On 9 February we provided summaries and breakdown figures for each year to your s151 Officer. From those figures the relevant lines that are included in the multi-year settlement offer, where appropriate, are:

- Revenue Support Grant;
- Transitional Grant; and
- Rural Services Delivery Grant allocations.

In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

The Government is committed to local government retaining 100% of its business rate revenues by the end of this Parliament. This will give them control over an additional £13 billion of tax that they collect.

To ensure that the reforms are fiscally neutral local government will need to take on extra responsibilities and functions. DCLG and the Local Government Association will soon be publishing a series of discussion papers which will inform this and other areas of the reform debate.

The new burdens doctrine operates outside the settlement, so accepting this offer will not impact on any new burden payments agreed over the course of the four years.

The Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

Process for applying for the offer

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14th October. We will provide confirmation of the offer shortly after the deadline.

Efficiency Plans

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts) on how you intend to make the most of the capital receipt flexibilities if appropriate.

The Home Office will provide guidance on the criteria and sign off process for efficiency plans for single purpose Fire and Rescue authorities. All Fire and Rescue authorities, including those which are county councils, should set out clearly in their efficiency plans how they will collaborate with the police and other partners to improve their efficiency.

Process for those who do not take up the offer

Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.

Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

At present we do not expect any further multi-year settlements to be offered over the course of this parliament

Department for Communities and Local Government

The Rt Hon Greg Clark MP
Secretary of State for Communities and Local Government

Department for Communities and Local Government
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2 Marsham Street
London SW1P 4DF

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E-Mail: greg.clark@communities.gsi.gov.uk

www.gov.uk/dclg

10 March 2016

Dear Colleagues

MULTI-YEAR SETTLEMENTS AND EFFICIENCY PLANS

On 17 December I announced a historic opportunity for councils to achieve greater certainty and confidence from a 4-year budget. I see this as a key step to supporting you to strengthen your financial management, at the same time as working collaboratively with your local partners and reforming the way services are provided.

The settlement consultation process showed great support for this approach and identified a number of queries about what the offer includes and the requirements for applying to accept this offer. I have therefore set out some further details in the attached annex. But I want to reiterate that I want this offer, and the production of an efficiency plan, to be as simple and straightforward as possible, and reassure you that this is not about creating additional bureaucracy.

If you wish to apply to accept the offer you simply need to send an email or letter to MultiYearSettlements@communities.gsi.gov.uk by **5pm on Friday 14th October** and include a link to your published efficiency plan.

I do not intend to provide further guidance on what efficiency plans should contain – they should be locally owned and locally driven. But it is important that they show how this greater certainty can bring about opportunities for further savings. They should cover the full 4-year period and be open and transparent about the benefits this will bring to both your council and your community. You should collaborate with your local neighbours and public sector partners and link into devolution deals where appropriate.

Of course this offer is entirely optional. It is open to any council to continue to work on a year-by-year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement.

I have been delighted by the response of councils all over the country to the offer of four year budgets and I look forward to hearing from you if you would like to avail yourself of it.

For any further queries, please contact officials at the above address.

Yours sincerely

THE RT HON GREG CLARK MP

Kirklees
COUNCIL

your Council for you

Kirklees Council Efficiency Plan
2017-21

We've got less money, so we've got to rethink how we provide services

Cllr Graham Turner
Portfolio holder for Asset Strategy, Resources and Creative Kirklees

The purpose of this document is:-

- respond to the Department of Local Government & Communities Letter of the 10 March 2016 inviting Local Authorities to submit efficiency plans in order to achieve greater certainty and confidence from a 4 year budget

- confirm Kirklees request for funding certainty over the next 4 years (2017-21)

- to restate our cross party principles for resource allocation outlined within the 2016 corporate plan

- to restate our New Council Target Operating Model & how this helps to shape resource decisions

- to outline the scale of the financial challenge over the next 4 years

- to outline the transformation initiatives

  being progressed and driving forward

  how these provide benefit to the council and communities

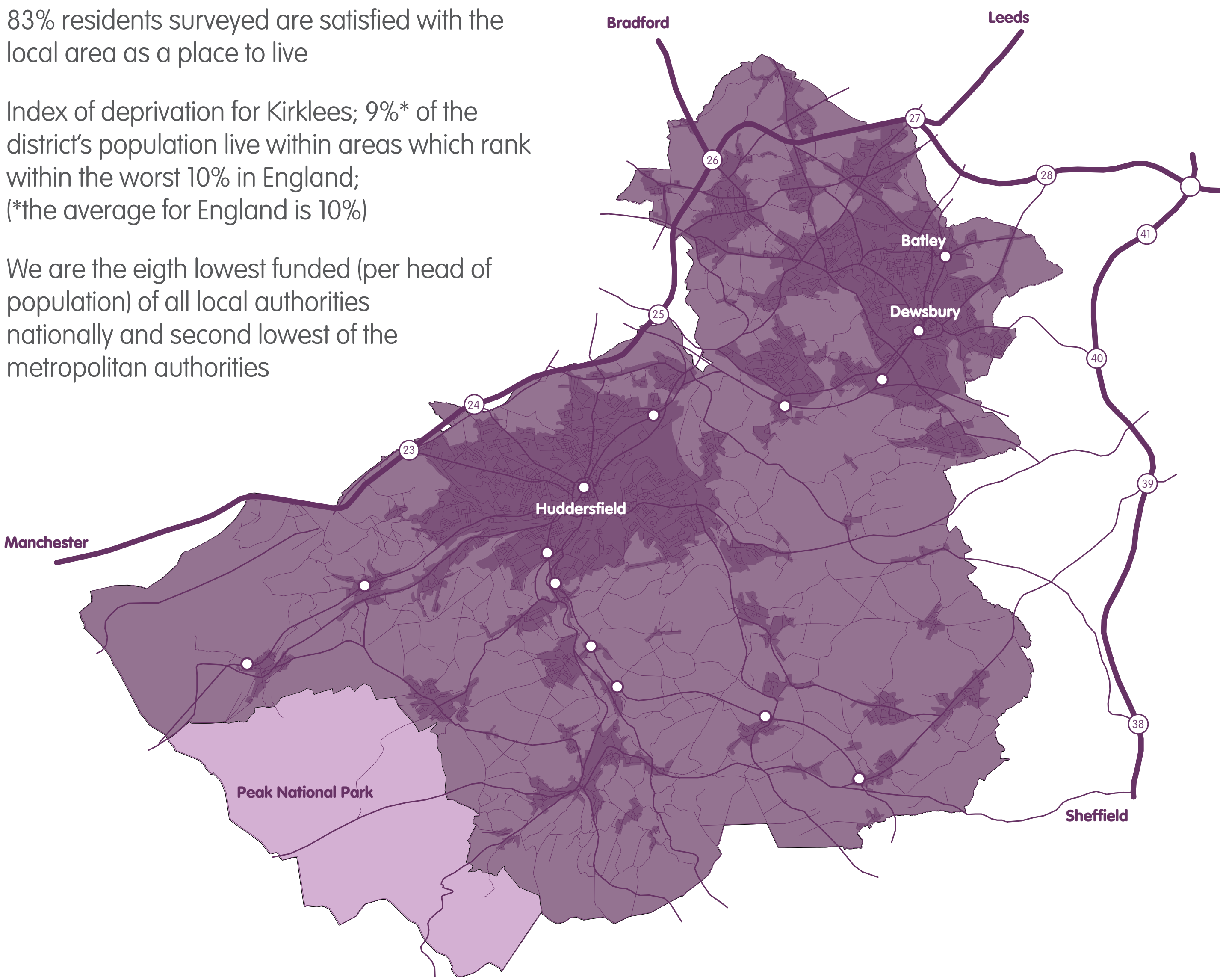
  how we are collaborating with public sector partners

- to outline our approach to responding to the financial challenge.

Kirklees – key characteristics

The Council serves one of the larger Districts in England and Wales, both in terms of population and geographical area, and this, along with other key characteristics of the Kirklees District, are summarised below :

- 431,000 residents, and is projected to increase by 6% overall to 459,000 by 2024; includes 18% projected increase in over 65's, to 86,700
- Kirklees ranks eleventh out of 348 districts in terms of population, in England and wales
- Population by ethnic group; 79%* White, 16% Asian or British Asian, 5% Other (*England & Wales average 86%)
- 3rd largest metropolitan district in area; covering 157 square miles
- 173,000 households, of which about 67% are owner occupied, and 12% Council rented. Households are projected to increase 20% by 2024, to 210,000.
- Manufacturing accounts for 19%* of all employment in the District (Great Britain average is 8%). The next largest employment sectors in the district are health at 14%, retail at 12% and education at 11%.
- Average median gross weekly earnings for Kirklees residents is £362; lower than the Great Britain average of £405.
- 69 Local Councillors serve 23 wards; current minority labour administration
- 83% residents surveyed are satisfied with the local area as a place to live
- Index of deprivation for Kirklees; 9%* of the district's population live within areas which rank within the worst 10% in England; (*the average for England is 10%)
- We are the eigth lowest funded (per head of population) of all local authorities nationally and second lowest of the metropolitan authorities



Our cross party principles

Kirklees Council is a balanced council with no overall control and a leading Labour Administration. All five political parties – the Labour Party, the Conservative Party, the Liberal Democrat Party, the Green Party and the Valley Independent Party – have agreed the following 12 cross party principles to lead the Council's approach to the further budget reductions necessary to balance the books over the next three years.

All the party's believe that the transformation to a New Council necessitates clear agreement between them on overarching principles and they have agreed those as follows:

1. Sustainable jobs and homes are crucial to the economic and social wellbeing of local people. We will create conditions where business and wealth grow naturally and is retained in the district. We will deliver new homes through a mix of social and private developments.

2. The Council should be a facilitator for communities, and with respect to all services, local people will need to do more for themselves and each other. This will help to sustain services for local people.

3. People are more important than buildings. We will sell, transfer or exchange assets, dependent on sound and practicable business cases, taking into account financial and social value. We will use any cash value to sustain future investments in our priorities.

4. We must provide a safety net for the most vulnerable, as well as seeking to close long standing economic and health and wellbeing inequalities within the district.

5. A consistent level of basic services will be available to residents across the district, but at a lower level than now.

6. The working poor, the frail elderly and children at risk of abuse are high priority groups.

7. We will raise income from services where we can make a direct contribution to the funding of other services. We will be mindful of the market and the local mixed economy. We will establish partnerships with appropriate private companies and community organisations to maximise income from the Council estate.

8. We will share services with our neighbours where they adopt principles consistent with those set out here.

9. We will seek to work with partners and devolved bodies, including schools, to improve the life chances for young people across the district.

10. We recognise that partners have access to funds that the Council does not and that the Council's role may not be to lead but to work in genuine partnerships to achieve shared objectives.

11. The Council should encourage locally owned and managed businesses to ensure money remains within the local economy.

12. Devolution should be, as far as possible, to communities. We will ensure governance arrangements are in place and local councillors are actively involved and clearly accountable.

Our vision

new council

1

Supporting vulnerable people and helping them to stay in control of their own lives

2

Focusing resources on things that only the council can do

3

Supporting individuals and communities to do more for themselves and each other

To deliver this vision with much more limited resources we have developed a target operating model. This sets out 10 key capabilities which the council will need to have in the future. We describe this as **new council.**

1. protects vulnerable people with a consistent focus on prevention and early intervention across all service areas. (EIP Theme).

2. creates the conditions where businesses and wealth grow naturally and are retained in the district. (ER Theme)

3. successfully facilitates and enables individuals and communities to do more for themselves and each other.

4. has effective access channels in place that best meets user requirements and expectations.

5. continuously uses intelligence, insight and data to inform service design and improvement.

6. routinely collaborates with public, private and third sector organisations to deliver shared ambitions for Kirklees and the wider region.

7. understands the cost-benefit of all services, whether delivered directly, or via third party providers.

8. has staff with the skills, behaviours and competencies needed to be modern, flexible and productive.

9. has standardised and integrated corporate processes and centres of excellence in core functions.

10. innovates and develop new delivery models, including more commercial models, to best meet the outcomes it aims to achieve.

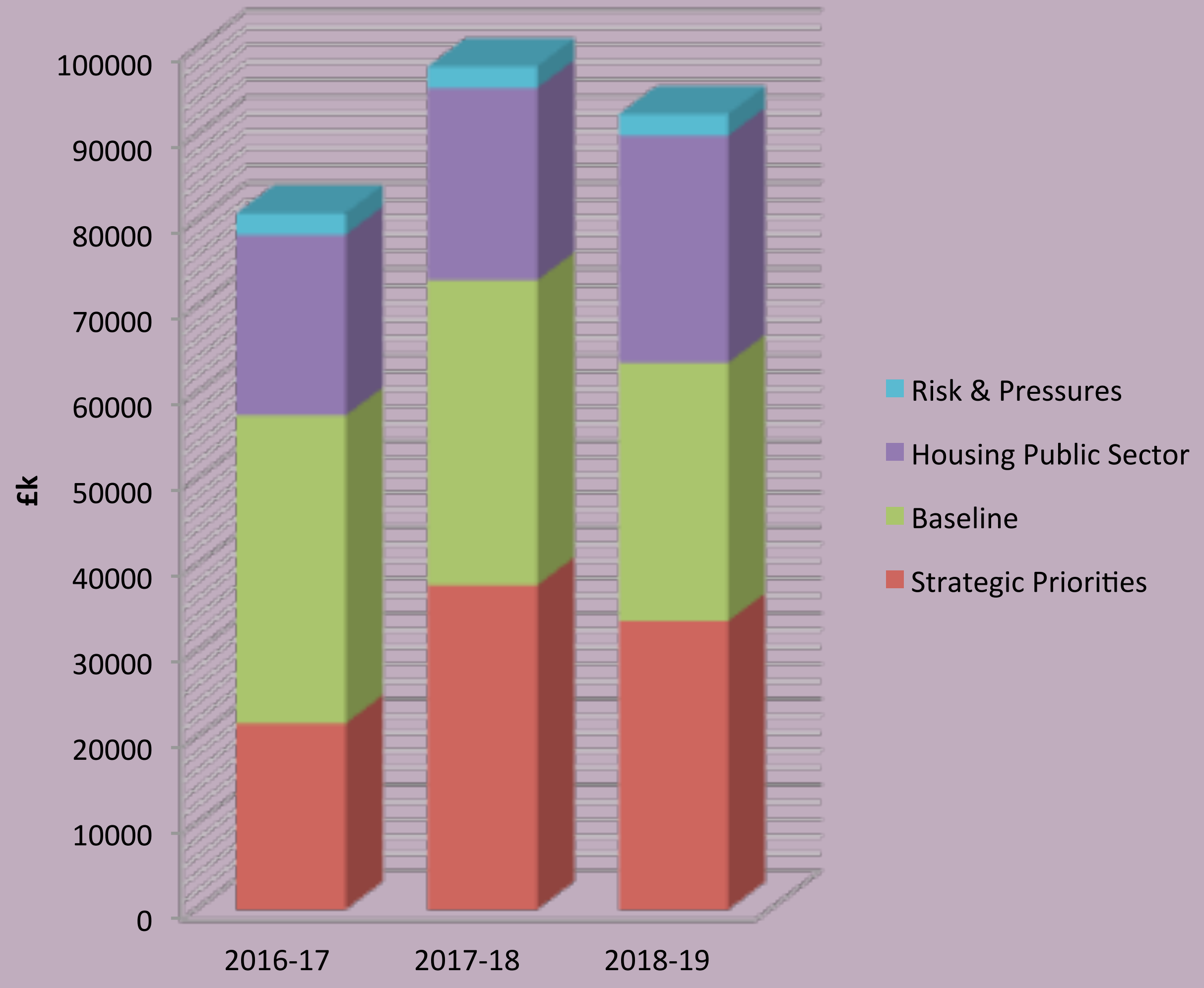
Link to full document can be accessed by clicking here

What's the scale of the challenge?

General Fund	17-18	18-19	19-20	20-21
FUNDING AVAILABLE	**£m**	**£m**	**£m**	**£m**
Current plans 2016 - 20	285	281	280	280
MTFP Update; baseline review	0	0	0	3
Updated funding available	285	281	280	277
SPENDING ALLOCATION				
Current plans 2016 - 20	302	311	318	318
MTFP Update; baseline review	11	11	13	24
Updated spending allocation 2017-21	313	322	331	342
Budget Gap	28	41	51	65
(original Budget Gap MTFP 16-19)	*16*	*30*	*38*	*38*
Early savings proposals - inflation and improved BCF	(3)	(12)	(20)	(24)
Remaining Budget Gap	**25**	**29**	**31**	**41**

Capital Investment Plan 2016-19

- ✓ Despite the financial challenges we continue to plan for investment & strategic priorities
- ✓ We have set aside resources for maintaining our existing asset portfolio
- ✓ We are also investing in our housing stock to maintain decent homes standards and investment in extra care housing which underpins our service strategy for older people.



Our achievements to date

- ✓ We've cut central services by 49%
- ✓ We are spending 15% less since 2010 – that's over £100 million already gone
- ✓ Case study exemplar cited by DCLG in "Good Practice in Local Government Savings " Dec 2014
- ✓ Developed a 'One Council' approach to procurement, payroll, HR and other corporate services
- ✓ Greatly reduced our numbers of office buildings and contact points
- ✓ Reduced senior management and consolidated business support
- ✓ Forged stronger links with the NHS: the Council's Director for Adult Social Care, Public Health and Commissioning is also Chief Officer for North Kirklees CCG.

How is the council transforming?

1. **Supporting vulnerable people and helping them to stay in control of their own lives**
2. **Focusing resources on things that only the council can do**
3. **Supporting individuals and communities to do more for themselves and each other**

The following set examples of our transformation activity:

Housing

Merger of the Council's Building Services Operations with Kirklees Neighbourhood Housing Ltd (an Arms Length Management Organisation & a local authority wholly owned 'Teckal' company) to create;

- ✓ An effective and efficient customer focused housing management and maintenance services which enable investment in strategic priorities.
- ✓ Improved value for money and efficiencies freed up to generate trading income
- ✓ Long term asset planning to ensures we have fit for purpose, decent homes and maximises the value of council housing for our communities
- ✓ Flexibility for the existing or any new organisation to have the opportunity to grow.
- ✓ An organisation which can support the Council's long term strategic outcomes

On the 17 October 2016 a new organisation will begin which will signal the start of a new 20 year housing management and maintenance agreement.

Developing childrens and young peoples services

Childrens social care

- ✓ Recruitment and retention
- ✓ More effective "Front Door"
- ✓ Improving placement quality
- ✓ Embedding a performance culture to improve outcomes
- ✓ The Council is also focussing on providing the right support at the right time
using our Early Intervention and Prevention approach

Transforming adult social care

- ✓ Development of an All Age Disability Service
- ✓ Greater integration with the NHS to improve outcomes and align with BCF funding opportunities
- ✓ Continued/intensified focus on self care, community capacity and lower cost support options (assistive technology, extra care etc)
- ✓ Use of systems thinking and agile working to manage flow and outcomes

Developing a new waste strategy

The Council is facing increasing budget pressures around waste. We are responding to this by:

- ✓ Working with private sector partner to develop a more sustainable waste strategy
- ✓ Maximise benefits from energy from waste plant
- ✓ Reviewing policy including circular economy ideas
- ✓ Using behavioural insight and social marketing to change behaviour i.e. reducing littering, increasing recycling.

Our approach to identifying further savings

We have already delivered significant savings from these areas and intend to continue progressing with the following initiatives. These proposals broadly fall into the categories shown below and corresponding savings targets are shown in the table on the next page

Continued management action:-

- ✓ Scrutinise vacancies
- ✓ Procurement – contract management, supplier consolidation, minimise off contract spend etc.
- ✓ Increased productivity, reduced sickness level & reduced reliance on agency
- ✓ Improce processes – relating to employees and procurement
- ✓ Review centrally held budgets

Service redesign & changing customer expectations:-

- ✓ Customers – front door & out of office arrangements
- ✓ Review of services in the context of available resources
- ✓ Digital by design
- ✓ Mobile and Agile working
- ✓ Demand management

Reprioritisation:-

- ✓ Review of capital spending priorities & associated treasury management costs
- ✓ Right size support functions to meet expectations of organisation

Commercialise services where this makes sense:-

- ✓ To achieve full cost recovery
- ✓ Income generation opportunities

Developing services which are digital by design

The Council has embarked on a Digital by Default transformation programme targeting every corner of Council operations, applying technology to deliver end to end, automated and self-service transformation of processes.

For example, in 2015, we launched the 'Better Off in Kirklees' website in conjunction with the Citizens Advice Bureau. This website not only helps local people move off benefits and into work but also ensures local people claim the full range of benefits they are entitled to. From the launch of 'Better Off' on the 15 October up to 13 December, the monetary gains to the district totalled £618,934.

Supporting our staff to be mobile and agile

This initiative is to move to a fully "Digital Workforce" to make almost all workers; mobile, agile, paperless and collaborative;

This will include Regional Collaboration through the Public Sector Network and Shared IT Infrastructure procurement

Changing the relationship between the citizen and the state

Creating a different and more positive relationship with communities is central to the vision for our New Council.

This means the way we approach delivering services will change, from providing services to or for people to also focussing on how we can support and enable people to do more for themselves and each other. As a local authority we are learning how to work with the strengths of communities, their wealth of skills and willingness to make a difference. This will be key to managing a reducing demand on services, and supporting communities to remain resilient as budgets reduce.

The Council has successfully supported this approach through two international and innovative programmes funded by Bloomberg Philanthropies:

Comoodle

✓ The idea for Comoodle came from community groups in Kirklees, who said that they could do far more if they had access to assets like equipment (stuff), expertise (skills) and buildings (space). The Council responded to this challenge by sharing assets such as vans, sports equipment, heaters and events equipment that can be idle, especially in evenings and weekends.

✓ Since May 2015, the Council has completed 120 'trades' with community groups . Overall, the project has supported 86 different community organisations to date, helping to support activities that over 8,000 people have benefitted from.

Cities of Service

Cities of Service is an international network of local authorities who are committed to providing the conditions where volunteers support delivery and to make the most impact through their volunteering contribution. In 2014 Nesta and Cabinet Office funded Kirklees as 1 of 7 UK local authorities to implement these approaches.

Through Cities of Service we have ;

✓ developed our ability to mobilise citizens to our greatest challenges through developing the "I'm In" brand which has helped to recruit 10,066 potential new volunteers. We've also developed new ways of messaging citizens about ways they can help, including Voluntext with 1,410 people

✓ increased our capacity to measure the impact of working with volunteers

✓ found, targeted and supported the right volunteers to work with for different outcomes.

Meeting the challenge - savings identified & shortfall (see list of proposals on page 9)

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Budget shortfall	25,392	29,612	31,704	41,949
Categorisation of savings proposals				
Continued management action	2,030	2,030	2,030	2,030
Service redesign &changing customer expectations	8,366	15,040	20,987	20,987
Reprioritisation	833	2,817	4,622	4,780
Commercialisation	1,418	1,811	2,186	2,186
subtotal	12,647	21,698	29,825	29,983
Savings to be identified	12,745	7,914	1,879	11,966

Risk Assessment

- ✓ Demand on assessed services (adults & children) continues to grow
- ✓ Number of children looked after continues to increase
- ✓ Customer expectation increase & public satisfaction deteriorate if we don't encourage individuals from being customers to becoming citizens
- ✓ Transformation plans do not realise the scale of ambition
- ✓ Improved better care funding doesn't flow from Clinical Commissioning Groups or is less than the sums factored into the Medium Term Financial Plan update
- ✓ Continue to experience challenges in the delivery of savings (time & value)
- ✓ Income forecasts are not realised and funding position deteriorates further
- ✓ Service delivery failure & additional investment required