

Name of meeting: Council
Date: 11 October 2017

Title of report: Council budget update report 2018-22

Purpose of the report

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

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the Council’s Forward Plan (key decisions and private reports)?	Key decision - Yes
The Decision - Is it eligible for “call in” by Scrutiny?	No
Date signed off by Strategic Director & name	Jacqui Gedman, 11 September 2017
Is it also signed off by the Service Director for Finance, IT & Transactional Services?	Debbie Hogg, 7 September 2017
Is it also signed off by the Service Director – Legal, Governance & Commissioning ?	Julie Muscroft, 8 September 2017
Cabinet member portfolio - Corporate	Give name of Portfolio Holders Cllr Graham Turner Cllr Musarrat Khan

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

RESTRICTIONS ON VOTING

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

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

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

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

1. Summary

- 1.1 The Cabinet is required under Financial Procedure Rules to submit to Council a provisional budget strategy for the following 3 years, no later than October, each year. The provisional budget strategy in this report is a four year strategy.
- 1.2 The Council's updated Medium Term Financial Plan (MTFP) rolls forward into 2018-19, existing 4 year budget plans approved at budget Council on 15 February 2017.
- 1.3 The overarching financial context for the updated General fund budget plans reflects the continuing scale of the financial challenges facing the Council; largely as a result of significant reductions in core Government funding allocations to the Council over the lifetime of successive recent Parliaments; 40% over the 2010-16 period and a further 34% over the 2016-20 period.
- 1.4 Last year, Government offered all Councils who published an Efficiency Plan, 'reasonable certainty' regarding future year funding allocations set out in the financial settlement 2017-18, at least for the next 3 years. The Council's published Efficiency Plan 2017-21 was included as an Appendix to the budget strategy update report 2017-21, approved at full Council on 12 October 2016. In reality, 'reasonable certainty' at best is Government re-affirmation of the continuing level of funding reductions already assumed in current Council multi-year budget plans rolled forward into 2018-19.
- 1.5 The Council is, at the same time, the eighth lowest funded Council in the country, as measured by the Government's own spending power benchmark calculation, expressed as spend per head of the population (and second lowest of the 36 metropolitan authorities).
- 1.6 The Council is also facing continuing and increasing service pressures; in particular in Children's and Adult Services, to the extent that the Council

approved budget plans for 2017-18 included additional, recurring revenue investment in core Children's and Adults base budgets, totalling £21m.

- 1.7 This report also sets out a number of current assumptions underpinning the updated MTFP, including acknowledgement of potentially significant unbudgeted risks. These include further volume pressures in Children and Adults activity (learning disabilities in particular), and current lack of national funding certainty from Government on a range of indicative future year Adults Social Care funding streams. There are also pressures on Council one-off reserves, which has a consequential impact on the overall financial resilience of the Council to effectively manage any significant unbudgeted risks over the medium term.
- 1.8 The Council's current 30 year Waste Contract ends in 2022-23, and while it does not feature in this budget round, work has already commenced to review options for 2023-24 onwards; the financial implications of which will need to be factored early into future year MTFP updates.
- 1.9 The updated general fund budget plans are summarised at Table 1 below, including the current 2017-18 budget :

Table 1 – General fund MTFP update Summary 2018-22

MTFP update	17-18 £m	18-19 £m	19-20 £m	20-21 £m	21-22 £m
Total Funding Available	(283.5)	(281.2)	(276.7)	(270.1)	(270.1)
Gross Spend	348.9	362.2	363.8	370.4	370.4
<i>Planned Savings</i>	(54.2)	(82.2)	(98.8)	(104.3)	(104.3)
Net spending plans	294.7	280.0	265.0	266.1	266.1
Budget Gap / (surplus)	11.2	(1.2)	(11.7)	(4.0)	(4.0)

- 1.10 The Planned savings summarised above are significant and challenging. Based on Quarter 1 financial monitoring 2017-18, reported to Cabinet on 22 August 2017, the Council is forecast to deliver, overall, about £49m of the planned £54m savings requirement in-year. This represents about 90% in total, and indicates good overall progress against existing plans.
- 1.11 The planned savings for 2018-19 onwards are 'cumulative' totals as per the summary Table 1 above, compared to the 2017-18 baseline saving. The specific savings requirement for 2018-19 is **£28m**, a further **£16.6m** in 2019-20 and a further **£5.5m** in 2020-21.
- 1.12 The new Year 4 of the updated MTFP (2021-22) is included in the summary Table 1 above. At this stage it is unchanged from year 3, but will be re-freshed as part of the ongoing review of funding and spending plan assumptions through the remainder of the budget round.
- 1.13 The bottom line Budget Gap/Surplus estimates set out at Table 1 above in part reflect the 'lumpy' profiling of a range of indicative Government funding streams; in particular relating to Adult Social care over the MTFP period, in part also a reflection of current quantification and timing of a range of planned savings over the MTFP period.

- 1.14 The updated budget plans also reflect the Council's statutory requirement to manage or 'right size' its overall spending plans within available resources for the foreseeable future, whilst at the same time this report acknowledges continuing volatility on some of the key costing and funding assumptions underpinning these updated budget plans.
- 1.15 The Council's Corporate Plan 2017-18 sets out a clear statement of intent to be an ambitious, innovative and resilient organisation. Alongside the 'right-sizing' in acknowledgement of the continuing financial challenges the Council faces, the Council is also investing internal and external capacity and expertise to help 're-shape' and transform services to more effectively align to be an outcome focused, commissioning organisation over the medium term. In assessing the viability of updated budget plans, ensuring that the Council's budget plans effectively deliver the right outcomes, is equally paramount.
- 1.16 The MTFP update also sets out a flexible capital receipts strategy framework in line with Government guidance, which allows the Council to consider a range of approaches to capitalise qualifying revenue expenditure, funded through in-year generated capital receipts. This covers the 2016-19 period (2016-17 being an effective retrospective approval), and in particular could enable the Council the opportunity to build up its financial resilience reserves in light of ongoing unbudgeted risk pressures over the MTFP period.
- 1.17 The overarching context for the updated HRA budget plans is the delivery of a high quality landlord service to 23,000 Council tenancies alongside supporting the Council's strategic HRA capital investment ambitions, within a self-financed 30 year HRA business plan. The Council works closely with Kirklees Neighbourhood Housing (KNH), its partner arms length management organisation, to regularly review and update the HRA business plan.
- 1.18 The HRA faces a number of funding challenges including current uncertainty on Government intent on some aspects of national housing policy, which could have significant funding implications for the HRA going forward ;the most prominent being a proposed 'higher value' annual levy or charge, based on higher value property void rates. The levy was to be re-directed to private registered providers to compensate them for the loss of housing stock through the voluntary take up of the right to buy scheme in this sector. There is current uncertainty if Government will go forward with the levy proposal, or the basis of any calculation. The MTFP update at this stage assumes deferred implementation to 2020-21.
- 1.19 The recent merger of building services with KNH also presents significant opportunities also reflected in the MTFP update, not just in terms of significant target efficiencies, but also in terms of a re-shaped and enhanced service delivery to tenants.
- 1.20 The updated MTFP in respect of the Council's overall capital investment plans is summarised at Table 2 below :

Table 2 - Overall Capital Expenditure Summary 2017-18 to 2021-22

	18-19 £m	19-20 £m	20-21 £m	21-22 £m	Total £m
Strategic Priorities	26.0	22.4	5.3	0.5	54.2
Baseline	28.4	26.1	25.4	22.1	102.0
Risks & Pressures	2.5	2.5	2.5	2.5	10.0
Total General Fund	56.9	51.0	33.2	25.1	166.2
HRA strategic priorities	8.8	5.0	4.4	13.8	32.0
HRA baseline	14.2	13.2	13.2	13.3	53.9
Total HRA	23.0	18.2	17.6	27.1	85.9
All Capital	79.9	69.2	50.8	52.2	252.1

1.21 The above plans are rolled forward from the existing 5 year capital plan (2017-22), and include a range of investment activity aimed at Council strategic priorities which over the 4 year period above account for about 34% of the total capital investment identified over the 2018-22 period. As with revenue, these plans will be reviewed further, including a new year 5 plan, through the remainder of the current budget round; including options around strategic priority activity with particular focus on stimulating wider business growth in the district through a property investment fund framework.

1.22 Key funding and cost assumptions factored into the MTFP update across the totality of general fund revenue, HRA and capital investment multi-year plans will be subject to further review, informed by most current local and national intelligence. Any further material changes to funding and cost assumptions will be considered for incorporation into the finalised annual budget report for Cabinet and Council approval in February 2018.

2. Information required to take a decision

2.1 This report includes a range of supporting information set out in the following appendices:

Appendices

A	Summary general fund funding and spend forecasts 2018-22
B	General Fund Reserves
C	Summary Housing Revenue Account (including reserves) 2018-22
D	Summary Updated Capital Investment Plan 2018-22
E	Council flexible use of capital receipts strategy
F	Corporate Risk Register
G	Corporate Budget Timetable

General Fund

2.2 Appendix A sets out overall summary funding and spending plans over the 2018-22 period. These reflect the continuation of existing multi-year budget plans, rolled forward from the 2017-21 Council approved medium Term Financial Plan, which was approved at Budget Council on 15 February 2017. The link to this report is included below (Agenda Item 5) :

- 2.3 Key assumptions underpinning the updated MTFP general fund funding and spending plan totals are summarised in the following sections below:

FUNDING ASSUMPTIONS

Business Rates Retention Scheme

- 2.4 Government funding reductions to the Council are estimated to be in the region of 34% over the 2016-20 period, and current budget plans rolled forward reflect the complete phasing out of Revenue Support Grant by the start of 2020-21.
- 2.5 Government has also committed to the continuation of the small business rates relief scheme for the remainder of the current Parliament, including an increase in thresholds for relief for small businesses. Compensating grant adjustments are included within un-ringfenced grants.
- 2.6 Funding assumptions also reflect the impact of the new valuation list for non-domestic properties, which took effect from April 2017, with a corresponding adjustment to the Top Up grant in line with Government's stated aim of 'fiscal neutrality' for individual Councils as a result of the new valuation.
- 2.7 As part of the Spring budget 2017, Government also announced further measures, with matching funding compensation to Councils, to help businesses most affected by the revaluation that took effect from April 2017; includes additional support for small business, a local discretionary fund to be distributed to the hardest hit businesses under locally designed criteria, and relief for pubs.
- 2.8 Government had intended to implement 100% business rates retention scheme nationally from April 2019, to be enacted through a new Local Government Bill. This would have transferred about £12.5 billion current funding from central government to English Councils, with a view to enhancing local flexibility for Council funding of local services, and providing incentives for local economic growth.
- 2.9 Following the recent general election and subsequent Queen's speech, the Bill no longer features in the current Parliamentary timetable. The funding assumptions in the updated MTFP assume a continuation of the existing (49% Local share) business rates retention scheme. It is anticipated that Government will clarify its position on the future of 100% business rates retention, in due course.
- 2.10 Government had also committed previously to address concerns about the fairness of current funding distributions through the business rates retention scheme. This evidence-based review will continue. Pending the eventual outcome of this review, at this stage the MTFP update makes no assumptions regarding any potential future re-distribution of funding between Councils.
- 2.11 Business Rates projections over the MTFP period prudently allow for a significant annual bad debt provision estimate of £5.7m annually in relation to ongoing rates appeals (Council share £2.8m). This provision requirement relates both to continued volatility on outstanding backdated ratings appeals from the 2010

valuation, and any new appeals from the new valuation list which came into effect from April 2017.

- 2.12 Quarter 1 revenue monitoring 2017-18 suggests scope for reducing the ongoing appeal provision requirement, with a corresponding increase in business rates income base. This will continue to be reviewed in-year and any funding changes factored into overall budget proposals through the remainder of the current budget round, alongside any potential for future business rates growth; subject to a review of forecast trends in the local economy over the medium term.

Council Tax

- 2.13 Council tax funding projections in the MTFP assume annual uplifts of 1.99%, which falls within the referendum limit of 2% or above for English Councils (excludes Parish Councils), over the next 4 years. In addition, there is a further 3% uplift in 2018-19 in respect of the Adult Social Care precept, which Government made available to Councils. As with the precept in the preceding 2 years, the 2018-19 amount will continue to be hypothecated fully to Adult Social Care spend in line with Government precept conditions.
- 2.14 Existing budget plans rolled forward into the MTFP update also include a proposed reduction in the Council Tax Reduction Scheme from April 2018, with an estimated annual saving to the Council of upto £810k per annum. This proposal is subject to a current service consultation exercise which sets out six options in total. The outcome of the service consultation will be considered by members later in the year as part of the overall formulation of budget proposals to be considered at Budget Council in February 2018.
- 2.15 Council tax funding projections also assume Council Tax Base growth over the MTFP period; an average increase (Band D equivalent) of 460 in the current year, with further annual increases of 580 in 2018-19, 700 in 2019-21, and 700 in 2020-21.
- 2.16 Quarter 1 revenue monitoring 2017-18 suggests scope for potential further increase in the Council Tax base based on current financial performance. As with business rates, this will continue to be reviewed in-year and any proposals factored into overall budget proposals through the remainder of the current budget round. Equally at this stage, there are no service growth assumptions built into the MTFP relating to an overall increase in the District's infrastructure.

Un-ringfenced Grants

- 2.17 While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. The MTFP update reflects annual allocations previously set out in the Government 2017-18 financial settlement.
- 2.18 Education Services Grant (ESG) was intended to help fund a range of statutory and regulatory duties that Councils are required to undertake to the maintained sector, and academies. The settlement reflects an overall reduction of £3.3m in ESG from 2018-19 onwards, compared to 2016-17. This reduction is net of £986k continuation of existing funding transferred to Dedicated Schools Grant, and also

net of £400k funding as part of a specific national schools improvement grant to Councils.

- 2.19 The most significant other funding change is the reduction in New Homes Bonus Grant across years. This reflects Government's intention to re-direct pre-existing New Homes Bonus grant over time, (£800m nationally), to help fund additional social care (Better Care) funding made available as part of Government's 2015 Autumn spending review (£1.5 billion nationally by 2019-20).

Better Care Fund

- 2.20 As noted at para 2.19 above, the 2015 Autumn spending review and subsequent financial settlements for both 2016-17 and 2017-18 confirmed additional Better Care Funding allocations to English Councils with social care responsibilities. The additional funding allocation nationally was £90m in 2017-18, increasing to £900m in 2018-19 and £1.5 billion by 2019-20.
- 2.21 Current budget plans rolled forward into the MTFP update include a base budget income provision for the Council's share of this additional BCF funding allocation, within Adult Social Care budgets; £800k in 2017-18, increasing to £7.1m in 2018-19, and £12.8m by 2019-20. The MTFP update assumes the continuation of this funding annually, thereafter.
- 2.22 After the Council had set its budget for 2017-18, the Government announced a new grant allocation for adult social care (Improved BCF) over the next 3 years, in the Spring 2017 Budget. This followed growing recognition nationally of the funding pressures facing adult social care and national lobbying for a sustainable long term solution. This additional grant has a set of conditions attached to it, including the requirement to build on the existing Better Care Fund Plan and to provide stability and extra capacity in the local adult social care system.
- 2.23 The Council's share of this 3 year only, further BCF funding is £8.3m in 2017-18, reducing to £5.3m in 2018-19 and £3.6m in 2019-20. Both the 2015 Autumn Statement 2015 and subsequent Spring Budget 2017 BCF funding allocations are summarised below :

Table 3- Improved Better Care Fund (BCF) allocations

Improved BCF	17-18	18-19	19-20	20-21	21-22
Autumn Statement 2015	£0.8m	7.1m	£12.8m	£12.8m	£12.8m
Spring Budget 2017	£8.3m	£5.3m	£2.6m	-	-
Total	£9.1m	£12.4m	£15.4m	£12.8m	£12.8m

- 2.24 Draft guidance has been issued in stages and the guidance and confirmation of the local government funding allocation for 2017-18 only was published by Department of Communities & Local Government (DCLG) on 26 May 2017. The full guidance and minimum funding requirement for Clinical Commissioning Groups (CCG's) was expected to be published by NHS England after the May 2017 General Election.
- 2.25 Proposals for the use of the new monies for adult social care announced in the Spring budget 2017 were presented to Council on 11 July 2017. The link to this report is set out below (Agenda item 11) :

[Proposals for use of new monies for adult social care announced by the Chancellor in the Spring Budget 2017](#)

- 2.26 The report's recommendations set out a financial strategy for the use of £2.6m from the additional funding (Spring 2017 budget) in 2017-18, for targeted, pump prime investment to respond to local adult social care service and market pressures. This approach was considered prudent in view of the Council not having received any further funding confirmation and guidance in respect of the following 2 years, and given as well that the funding allocation had been confirmed for 2017-18 only.
- 2.27 The report required officers to develop further proposals taking into account finalised Government guidance, to be brought back to Cabinet and Council for consideration as part of this MTFP Update.
- 2.28 The Improved BCF allocations set out at Table 3 in para 2.23 above, remain indicative at this stage, along with still emerging grant conditions and governance arrangements. This lack of future certainty of funding represents a significant budget risk to the Council.
- 2.29 Government has committed to a future national review of social care funding post-general election, and there will also be a full Council (public) discussion on September 13 2017, to debate the national position.
- 2.30 In light of the above, it is recommended that officers continue to work through budget proposals for both elements of BCF funding, to be incorporated into finalised budget proposals, acknowledging that the intended approach and financial strategy will be significantly influenced by emerging Government clarification that is unlikely to be confirmed before the 2018-19 provisional financial settlement announcement in mid-December 2017.

SCHOOLS FUNDING

- 2.31 The Government remains committed to the introduction of a National Funding Formula (NFF) to calculate the amount of core revenue funding that will go directly to mainstream schools in future. There is much commonality between the range of factors used in the current school funding arrangements and those to be used within the National Funding Formula.
- 2.32 However, because the current funding arrangements for each local authority are the result of a complex combination of historical national and local funding decisions, the move to a National Funding Formula will produce significantly different outcomes for local schools and academies. Indications are that the NFF for Kirklees schools will be less generous than the current system but the NFF will contain protections to mitigate most of the reductions delivered by the pure application of the new formula.
- 2.33 It is intended that the NFF for schools funding will be introduced in a 'soft' format across funding years 2018-19 and 2019-20. The NFF will be used to calculate the bottom-line Schools Block allocation to local authorities with local discretion over its distribution then to be agreed following consultation via the local Schools Forum, and a 'hard' format from funding year 2020-21. Schools block funding

allocations from that point will be calculated directly by the Education & Skills Funding Agency. The other three funding blocks within the Dedicated Schools Grant (High Needs, Central School Services and Early Years) would continue to be the responsibility of the Council to manage and allocate as appropriate.

- 2.34 The Council's baseline Schools Block funding in 2017-18 is £282m, the High Needs block is £34m, the Early Years block £27m and the Central School Services block £2.4m. Government has stated that in cash terms, no school will lose out from the implementation of the NFF, with an anticipated minimum cash increase per pupil of 0.5% for schools from 2018-19,
- 2.35 However, one key issue for Councils is the likely removal of previous flexibilities to transfer resources between the component funding blocks from 2019-20 onwards. This will mean that if overspends arise within the three non-Schools funding blocks it becomes the Council's responsibility alone to address that problem – funds can no longer be moved from the Schools Block, as has been permissible until now, to deal with identified imbalances.
- 2.36 For 2018-19 it is still theoretically possible to move funds from the Schools Block to the High Needs block, for example, to address financial pressure in the High Needs account – up to 0.5% of the total Schools Block can be moved with the agreement of the Schools Forum; equivalent to about £1.4m. If agreement was not reached, the Council would need the approval of the Secretary of State. Any proposed movements above 0.5%, even with Schools Forum consent, would still require secretary of state approval. The provisional schools funding allocations for 2018-19 will also be released at the same time as the 2018-19 financial settlement announcement.

SPENDING PLAN ASSUMPTIONS

- 2.37 The updated MTFP rolls forward a range of cost increases built into base budgets from 2017-18. These largely reflect recognition of ongoing service pressures in both Children's and Adult Services. It also includes provision for demographic pressures in the over 65 population and consequential demand on adult social care services. In total, cost increases built into 2017-18 base budgets totalled £21.7m, with further annual increases of about £1m per annum each year over the following 3 years, for demographic pressures (over 65's).
- 2.38 Adult Social Care activity is part of a wider national debate regarding ongoing and future service pressures and the sustainability of Council funding over the longer term. In addition to demographic pressures on the number vulnerable adults over 65's, there are also potentially significant service future year pressures on vulnerable adults with learning disabilities. This is acknowledged to be a known budget risk, not explicitly factored into the MTFP update at this stage.
- 2.39 Cost increases were also factored into base budgets in 2017-18 for pressures on Waste contract volumes, at £1m. There was also revenue investment in 'Agile and Mobile working', using technology to drive improvements in more efficient ways of working ,as part of the Council's Transformation agenda; £0.5m in 2017-18 increasing to £1m per annum from 2018-19 onwards.
- 2.40 The Council's current 30 year Waste Contract ends in 2022-23, and work has already commenced to review options for 2023-24 onwards. It is anticipated that

there will be an overall increase in costs from current, the extent of which will be estimated in due course.

- 2.41 Central Budgets includes provision for an assumed national pay award of 1% per annum over the MTFP period. Price inflation will not be uplifted across the next 4 years, which means that Strategic Director portfolios will effectively be operating within cash limit budgets over the medium term. The only exceptions relate to energy (7.1%), waste contract (2.5%) and third party contracts relating to adult and children social care providers (1.0%), set aside as contingency inflation.
- 2.42 A 1% increase in the national pay award from current assumptions, to 2% , would add about £1.5m annual cost to the Council's bottom line. The Council's local living wage entry point is £8.19 per hour from April 2017, compared to the equivalent National Living Wage of £7.50 per hour. Accelerated uplifts in the national living wage in future years beyond the equivalent local living wage hourly rate, could increase pressure on direct staffing costs, including pressure on current pay differentials.
- 2.43 The 3 yearly (tri-ennial) actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF) resulted in a 1% increase in employer contributions from 2017-18, to 16.1%, and this has been incorporated into current approved budget plans. The West Yorkshire Pension Fund's actuaries indicated that in light of perceived current volatility in the wider economic environment, there will be further mid-year reviews in 2017-18 and 2018-19. The outcome of these reviews will be subject to further discussion between WYPF and the 5 West Yorkshire Council lead finance officers.
- 2.44 Income inflation is assumed at 2% per annum, other than acknowledgement of ongoing pressures on car parking and markets income, which have zero inflation over the MTFP period.
- 2.45 Treasury management budgets assume that new borrowing over the next 4 years will be a combination of relatively short-dated fixed rate loans and temporary borrowing. Treasury management budgets also reflect changes to the Council's treasury management policy relating to minimum revenue provision (annual revenue resources set aside for repayment of debt), implemented from 2016-17 onwards.

Current year financial performance

- 2.46 Current organisational and national intelligence informing the MTFP update also takes account of the most current financial monitoring, Quarter 1,2017-18, presented to Cabinet 22 August 2017 (see report link below – Agenda Item 8) :

[Quarter 1 financial monitoring report, 2017-18](#)

- 2.47 Quarter 1 financial monitoring 2017-18, overall, indicates significant progress towards the delivery of £54m net savings requirement in-year. Forecast savings are projected to be £48.4m, with a resultant overspend forecast of £5.8m; equivalent to 1.9% against a revised budget of £302.9m.
- 2.48 The forecast £5.8m overspend at Quarter 1 reflects in part a number of planned savings targets whose deliverability is currently under review. It is expected that a

review of current savings deliverability and alternative options will be incorporated into the forthcoming budget proposals through the remainder of the current budget round.

- 2.49 There is also acknowledged to be some volatility with current forecasts in particular with regard to Children's Services, which includes a current net overspend on agency costs at £2.5m, and pressures on external placements at £652k. Again, this is acknowledged to be a potential budget risk from next year.
- 2.50 Overall, Quarter 1 monitoring suggests good progress and overall relatively strong confidence levels to deliver the totality of net planned savings over the updated MTFP period, with further planned savings of £28m 2018-19, £16.6m in 2019-20 and £5.5m in 2020-21.

General Fund Reserves

- 2.51 Current and forecast reserves are set out at Appendix B, and are based on current Quarter 1 financial monitoring forecasts, 2017-18.
- 2.52 The financial outturn and rollover report 2016-17 included a recommendation for the Chief Financial Officer to review earmarked reserves requirements in-year during 2017-18, including the potential re-direct of £644k within existing reserves to fund deferred district committee expenditure commitments from 2016-17. As per Appendix B attached, grant and rollover reserves requirements have been reviewed and reserves re-directed accordingly.
- 2.53 Earmarked reserves totalling £9.1m in total includes one-off resources set aside for organisational transformation, including workforce restructure (workforce severance costs).
- 2.54 The flexible capital receipts strategy proposals set out further below at paras 2.57 to 2.61, allow for the capitalisation of transformation related revenue costs over the next 2 years, funded from available in-year capital receipts. This would enable existing revenue reserves of up to £9.1m, to roll forward into future years to fund anticipated future year transformation activity, including future workforce severance costs.
- 2.55 The financial resilience reserves forecast at £24.5m at year end (£29.5m less an assumed £5m minimum balances requirement), is directly impacted on by the Council's in-year forecast overspend position. The purpose of this reserve is to mitigate against unbudgeted risks such as those highlighted in the corporate risk register (Appendix F attached). Because reserves are "one-off" in nature, it is short-term funding only and is not a sustainable resource available to offset ongoing budget pressures over the medium term.
- 2.56 The scale of continuing financial challenges facing the Council over the next 4 years, alongside the Council's transformation agenda, means that financial resilience reserves will also be a key element of the Council's budget strategy in terms of organisational resilience to manage unbudgeted risks and pressures through the 2018-22 MTFP period. The flexible capital receipts strategy framework also allows consideration to build up financial resilience reserves over the next 2 years.

Flexible Capital Receipts Strategy

2.57 The flexible capital receipts strategy guidance set out by the Department of Communities and Local Government (DCLG), applies over the 2016-19 period. The web link to the guidance is included below : DCLG Guidance March 2016; flexible use of capital receipts :

[Final guidance on flexible capital receipts strategy March 2016](#)

2.58 DCLG guidance states that the flexible use of capital receipts must be approved by full Council, but that it can be 'retrospectively' applied provided the Council's flexible use of capital receipts strategy is presented to Council at the earliest opportunity. The Council's flexible capital receipts strategy, incorporating the 2016-17 retrospective approval, is incorporated into this report.

2.59 The early closedown review 2016-17 report to Cabinet on 2 May 2017 included the use of £5.4m in-year generated capital receipts in 2016-17 to fund capitalised revenue expenditure relating to organisational transformation (voluntary severance costs). The report also noted that as per DCLG guidance, it could be retrospectively approved, effectively through this report. The link to the early closedown review report is included below (Agenda Item 8):

[Early review of 2016-17 closedown](#)

2.60 The proposed flexible capital receipts strategy included at Appendix E, incorporates the following qualifying 'capitalisable' revenue expenditure:

- i) cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation; and
- ii) driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;

2.61 Appendix E effectively sets out the Council's flexible capital receipts strategy framework. Consideration of specific options for flexible use of capital receipts within this framework will be considered by Cabinet as part of the annual early closedown reviews in both 2017-18 and 2018-19. The timing is important as actual capital receipts generated in-year, quantification of qualifying revenue expenditure, and actual capital plan funding requirements in-year will not be properly firmed until each financial year end.

Housing Revenue Account (HRA)

2.62 The overarching context for the existing multi-year HRA budget plans rolled forward into the MTFP update is a sustainable, self-financed 30 year HRA business plan, which delivers the following key objectives :

- i) annual servicing of HRA debt up to the £247m borrowing cap limit set by Government,
- ii) capital improvements and maintenance of all Council housing stock to a minimum decency standard ,

- iii) delivery of a high quality and cost effective housing management and repair service, and
 - iv) support for a number of HRA strategic capital priorities and scope to consider further investment opportunities
- 2.63 Updated multi-year HRA budget plans as summarised at Appendix C reflect the impact of Government's annual 1% social housing rent reduction each year, over the 2016-20 period, now enacted through the Welfare Reform and Work Act 2016. This compares to pre-existing national rent policy which was based on Consumer Price Index (CPI) +1% per annum.
- 2.64 Current key assumptions included in updated HRA budget plans include annual rent uplifts of 2% per annum (assumed CPI) from 2020-21 onwards, and annual Right to Buys over the MTFP period of 173 per annum based on current trends.
- 2.65 The updated HRA budget plans also assume the deferred Government implementation of a proposed 'higher value' annual levy or charge, based on higher value property void rates, to 2020-21 at the earliest. The levy is to be re-directed to private registered providers to compensate them for the loss of housing stock through the voluntary take up of the right to buy scheme in this sector.
- 2.66 The working assumption is that from the date of implementation, the HRA would have to sell about 170 properties per annum at an assumed £65k average market value per property, to generate sufficient capital receipts to pay an annual levy charge of about £11m. While it is currently unclear whether or not Government intends to go forward with this proposal, and on what scale, it represents a significant potential pressure to the HRA business plan and prudently remains in view at this stage.
- 2.67 HRA budget proposals also includes future year KNH fee efficiency savings targets totalling just over £4m over the 2018-20 period; a key driver being expected efficiencies from the merger of building services and KNH. From 2017-18, KNH business will operate with an annual turnover of upto £58m, and this includes £39m fee payment from HRA for revenue repair and maintenance and housing management. The balance of KNH turnover is largely in respect of work to be undertaken by KNH on council housing improvements (funded from HRA capital plan) and on non-housing facilities management work on the Council's behalf (both revenue and capital).
- 2.68 Current HRA reserves commitments include a set aside of £4m for business risks; in particular, with regard to proposed welfare reform changes. The balance of commitments includes £1.5m working balance. The forecast balance of reserves is assumed to roll forward to support future year capital investment, in line with longer term HRA business plan requirements.
- 2.69 The annual HRA depreciation charge, which is around £16.5m, funds the major repairs reserve. This reserve can only be used to support capital investment or service HRA debt charges. It is fully committed each year, with no remaining balances to roll forward year on year.
- 2.70 The Council, working in partnership KNH, jointly and regularly review and update the HRA 30 year business plan with the aim to produce a self-financed and

balanced budget position over the 30 year plan that delivers the key objectives set out in para 2.56 above. The HRA business plan re-fresh will continue to help inform forthcoming HRA budget proposals (both revenue and capital).

Capital

- 2.71 The MTFP update also rolls forward into 2018-19, current approved (2017-22) 5 year capital plans. The amounts included at Appendix D reflects the updated figures included as part of the financial outturn and rollover report presented to full Council on 13 September 2017.
- 2.72 The Council's multi-year capital investment plan includes a range of strategic priorities over the next 4 years totalling £54.2m on general fund and £31.9m on HRA activity, and includes significant investment in town centre vibrancy, and wider investment that supports key business growth in the District. HRA strategic priorities includes a range of new build developments including provision for extra care facilities.
- 2.73 Baseline capital provision supports continuing capital investment requirements across the Council's existing asset base, including Schools, Highways, transport infrastructure and Housing Council housing stock.
- 2.74 As with revenue, the updated capital plan will be reviewed and any amendments and associated funding implications, factored into updated capital budget proposals for member consideration in accordance with the budget timetable. This will include consideration of a new year 5 (2022-23) indicative plan. This includes consideration of strategic priority proposals in relation to the Council's aspiration to work with key business partners through potential short term loan facilitation, through a Council property investment fund. The framework for this was set out in a report to Cabinet on 31 July 2017.

3. Implications for the Council

- 3.1 The Council's budget plans support the overall delivery of the following Council objectives and Priorities within available resources:
- i) Early Intervention and Prevention (EIP)
 - ii) Economic Resilience (ER)
 - iii) Improving Outcomes for Children
 - iv) Reducing demand of services

Financial, Legal & Other Implications

- 3.2 A robust Medium Term Financial Plan and budget strategy is a key element of financial and service planning. This will be updated in detail by full Council in February 2018. This report sets a framework for development of draft plans by officers and Cabinet, for consideration by all Members in due course.
- 3.3 Key funding and cost assumptions factored into the MTFP update will be subject to further review, informed by most current local and national intelligence, including the outcome of the Autumn Statement and the provisional government funding settlement for Councils for 2018-19 (which includes indicative totals for the following 2 years).

- 3.4 Any further material changes to funding and cost assumptions will be considered for incorporation into the finalised annual budget report for Cabinet and Council approval in February 2018.

RISK ASSESSMENT

- 3.5 The MTFP update is based on a range of local and national intelligence, and risk assessments underpinning current and future funding and cost assumptions, acknowledging that the extent of these are all potential risk factors to the delivery of balanced budget plans over the medium term. This is summarised at Appendix F, alongside identified management actions to mitigate the risks. These include the following:

- Current work on the delivery of planned savings (value and timing) does not deliver a balanced MTFP
- Concerns about growth in volumes of children and adult care beyond those provided in financial plans and budgets
- National pay award and living wage pressures on direct staffing costs, contracts and services, in particular in the care sector, beyond current MTFP provision
- Council supplier and market failure which leads to loss of service, poor quality or inability to attract new suppliers
- Safeguarding risks associated with the care of children and vulnerable adults
- Welfare reform impacts on clients and Council service provision
- Improved better care funding is less than the sums factored into the Medium Term Financial Plan update
- Income forecasts are not realised and funding position deteriorates further
- Government clarification on the detail and timing of key social housing policy changes enacted through the Welfare & Reform and Housing & Planning Acts 2016

Budget Planning Framework

- 3.6 The updated budget plans set out in this report provide the budget planning framework for officers to bring forward proposals to Cabinet and members through the remainder of the current budget round, in order to deliver a sustainable and balanced overall multi-year budget over the 2018-22 period.

Budget Consultation

- 3.7 The Council's overall budget planning framework includes consideration of wider engagement and timetabling on stakeholder views on high level priorities in resource allocation. It is anticipated that this will take place primarily as an online exercise, during a 6 week period between October and November 2017. Stakeholder views on emerging HRA budget proposals will be considered through the relevant Council Tenant stakeholder forums, including Tenants and Residents Committees.
- 3.8 In addition, there may be a requirement for more detailed service consultations, led by the relevant services, on specific service budget proposals. These will

engage service users as early as possible, and target the groups most likely to be affected.

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

4. Consultees and their opinions

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

5. Next Steps

- 5.1 Resultant budget proposals will be submitted to Cabinet and full Council. The Council's Chief Financial Officer (& Service Director, Finance, IT & Transactional Services) will co-ordinate the development of draft budget proposals and options, and supporting budget documentation within the budget framework and corporate budget timetable (Appendix G).
- 5.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at full Council on 17 February 2018.

6. Cabinet portfolio-holders recommendations

This report sets out the baseline financial position following Council decisions taken in February 2017. It also provides contextual information to develop the budget for 2018-19 and will be updated following the Governments funding later in the year.

7. Officer recommendations and reasons

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

- 7.1 note the updated general fund revenue, HRA and capital budget plans rolled forward into the MTFP update over the 2018-22 period,
- 7.2 note the underlying cost and funding assumptions underpinning the updated plans at this stage,
- 7.3 approve the budget planning framework set out in this report,
- 7.4 approve the flexible capital receipts strategy set out in this report,
- 7.5 approve the corporate budget timetable and approach set out in this report,

7.6 approve the budget consultation approach and timetable set out in this report.

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

8. Contact Officer

Eamonn Croston, Head of Finance & Accountancy
eamonn.croston@kirklees.gov.uk

9. Background papers and History of Decisions

Annual budget report 2017-21
Government Financial Settlement 2017-18
Early Closedown review report 2016-17
Annual financial outturn and rollover report 2016-17
Revenue & Capital monitoring report 2017-18; Quarter 1
Better Care Fund Report to full Council 11 July 2017
DCLG Guidance; flexible capital receipts strategy

11. Service Director responsible

Debbie Hogg, Chief Financial Officer (& Service Director, Finance, IT & Transactional Services) debbie.hogg@kirklees.gov.uk

General Fund summary MTFP – funding and spending plans 2018-22

	17-18	18-19	19-20	20-21	21-22
<u>Funding Available</u>	£000	£000	£000	£000	£000
Business Rates (Local Share)	(47,644)	(48,484)	(49,285)	(50,265)	(50,265)
Top Up Grant	(26,676)	(27,535)	(28,514)	(29,369)	(29,369)
Revenue Support Grant	(32,763)	(22,825)	(12,824)	0	0
<i>Business Rates Retention</i>	<i>(107,083)</i>	<i>(98,844)</i>	<i>(90,623)</i>	<i>(79,634)</i>	<i>(79,634)</i>
New Homes Bonus					
	(7,160)	(4,891)	(4,351)	(4,200)	(4,200)
Business Rates Reliefs	(2,114)	(2,114)	(2,114)	(2,114)	(2,114)
Housing & Council Tax Admin	(4,967)	(4,967)	(4,967)	(4,967)	(4,967)
Education Services Grant	(1,297)	0	0	0	0
Independent Living Fund	(862)	(835)	(810)	(810)	(810)
Other	(368)	(370)	(372)	(372)	(372)
<i>Un-ringfenced Grants</i>	<i>(16,768)</i>	<i>(13,177)</i>	<i>(12,614)</i>	<i>(12,463)</i>	<i>(12,463)</i>
Council Tax					
	(152,118)	(156,097)	(160,466)	(164,941)	(164,941)
Council Tax reduction scheme	0	(810)	(810)	(810)	(810)
Adult Social Care Precept	(7,433)	(12,243)	(12,243)	(12,243)	(12,243)
Collection Fund Transfer	(100)	0	0	0	0
Total Funding Available	(283,502)	(281,171)	(276,756)	(270,091)	(270,091)
<u>Spending Plans</u>					
Strategic Director Portfolios	276,833	287,520	291,977	295,199	295,199
Central Budgets	48,704	48,251	48,034	50,187	50,187
<i>Growth included in 17-21 MTFP</i>					
16-17 pressures - Children	11,100	11,100	11,100	11,100	11,100
16-17 pressures - Adults	9,000	9,000	9,000	9,000	9,000
Demographic uplift (over 65's)	150	1,049	1,999	3,002	3,002
Adult Social Care precept	1,600	3,300	(300)	(100)	(100)
Waste Contract volumes	1,000	1,000	1,000	1,000	1,000
Agile & Mobile working	500	1,000	1,000	1,000	1,000
PLANNED SAVINGS					
Better Care Fund	(800)	(7,100)	(12,800)	(12,800)	(12,800)
Council wide	(53,400)	(75,100)	(86,000)	(91,500)	(91,500)
<i>Total savings</i>	<i>(54,200)</i>	<i>(82,200)</i>	<i>(98,800)</i>	<i>(104,300)</i>	<i>(104,300)</i>
Net Spending Plans	294,687	280,020	265,010	266,088	266,088
Budget Gap / (Surplus)	*11,185	(1,151)	(11,746)	(4,003)	(4,003)

*before use of reserves

GENERAL FUND RESERVES

GENERAL FUND RESERVES	Actual Reserves as at April 1 2017	Planned use to support MTFP	Other Planned use In-year	Earmarked Reserves review	Forecast Over-spend*	Forecast Reserves As at 31 March 2018
	£000	£000	£000	£000	£000	£000
STATUTORY						
SCHOOL RESERVES	(11,852)	-	2,090	-	-	(9,762)
EARMARKED						
Workforce Restructure	(5,091)	-	-	-	-	(5,091)
Transformation	(4,944)	-	815	-	-	(4,129)
Rollover	(4,006)	-	2,394	320	-	(1,292)
Joint Adults/Health	(7,703)	7,700	-	-	-	(3)
Revenue Grants (various)	(8,215)	-	2,194	324	-	(5,697)
Stronger Families Grant	(1,902)	-	-	-	-	(1,902)
Prepayment reserve (PFI)	(3,314)	-	-	-	-	(3,314)
Insurance (MMI)	(1,900)	-	-	-	-	(1,900)
Other***	(2,419)	-	760	-	-	(1,659)
District Committees	-	-	-	(644)	-	(644)
Total - Other	(39,494)	7,700	6,163	-	-	(25,631)
Organisational Risk	(28,046)	-	-	-	*5,778	(22,268)
General Balances	(10,718)	3,485	-	-	-	** (7,233)
Total Financial Resilience	(38,764)	3,485	-	-	5,778	(29,501)
Total – All General Fund	(90,110)	11,185	8,253	-	5,778	(64,894)

*Forecast overspend as at Quarter 1 revenue monitoring, 17-18

**includes £5m minimum reserves provision

*** reserves of less than £1m each

Housing Revenue Account (HRA) summary MTFP 2018-22

	17-18	18-19	19-20	20-21	21-22
	£000	£000	£000	£000	£000
Repair & Maintenance					
KNH Fee	22,438	21,392	20,588	20,588	20,588
Housing Management					
Policy & Management	13,688	13,553	13,413	13,273	13,273
Council services bought in	2,458	2,458	2,458	2,458	2,458
KNH Fee	17,174	15,608	14,739	14,739	14,739
Special Services (Communal)	1,537	1,537	1,537	1,537	1,537
<i>Sub-total</i>	<i>34,857</i>	<i>33,156</i>	<i>32,147</i>	<i>32,007</i>	<i>32,007</i>
Other Expenditure					
Depreciation charge	16,500	16,500	16,500	16,500	16,500
Interest on capital debt	8,653	8,653	8,653	8,653	8,653
Bad Debt Provision	1,633	2,652	2,752	2,852	2,852
Levy (High value voids)	-	-	-	11,341	11,341
Other	684	1,338	1,893	2,549	2,549
<i>Sub-total</i>	<i>27,470</i>	<i>29,143</i>	<i>29,798</i>	<i>41,895</i>	<i>41,895</i>
Total Expenditure	84,765	83,691	82,533	94,490	94,490
Dwelling rent income	(81,538)	(80,531)	(79,631)	(80,400)	(80,400)
Government Grant*	(7,912)	(7,912)	(7,912)	(7,912)	(7,912)
Tenant & Leaseholder charges	(3,054)	(3,250)	(3,650)	(3,650)	(3,650)
Other	(743)	(808)	(808)	(808)	(808)
Total Income	(93,247)	(92,501)	(92,001)	(92,770)	(92,770)
Net Operating Expenditure	(8,482)	(8,810)	(9,468)	1,720	1,720
Contribution to capital	5,394	7,863	4,070	-	-
Transfer to / (from) reserves	3,088	947	5,398	(1,720)	(1,720)
Net Bottom Line	0	0	0	0	0

Current & forecast HRA Reserves

	17-18
	£000
As at April 1	(52,013)
Transfers to/from HRA	(3,088)
In-year capital funding	
Earmarked - business risk	4,000
Earmarked – working balance	1,500
In-year forecast (HRA)	(160)
As at 31 March 2018	(49,761)

CAPITAL INVESTMENT PLAN 2018-19 TO 2021-22

APPENDIX D i)

GENERAL FUND BASELINE CAPITAL PLAN	Funding	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000
Learning & Early Support					
Basic Need	G	500	500	500	500
Capital Maintenance	G	3,600	3,400	3,200	3,000
Devolved Formula Capital	G	950	900	850	800
One-Off Initiatives	S106	352	352	352	0
Learning & Early Support Total		5,402	5,152	4,902	4,300
Economy Regeneration & Culture					
Housing Private Sector					
Disabled Facilities Grants	B/G/R	2,600	2,600	2,600	2,600
Discretionary Assistance	R	100	100	100	100
Minor Adaptations	R	290	290	290	290
Other	G/R	0	0	428	0
		2,990	2,990	3,418	2,990
Economic Resilience	B	900	900	900	900
KAL - Self Funded	B*	1,059	617	617	617
Asset Utilisation/Rationalisation	B	300	0	0	0
Economy Regeneration & Culture Total		5,249	4,507	4,935	4,507
Commercial Regulatory & Operational Services					
Highways					
<i>Maintenance :</i>					
Principal Roads	G	2,600	2,600	2,600	2,600
Roads Connecting Communities	G	1,574	1,369	1,164	856
Local Community Roads	B/G	2,247	2,247	2,247	2,247
Structures	G	1,200	1,200	1,200	1,200
Street Lighting Replacement Strategy	B*	3,000	3,000	3,000	1,000
Unadopted Roads	B	50	50	50	50
<i>Integrated Transport :</i>					
Integrated Public Transport	G	450	0	0	0
Network Management	B/G	400	100	100	100
Cycling & Walking	B/G	20	20	20	20
Safer Roads	B/G	750	650	650	650
Town Centre Car Parking	B	100	100	100	100
Flood Management and Drainage Improvements	B/G	680	680	680	680
		13,071	12,016	11,811	9,503
Corporate Landlord Asset Investment	B	2,000	2,000	1,300	1,300
Transport	B	1,500	1,250	1,250	1,250
Environment & Strategic Waste	B	100	100	100	100
School Catering	B	200	200	200	200
Commercial Reg & Operational Total		16,871	15,566	14,661	12,353
Finance & Transactional Services					
Information Technology	B*	900	900	900	900
Finance & Transactional Services Total		900	900	900	900
TOTAL BASELINE		28,422	26,125	25,398	22,060

KEY :

B = Borrowing

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

G = Grant

R = Capital receipts

CAPITAL INVESTMENT PLAN 2018-19 TO 2021-22

APPENDIX Dii)

GENERAL FUND CAPITAL PLAN - STRATEGIC PRIORITIES	Funding	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000
Dewsbury Learning Quarter	B	0	2,000	0	0
Huddersfield Town Centre Action Plan	B	3,172	5,672	1,637	0
Dewsbury Town Centre Action Plan	B	1,850	2,000	1,000	0
European Grant Funding Opportunities	B	1,250	0	0	0
Sports Facility (Spenborough area)	B	4,000	8,000	2,000	0
New Pupil Places in Primary Schools	G/B	11,251	4,737	706	545
Reprovision of Lydgate Special School	B	214	0	0	0
HD-One (KSDL)	B	4,250	0	0	0
STRATEGIC PRIORITIES TOTAL		25,987	22,409	5,343	545

RISKS & PRESSURES TOTAL	B	2,500	2,500	2,500	2,500
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HRA CAPITAL PLAN - STRATEGIC PRIORITIES & BASELINE	Funding	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000
HRA STRATEGIC PRIORITIES					
Miscellaneous Properties-Conversions/Back into Stock	H / R	703	680	694	708
New Build Phase 1 - Ashbrow Extra Care	H / R	6,000	694	0	0
New Build Phase 2 - Soothill Extra Care	H / R	0	3,631	3,703	0
New Build Phase 3	H / R	0	0	0	7,555
New Build Phase 4 - Environmentally Friendly Housing	H / R	2,075	0	0	0
Strategic Priorities	H / R	0	0	0	5,504
		8,778	5,005	4,397	13,767
HRA BASELINE					
Heating Programmes(Boilers)	H	1,555	1,477	1,481	1,480
Maintaining Decency	H	8,248	7,216	7,205	7,204
Batched works	H	265	255	260	265
Fire Safety Works	H	47	47	48	50
Tenant Allowances	H	259	265	270	275
Fuel poverty	H / G	662	638	650	663
Major Adaptations	H	2,490	2,539	2,590	2,642
Minor Adaptations	H	249	254	259	264
Estate & Environmental Works	H	467	476	486	495
		14,242	13,167	13,249	13,338
TOTAL		23,020	18,172	17,646	27,105

Key :

B = Borrowing

G = Grant

R = Capital Receipts

H = HRA revenue contribution/major repairs reserve

KIRKLEES COUNCIL - FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

1. Government guidance allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts. It covers in-year capital receipts generated in 2016-17, 2017-18 and 2018-19.
2. In-year generated capital receipts includes general fund receipts from the sale of general fund land and buildings. It also includes 'right to buy' (RTB) receipts from the sale of Council houses. These are remaining receipts that are also available to the Council, after taking account of the Council's other obligations in relation to RTB receipts generated in-year.
3. It is proposed that consideration be given to applying 'in-year' capital receipts generated, to fund the following qualifying capitalisable revenue expenditure, in line with final DCLG guidance issued in March 2016, as follows :
 - i) *funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;*
 - ii) *driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;*
4. The time period relating to the above qualifying expenditure covers 2017-18 and 2018-19. It retrospectively applies to 2016-17 as well.
5. The extent to which capital receipts will actually be applied in-year will take into account the following factors :
 - i) the amount of capital receipts actually generated in-year;
 - ii) the amount of qualifying capitalisable revenue expenditure in-year;
 - iii) the affordability of borrowing to fund the capital plan in-year, where current funding assumptions include use of in-year capital receipts to part fund the Councils annual general fund capital plan
6. The proposals set out in 3. above are 'in principle', and allow officers the 'flexibility' to consider a range of funding options in-year that meet the intended objectives set out in the Council's budget strategy update.
7. It is intended that officers will update members as part of the annual budget report to full Council each February, and finalised proposals for the flexible use of capital receipts to be incorporated into an annual early closedown review report for Cabinet consideration early April.

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk
1	<p>The current work on New Council and further work to find Directorate savings does not deliver a balanced MTFP e.g. Increase in demand for social care. Increased volume of waste.</p>	<ul style="list-style-type: none"> • Governance structure for New Council established and reporting to Executive Team. • There is a planned approach during the MTFP for general fund activities and Housing Revenue Account functions • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly financial reporting to Executive Team, Portfolio Holders Briefing, and quarterly reports to Cabinet and Council.
2	<p>Overspending on particular budget heads due to increase in volumes, rising prices, or a failure to properly control projects. Concerns about growth in volumes of children and adult care beyond those provided in financial plans and budgets.</p>	<ul style="list-style-type: none"> • Control expenditure where possible. • Amend policy if possible to mitigate growth. • Examine alternative strategies to mitigate costs e.g. increase extra care provision, adaptations, recruitment of additional foster parents • Utilise supplementary resources to cushion impact of cuts and invest to save.
3	<p>The national living wage creates a substantial risk for the Council at the point that it materially outstrips our current local living wage, if it is not fully funded in the context of;</p> <ul style="list-style-type: none"> • Direct employees, earning less than the “national living wage” (such as cleaning, catering and other activities) • Contracts for services, particularly in the care sector where many employees are currently paid at or close to the current statutory living wage and will thus increase by up to 40%;(labour constitutes almost 100% of home care and about 75% of residential care costs) • Inflation in costs of goods (e.g. foods) as a consequence of increased operating costs 	<ul style="list-style-type: none"> • Liaison with service providers and suppliers about likely impact on prices • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government imposed costs.

4	Council supplier and market failure leads to loss of service, poor quality service or inability to attract new suppliers - to create competition in existing supply chains, or to create new supply routes as an alternative to existing arrangements	<ul style="list-style-type: none"> • Avoid, where possible, over dependence on single suppliers; more thorough financial assessment when a potential supplier failure could have a wide impact on the council's operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market.
5	The Safeguarding risks associated with the care of children and vulnerable adults. Includes direct care provision, care at public access activity, and in community care of the vulnerable (e.g. through antisocial behaviour).Impacts on the client directly, and also those consequent to Serious Case Reviews investigation and implementation of specific recommendations. Risks include costs of reviews, media and reputational damage from the event, even if the subsequent findings suggest that practices were satisfactory.	<ul style="list-style-type: none"> • CRB checking, staff training, supervision, protection policies kept up to date and communicated. • Effective management of social work (and related services); rapid response to any issues identified and from any serious case review work. • Active management of cases reaching serious case review stage, and any media interest • Review of current practices following the child sexual exploitation in Rotherham and the emerging requirements. • Ensure that workloads are balanced to resources. • Staff and skill development to minimise dependence on key individuals. • Use of agency staff and or contractors when necessary • Ideal manager training • Considered as part of New Council changes and Transformation agenda.
6	Welfare Reforms impacts adversely on clients and the councils service provision .This may impact particularly on vulnerable people with a further impact on costs and demands for existing and	<ul style="list-style-type: none"> • Monitor government intentions; early steer on policy and impacts to be obtained. • Develop strategies to control/minimise losses.

	<p>alternative services. Includes the costs of council tax benefit, income collection difficulties for rents with further potential risks in relation to homelessness if individuals fail to balance their incomes to rents, and prioritise tenancy payments.</p>	<ul style="list-style-type: none"> • Multi agency discussions taking place to ensure a more comprehensive approach & examine the resourcing required preventing homelessness and supporting vulnerable individuals.
7	<p>Workforce management issues including loss of experienced staff, need for different skill sets and inability to identify and / or reach all staff to deliver appropriate staff training and skills development, industrial tribunals and settlements and industrial action. Difficulties in recruiting and/or retaining staff in specific areas and our overall ability to appoint staff with the appropriate skills and behaviours. Particular risks associated with changes to senior managers in activity areas with current challenging agenda.</p>	<ul style="list-style-type: none"> • Workforce Planning is incorporated into change plans and the New Council Programme and Transformation Boards oversee and support services to deliver these. Modernising and increasing accessibility of policies and processes to equip managers with the tools to manage robustly and increased accessibility to online training tools for managers and employees. • Continue to embed the behaviours within our culture and practice, including within recruitment processes. Progress plans re recruitment and retention issues • Selective use of interim managers and others to ensure continuity of progress regarding complex issues • Ensure robust change processes including Equality Impact Assessments (EIA's) and consultation. • Recognition that actions in the past still drive some costs elements like equal pay. • Monitor position with regard to legislation.
8	<p>Funding shortfall in partner agencies e.g. NHS which leads to increased pressure on community services and unforeseen costs</p>	<ul style="list-style-type: none"> • Engagement in winter resilience discussions • Secure funding as appropriate • Consider extension of pooled funds & integration conversations taking place • Accept that this will lead to delay in waiting times
9	<p>Failure to address matters of violent extremism and related safer stronger community factors that could create significant community tension.</p>	<ul style="list-style-type: none"> • Prevent partnership action plan. • Community cohesion work programme • Local intelligence sharing and networks. • New status as a Prevent Priority Area provides funding for a Prevent Coordinator Post and enables the development of bids for additional funding. • Counter terrorism local profile. • Home Office funded Counter Extremism Community Co-ordinator role

10	Unforeseen legislative changes	<ul style="list-style-type: none"> • Reprioritise activities • Deploy additional resources • Use of agency staff or contractors where necessary • Development of horizon scanning service
11	Unforeseen significant environmental events such as severe weather impact on the Council's ability to continue to deliver business as usual services.	<ul style="list-style-type: none"> • Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Targeting gully cleansing for those areas which are prone to flooding. • The government continues to offer a revised Bellwin scheme in the event of major incidents. • Identify supplementary funding
12	Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR)	<ul style="list-style-type: none"> • Thorough, understandable information security policies and practices that are clearly communicated to workforce. • Effective management of data, retention and recording. • Raised awareness and staff training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Comply with new legislation around staff access to sensitive data. • KMC has a Senior Information Risk Owner ("SIRO") officer who is supported by dedicated Information Governance Board • Development of action plan to respond to GDPR requirements & resourcing requirements as appropriate
13	Communities doing more for themselves and each other and increased reliance on contributions from the third sector are fundamental to our MTFP assumptions of reduced demand for statutory services and to the successful operation of new service models. If these changes do not occur at the scale needed then our assumptions are not sustainable.	<ul style="list-style-type: none"> • Reduced demand for statutory services • If the reduction is not realised at the pace set out, (in change plans) then those services that are directly impacted will need to identify this early, and to help in doing so, ensure that appropriate demand management and monitoring is put in place to record the levels of service take up. Remedial action should also be identified by those services. • Successful operation of new service models • Impact assessments for those services directly affected should be carried out to reflect the impact on citizens of losing a service as a

		consequence of the pace and scale of new service models not meeting demand.
14	Heightened national attention to Child Sexual Exploitation and historical abuse cases leading to increased demand, higher professional expectations and greater public scrutiny, with the consequent need for additional resource and reputational risk for the Council.	<ul style="list-style-type: none"> • Council position in relation to historical institutional abuse to be established and preparations for any requests from the Lowell Goddard Review to be made. • Additional resources and expertise allocated to new and historical CSE work. • Risk matrix and risk management approach implemented with the police and partners. • Oversight of Council risks through the CSE Member Panel.
15	Health & Safety measures are inadequate leading to harm to employees or customers and possible litigious action from them personally and/or the Health and Safety Executive. In particular issues arising from Grenfell & emerging issues such as compliance with building regulations	<ul style="list-style-type: none"> • New procedures introduced to ensure compliance with Regulatory Reform (Fire Safety) Order 2005; • Improved monitoring of fire risk in high and medium rise residential blocks; • Programme of Fire Risk Assessments (FRAs) in place targeted initially at high risk buildings; • Prioritised programme of remedial works to buildings to tackle issues raised by FRAs. • Review work practices to address H&S risks • Monitor safety equipment • Staff recruitment, training & retention measures
16	Exposure to increased liabilities arising from property ownership and management.	<ul style="list-style-type: none"> • Routine servicing and cleansing regimes • Work practices to address risks from noxious substances • Disposal strategy linked to service and budget strategy • Prioritisation of funding to support reduction of backlog maintenance

Corporate Budget Timetable

Year	Date	Forum*	Milestone activity
2017	Through Aug - Sept	ET	Budget update – overview/current intelligence/budget timetable
	Through Aug - Sept	ET/BIG	Baseline Intelligence/trends shared across the three strategic Director portfolios (Children's, Adults, Economy & Infrastructure)
	19 Sept / 11 Oct	Cabinet & Council	MTFP Update report
	Oct to Dec	General budget consultation	online (web) based tool ; 6 weeks consultation period
	Late Nov	Central Gov't	Autumn Budget statement by the Chancellor
	Mid-Dec	Central Gov't	Provisional Financial Settlement 2018-19
2018	23 Jan	Cabinet	Update to members on the outcome of the provisional 2018-19 financial settlement Council Tax Base report 2018-19 HRA rent & service charge setting report
	Mid to late Jan	Central Gov't	Finalised financial settlement 2018-19
	30 Jan / 14 Feb	Cabinet & Council	Council annual budget report 2018-22

*ET = Council's most Senior Management Team

BIG=Budget Implementation Group - informal group; cross-party lead member representation plus ET members

Note also that any service specific consultation requirements arising from Council budget proposals will run alongside the above