Kirklees COUNCIL

Name of meeting: Council
Date: 11 July 2017

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

Purpose of report

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

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes The report includes proposals to roll forward capital underspend from 2016-17 into 2017-18, to spend against specific activities.
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Yes 29 March 2017
The Decision - Is it eligible for "call in" by Scrutiny?	No
Date signed off by Chief Executive. **Is it also signed off by the Service Director for Financial, IT & Transactional Services ?** **Is it also signed off by the Service Director - Governance & Commissioning Support ?**	Jacqui Gedman, 15 May 2017 Debbie Hogg, 12 May 2017 Julie Muscroft, 12 May 2017
Cabinet member portfolio Resources	Cllr Graham Turner

Electoral wards affected: None
Ward councillors consulted: None

Public or private: Public

1. Summary

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

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

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

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

Activity	Net Controllable Budget	Approved Funding Transfers from (+) / to (-) reserves	Revised Budget	Outturn	Variance
	£000	£000	£000	£000	£000
Directorates	253,906	12,702	266,608	273,118	6,510
Central Budgets	55,832	(11,848)	43,984	40,809	(4,029)
District Committees	1,098	-	1,098	454	(644)
Total	**310,836**	**854**	**311,690**	**314,381**	**2,691**

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

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

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

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

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

1.9 District Committee managed budgets underspent by £644k at year end. The governance arrangements for activity budgets managed through District Committees means there can be significant timing issues between budgets being approved at individual District committee level, and actual spend in relation to the approved budget.

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

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

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

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

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

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

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

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

1.18 The remaining ***£30.3m*** reserves at the start of 2017-18 consists of 'risk' reserves plus unallocated balances. This is available to support the overall 'financial resilience' of the Council. This amount is net of all the commitments noted in paragraphs 1.15 to 1.17 above, including the £11.1m reserves being used to support budget plans in 2017-18.

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

early closedown review 2016-17

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

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

1.22 The Council's overall capital budget for 2016-17 was £110.5m, and actual spend was £69.3m, resulting in an underspend of (£41.2m); (37.4%) variance compared to budget. This is summarised in Table 2 below.

Table 2 – Summary Capital Outturn 2016-17

Description	Budget £000	Outturn £000	Variance £000
Strategic Priorities	5,134	10,926	(14,208)
Baseline	55,416	36,725	(18,691)
Risks & Pressures	5,501	5,406	(95)
One-Off Initiatives	5,000	0	(5,000)
General Fund	**91,051**	**53,056**	**(37,995)**
Housing Revenue Account	19,478	16,210	(3,268)
Total	**110,529**	**69,266**	**(41,263)**

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

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

2. Information required to take a decision

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

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

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

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

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

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

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

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

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

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

3. Implications for the Council

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

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

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

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

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

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

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

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

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

4. Consultees and their opinions

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

5. Next steps

Subject to member approval, capital rollover proposals and the update of the 5 year capital plan will be incorporated into in-year financial monitoring in 2017-18, and reported quarterly to Cabinet, from Quarter 1 onwards.

6. Officers recommendations and reasons

Cabinet are asked to support the following Officer recommendations :

General Fund Revenue

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

6.2 note the year end position on corporate reserves, including available 'financial resilience' reserves (Appendix A, Section 1, paragraphs 1.40 to 1.52, & Appendix C);

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

Housing Revenue Account (HRA)

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

6.5 note the year end position on HRA reserves (Appendix A, Section 2 paragraph 2.2, Table 1);

Capital

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

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

6.8 approve the revised Capital Plan for the 5 year period 2017-22, after taking into account rollover, the re-phasing of schemes and changes to grant assumptions (Appendix A, section 3, paragraphs 3.8 to 3.16, & Appendix G);

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

Treasury Management

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

7. Cabinet portfolio holder recommendation

The Leader recommends that the attached Council financial outturn & rollover report 2016-17; incorporating General Fund Revenue, Housing Revenue Account, Capital & Treasury Management, should be presented to the Council meeting on 11 July 2017.

8. Contact officer

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9. Background Papers and History of Decisions

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

10. Service Director responsible

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APPENDIX A

SECTION 1 – GENERAL FUND REVENUE OUTTURN 2016-17

1. Summary revenue outturn position

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

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

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

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

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

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

Service Directorates

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

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

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

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

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

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

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

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

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

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

Cross-Directorate

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

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

Central Budgets

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

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

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

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

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

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

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

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

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

District Committee Managed Budgets

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

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

Collection Fund

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

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

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

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

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

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

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

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

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

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

Council Reserves

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

Table 2 – Current Reserves position

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

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

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

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

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

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

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

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

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

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

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

1.49 The £62m includes the following :

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

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

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

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

Future developments

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

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

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

APPENDIX A

SECTION 2 – HOUSING REVENUE ACCOUNT OUTTURN 2016-17

2. Key Points

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

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

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

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

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

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

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

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

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

HRA Reserves

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

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

Table 1 - HRA Reserves at April 2017 :

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

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

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

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

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

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

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

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

<u>HRA borrowing 'cap'</u>

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

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

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

<u>Future developments</u>

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

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

APPENDIX A

SECTION 3 – CAPITAL OUTTURN 2016-17

3. Capital Outturn Summary Position

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

3.2 Subsequent adjustments increased the Capital Plan total to **£110.5m** by the end of the financial year. The increase in budget of £7.3m is mainly due to the £5.4m staff capitalisation with matched funding from in-year capital receipts (see also, Appendix A, Section 1, paragraph 1.45). A breakdown of budget changes can be found in Appendix E iii).

3.3 Actual spend at year end was £69.3m. There is a headline outturn **underspend of £41.3m** (37.4% variance compared to budget).

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

Capital Rollover Proposals

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

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

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

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

Updated Capital Investment Plan 2017-22

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Prudential Indicators</u>

3.18 The overall capital resourcing of the updated 2017-22 capital plan is set out in more detail at Appendix G iii). This includes new borrowing over the 2017-22 period totalling £115.4m; equivalent to 32.1% of total capital funding of £362.1m over the period.

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

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

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

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

APPENDIX A

SECTION 4 – TREASURY MANAGEMENT

4. Borrowing and Investment Strategy 2016/17

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

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

The economy and interest rates

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

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

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

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

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

Investment activity

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

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

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

Borrowing requirement and debt management

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

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

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

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

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

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

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

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

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

<u>Trends in treasury management activity</u>

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

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

Revenue Budget Monitoring

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

Risk and Compliance Issues

4.19 The Council can confirm that it has complied with its prudential indicators for 2016/17, which were approved as part of the Treasury Management Strategy. Details can be found in Appendix L. Indicators relating to affordability and prudence are reported at Appendix A, Section 3 ,paragraphs 3.17 to 3.21).

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

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

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

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

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

REVENUE OUTTURN 2016-17 **APPENDIX B**

General Fund	Net Controllable Budget	Funding transfer from (+) / to (-) reserves	Total Resources available	Revenue Outturn	Variance	Variance
	£000s	£000	£000	£000s	£000s	%
Children & Young People	57,959	9,540	67,499	80,984	13,485	20.0%
Commissioning, Public Health & Adults	84,217	648	84,865	91,193	6,328	7.5%
Place	35,738	-	34,095	31,375	(2,720)	(8.0%)
Resources	36,631	518	37,149	34,211	(2,938)	(7.9%)
Communities, Transformation & Change	5,299	272	5,571	5,101	(470)	(8.4%)
Economic Resilience	14,405	1,118	12,047	8,627	(3,420)	(28.4%)
Early Intervention & Prevention	25,382	-	25,382	21,627	(3,755)	(14.8%)
Directorate Totals	**253,906**	**12,702**	**266,608**	**273,118**	**6,510**	**2.4%**
Central Budgets	55,832	(11,848)	43,984	40,809	(3,175)	(7.2%)
District Committee managed budgets	1,098	-	1,098	454	(644)	(58.7%)
Grand Total	**310,836**	**854**	**311,690**	**314,381**	**2,691**	**0.8%**

Housing Revenue Account	Net Controllable Budget	Revenue Outturn	Variance	Variance
	£000s	£000s	£000s	%
Repair & Maintenance	22,377	21,139	(1,138)	(5.1)
Housing Management	32,474	31,785	(689)	(2.1)
Other Expenditure	28,856	27,480	(1,376)	(4.8)
Total operating expenditure	**83,707**	**80,504**	**(3,203)**	**(3.8)**
Rent Income	(82,639)	(82,791)	(152)	0.2
Other income	(11,839)	(11,745)	94	-0.8
Total operating income	**(94,478)**	**(94,536)**	**(58)**	**nil**
Revenue contribution to capital expenditure	7,919	4,823	(3,096)	(39.0)
Net surplus (-) /deficit (+)	**(2,852)**	**(9,209)**	**(6,357)**	**(30.2)**
Planned Transfer to HRA Reserves	2,852	9,209	6,357	-
Net Surplus (-) / deficit (+)	**0**	**(9,209)**	**0**	**-**

GENERAL FUND RESERVES & BALANCES	Reserves at 1 April 2016	Reserves supporting 2016-17 MTFP	in-year movements (Council approval Feb/July 2017)	Planned use of reserves in-year	Early closedown review - Cabinet Report May 2017	Year end transfer to General Reserves - Council overpsend	Reserves at 1 April 2017	Reserves supporting 2017-18 MTFP	Remaining reserves at April 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
STATUTORY (SCHOOL) RESERVES									
Earmarked Reserves - School Balances	(13,492)	-	-	3,960	-	-	(9,532)	-	(9,532)
Earmarked Reserves - Dedicated Schools Grant	(6,407)	-	-	4,088	-	-	(2,320)	-	(2,320)
Statutory (School) Reserves Total	**(19,900)**	**-**	**-**	***8,048***	**-**	**-**	**(11,852)**	**-**	**(11,852)**
EARMARKED (OTHER)									
Prepayments (PFI)	(3,148)	-	-	(167)	-	-	(3,314)	-	(3,314)
Joint Adults Social Care / Health	(7,964)	-	-	227	34		(7,703)	7,700	(3)
Workforce Restructure	(10,910)	-	300	119	5,400	-	(5,091)	-	(5,091)
Insurance (Municipal Mutual Insurance)	-	-	-	-	(1,900)	-	(1,900)	-	(1,900)
Revenue Grants / Contributions	(15,038)	1,221	-	1,825	1,155	-	(10,837)	-	(10,837)
Revenue Rollover	(9,752)	397	3,307	1,543	499	-	(4,006)	-	(4,006)
Business Rates Reserve	(3,714)	3,145	-	56	512	-	(0)	-	(0)
New Council Transformation	(4,000)	-	(1,433)	489		-	(4,944)	-	(4,944)
Other Earmarked Reserves	(2,790)			401	692	-	(1,698)	-	(1,698)
Earmarked Reserves (Other) Total	**(57,316)**	**4,763**	**2,174**	**4,493**	**6,392**	**-**	**(39,494)**	**7,700**	**(31,794)**
EARMARKED - RISK	(9,968)	-	(8,000)	-	(10,078)	-	(28,046)	-	(28,046)
UNALLOCATED BALANCES	(25,972)	15,037	(2,174)	-	(300)	2,691	(10,718)	8,485	(2,233)
Financial Resilience Reserves Total	**(35,940)**	***15,037***	***(10,174)***	**-**	***(10,378)***	***2,691***	**(38,764)**	**8,485**	**(30,279)**
All Reserves & Balances	**(113,156)**	**19,800**	**(8,000)**	**12,541**	**(3,986)**	**2,691**	**(90,110)**	**16,185**	**(73,925)**

General Fund Outturn highlight variances **APPENDIX D**

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

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

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

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

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

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

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

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

CAPITAL PLAN 2016/17 OUTTURN – SUMMARY

APPENDIX E i)

Capital Plan	Revised Budget	Outturn	Variance	Variance
	£'000	**£'000**	**£'000**	**%**
Strategic PrioritiesTotal	**25,134**	**10,926**	**(14,208)**	**(56.5)**
Baseline				
Childrens & Young People	10,706	5,946	(4,761)	(44.4)
Adults	500	20	(480)	(96.0)
Place	39,279	27,775	(11,505)	(29.3)
Communities, Transformation & Change	1,424	176	(1,248)	(87.6)
Resources	1,633	1,484	(149)	(9.1)
Leeds City Region Revolving Fund	1,874	1,324	(550)	(29.3)
Baseline Total	**55,416**	**36,725**	**(18,691)**	**(33.7)**
One-Off Initiatives	**5,501**	**5,406**	**(95)**	**(1.7)**
Risks & Pressures	**5,000**	**0**	**(5,000)**	**(100.0)**
General Fund Total	**91,051**	**53,056**	**(37,995)**	**(41.7)**
HRA	**19,478**	**16,210**	**(3,268)**	**(16.8)**
Overall Total	**110,529**	**69,266**	**(41,263)**	**(37.3)**

Appendix E ii)

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

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

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

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

APPENDIX E iii)

BREAKDOWN OF CAPITAL BUDGET CHANGES (SINCE QUARTER 3 MONITORING)

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

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

APPENDIX F

PRUDENTIAL INDICATORS ACTUALS 2016/17

Capital Expenditure, Capital Financing Requirement and External Debt

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

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

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

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

Limits to Borrowing Activity

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

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

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

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

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

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

Affordability Prudential Indicators

Ratio of financing costs to net revenue stream

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

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

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

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

APPENDIX G i)

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

KEY :

B = Borrowing	**G =** Grant	**R =** Capital Receipts

B* = These programmes were previously categorised as **service funded**. Work is ongoing to remove this category and have one system of prudential borrowing.

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

APPENDIX G ii)

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

RISKS & PRESSURES TOTAL	**B**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**12,500**
ONE-OFF INITIATIVES TOTAL	**B**	**95**	**0**	**0**	**0**	**0**	**95**

HOUSING REVENUE ACCOUNT PLAN

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

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

FUNDING SUMMARY	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget £'000
TOTAL FUNDING REQUIREMENT	**109,895**	**79,929**	**69,206**	**50,887**	**52,210**	**362,127**
Funded by…						
Direct/Earmarked Contributions to Schemes						
Capital Grants / Contributions						
- In year	24,687	23,277	15,041	14,586	13,676	91,267
- Funding brought forward from previous year	16,142	1,708	1,656	1,656	1,228	22,390
- Funding carried down to following year	(1,708)	(1,656)	(1,656)	(1,228)	(1,228)	(7,476)
Earmarked Capital Receipts	4,768	3,141	2,011	1,826	4,637	16,383
Revenue Contributions (HRA)	5,640	6,980	4,506	4,589	12,073	33,788
Reserves (HRA)	13,162	13,162	11,917	11,493	10,658	60,392
Pooled resources						
Non Earmarked Capital Receipts	6,000	6,000	6,000	6,000	6,000	30,000
Corporate Prudential Borrowing	41,204	27,317	29,731	11,965	5,166	115,383
TOTAL FUNDING REQUIREMENT	**113,311**	**83,241**	**72,518**	**53,343**	**54,666**	**377,079**

FUNDING SUMMARY INCLUDING ASSUMED SLIPPAGE

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

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

APPENDIX H

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

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

Key – Fitch's credit ratings:

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

Appendix I

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

Long-term loans repaid during 2016/17

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

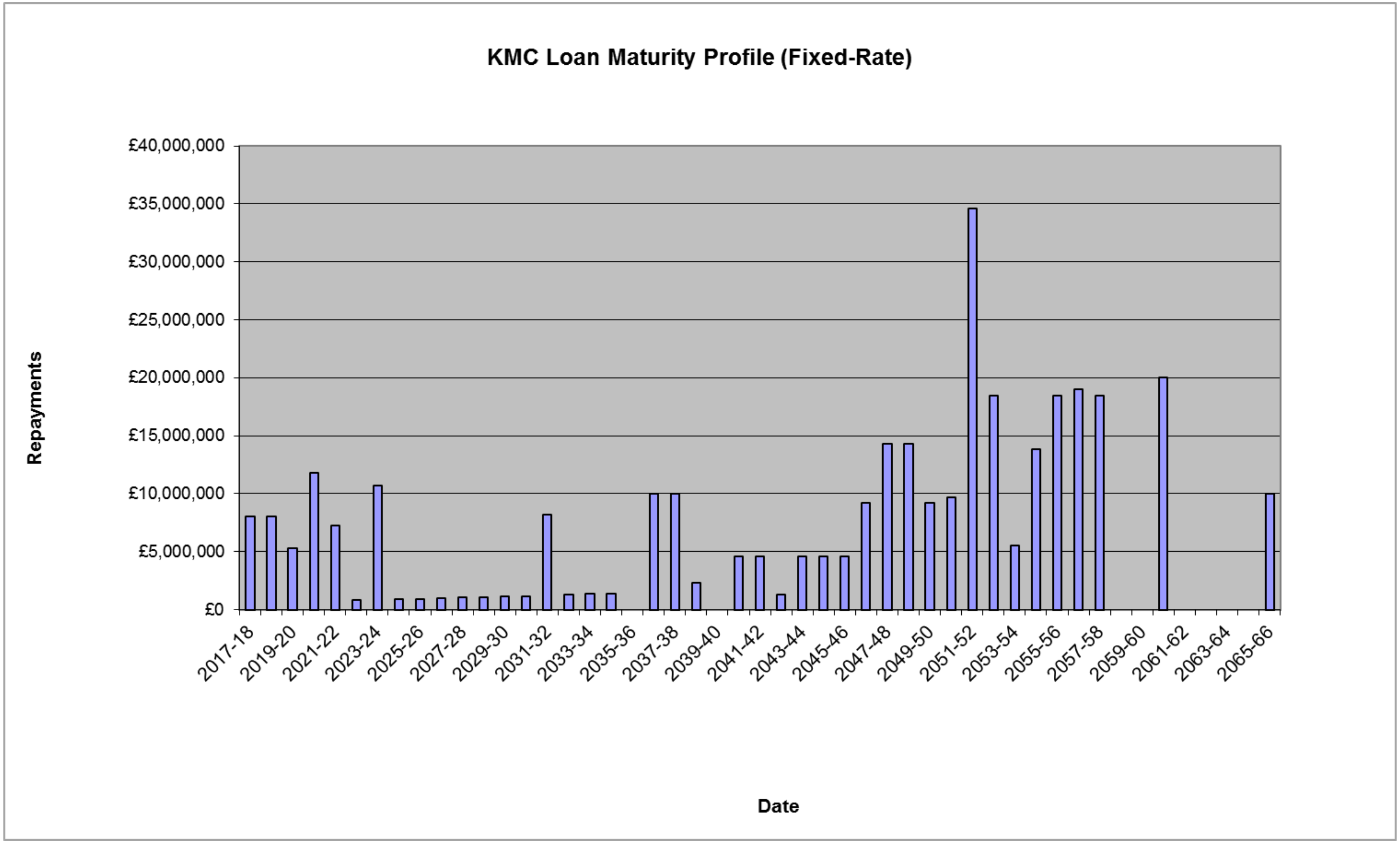
* represents loan extended to Kirklees College, for which the College is making similar repayments to the Council

Short-term loans outstanding 31 March 2017

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

* excludes interest accrued

Appendix J



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

Appendix K

Kirklees Council - Borrowing and Investment Trends

At 31 March	2017	2016	2015	2014	2013	2012	2011	2010	2009
Investments	31.3m	38.3m	38.7m	33.1m	30.2m	19.3m	42.7m	38.7m	102.1m
ST Borrowing (excl interest accrued)	37.7m	16.0m	21.1m	29.6m	27.3m	30.6m	33.2m	18.6m	9.1m
LT Borrowing	400.5m	408.4m	422.6m	432.4m	452.1m	471.5m	527.1m	525.1m	528.4m
Total Borrowing	438.2m	424.4m	443.7m	462.0m	479.4m	502.1m	560.3m	543.1m	537.5m
Deferred liabilities (non PFI)	4.1m	4.3m	4.4m	4.5m	4.7m	4.8m	5.0m	5.1m	5.2m
Net debt position	**411.0m**	**390.4m**	**409.4m**	**433.4m**	**453.9m**	**487.6m**	**522.6m**	**509.5m**	**440.6m**
Capital Financing Requirement (excl PFI)									
General Fund	412.8m	411.3m	422.2m	447.5m	448.5m	458.6m	458.9m	435.9m	369.5m
HRA	186.2m	192.4m	196.6m	203.3m	209.3m	215.6m	242.4m	241.0m	241.0m
Total CFR	**599.0m**	**603.7m**	**618.8m**	**650.8m**	**657.8m**	**674.2m**	**701.3m**	**676.9m**	**610.5m**
Balances "internally invested"	156.7m	175.0m	170.7m	184.3m	173.7m	167.3m	136.0m	128.7m	67.8m
Ave Kirklees' investment rate for financial year	0.4%	0.5%	0.4%	0.4%	0.5%	0.6%	0.8%	1.5%	5.2%
Ave Base rate	0.3%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Ave LT Borrowing rate	2.5%	3.2%	3.7%	4.3%	4.1%	4.4%	5.3%	4.7%	4.6%

APPENDIX L

Treasury Management Prudential Indicators

Interest Rate Exposures

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

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

The interest payments were within the limits set.

Maturity Structure of Borrowing

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

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

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

Total principal sums invested for periods longer than 364 days

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