

Name of meeting: Cabinet
Date: 29 May 2019
Title of report: Early Closedown review 2018-19

Purpose of the Report

To consider proposals to review earmarked reserves as part of 2018-19 final accounts process

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 ?	Yes
Date signed off by Strategic Director & name	Rachel Spencer Henshall 8 May 2019
Is it also signed off by the Service Director for Finance	Eamonn Croston – 8 May 2019
Is it also signed off by the Service Director – Legal, Governance & Commissioning ?	Julie Muscroft – 15 May 2019
Cabinet member portfolio - Corporate	Give name of Portfolio Holders Cllr Graham Turner

Electoral wards affected: None
Ward Councillors consulted: None

Public or private: Public
Have you considered GDPR? Yes, not applicable

1. Summary

- 1.1 The Council's 2019-22 budget plans, approved at Budget Council on 13 February 2019, incorporated a number of actions as part of the Council's refreshed reserves strategy. This included the Chief Finance Officer (Service Director–Finance) recommendation that existing financial resilience reserves be increased from £37.1m to £45.9m by the start of 2019-20. This was to be delivered through a further minimum revenue provision (annual revenue set aside for ongoing debt commitments or MRP) 'unwind' of £4.4m in 2018-19 and £4.4m at the start of 2019-20; allowable within statutory accounting rules.
- 1.2 The rationale for the above reflected continued uncertainty on the post 2020 national funding landscape for Councils, heightened uncertainty at UK's intended negotiated withdrawal from the EU, whilst at the same time the Council is facing continuing and significant challenges and service pressures over the medium term. It also took into consideration a range of risks recorded in the Council's updated corporate risk register, which was appended to the annual budget report.
- 1.3 The annual budget report also noted that there would be a further assessment of reserves requirements as part of the 2018-19 final accounts process. As part of this assessment, this report contains a number of recommendations for further reserves requirements at this stage. In line with Council Financial Procedure Rules, the Chief Finance Officer is required to report on any new reserves requirements to Cabinet.
- 1.4 The first proposal is to set aside a specific reserve of £11m specifically to support the development of the Council's waste management strategy, in light of the known financial implications of the current Council PFI Waste Contract ending in 2022-23.
- 1.5 The second proposal is to increase the current strategic investment and support reserve by £1.4m, from £4m to £5.4m.
- 1.7 The third proposal is to establish a specific revenue reserve for £500k to support a range of initiatives to enhance a range of Council Venues which are available to the public for entertainment and cultural purposes.
- 1.8 The proposals set out at 1.4 to 1.7 above will be met from the re-direct of existing financial resilience reserves of £8.8m, plus the transfer of in-year (2018-19) unallocated Minimum Revenue Provision totaling £4.1m from Central Budgets to general fund reserves, as part of the 2018-19 final accounts process.

2. Information required to take a decision

- 2.1 The Council's current PFI Waste Contract ends on 31 March 2023, with an immediate fallout of a current annual PFI Government grant allocation of £3.2m from 2023-24 onwards. This was acknowledged in the 2019-22 budget report,

which also noted that officers would be working on emerging capital and revenue proposals over the medium term, also informed by Government's national Resources & Waste Strategy announcement on 18 December 2018.

- 2.2 This work is ongoing, and the approved 2019-22 budget plans included new capital investment to support the Council's Waste Strategy requirements over the 2019-24 period, of £33m.
- 2.3 While pre-existing financial resilience reserves had in view the end of the Waste Contract PFI contract in 2022-23, the proposal to set aside £8.8m of the current financial resilience reserve specifically for Waste Management, plus a further £2.2m transfer from unallocated MRP provision from central budgets in-year; £11m in total, and reflects a prudent approach to the certainty of changing market conditions and grant fallout resultant from the re-tendering of the existing Waste Management PFI Contract.
- 2.4 As a minimum, it is intended that £4.8m of this reserve will help 'smooth' the revenue financial impact of the PFI grant fallout over the 2023-25 period as part of the longer term financial strategy. The balance of £6.2m reserve will be set aside as an initial sum to support transitional Waste Management Contract revenue requirements over the next few years, informed also by emerging national Government Waste strategy. The latter may potentially include national Government funding to support Councils implement the national waste strategy, depending on the timing of its intended implementation, and future national funding availability.
- 2.5 The second reserves proposal is to increase the existing Strategic Investment and Support reserve from an original £4m to £5.4m; an increase of £1.4m. This existing reserve was set up to help support additional revenue resource requirements in light of the increased scale of Capital, wider regeneration and housing growth ambition over the 2018-24 period. The rationale for the increase reflects an updated assessment of potential drawdowns against this reserve over the medium term.
- 2.6 The third proposal is to set aside a specific reserve of £0.5m to support extending the One Venue Development Plan in future years, to help drive investment in public and community buildings to boost commercialism and generate income where appropriate, in a broader context of growing and supporting the voluntary and community sector.
- 2.7 The proposals set out at 2.5 and 2.6 above which total £1.9m will also be met from the transfer of unallocated in-year Minimum Revenue Provision from Central Budgets to general fund reserves, as part of the 2018-19 final accounts process.
- 2.8 Quarter 3 financial monitoring to Cabinet on 19 March 2019 reported an overall general fund forecast overspend of £1.1m against a net revenue budget of £291m (equivalent to just 0.3%). Provisional outturn estimates, factoring in the proposals

for the release of unallocated MRP as set out in paragraphs 2.3 and 2.7 above, reflect a Council underspend of about £200k at year end, and gives the Chief Finance Officer the assurance that the reserves adjustments set out above can be supported financially at this stage. The finalised outturn position and detailed report will be presented to Cabinet and Council through June and July 2019.

3. Implications for the Council

3.1 The proposals set out in this report are measures intended to support organisational flexibility and financial resilience, and in this context support the overall delivery of the following Council objectives and Priorities within available resources:

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

3.2 Working with People

N/A

3.3 Working with Partners

N/A

3.4 Place Based working

N/A

3.5 Improving Outcomes for Children

N/A

3.6 Financial, Legal & Other Implications

3.6.1 The approved 2019-22 budget plans re-affirmed the Council's reserves strategy, and the Council's refreshed approach to budget risk and general fund revenue reserves; directed at strengthening organisational flexibility and financial resilience over the medium to longer term. The reserves assessment and proposals set out in this report as part of the 2018-19 final accounts process are in line with the Council's approved reserves strategy.

3.6.2 The forecast balance of financial resilience reserves as at 1 April 2019 i.e. after the transfer of £8.8m, will still be just over £37m, which was also the minimum financial reserves requirement recommendation by the Chief Financial Officer for at least the next 18 months, as set out in the original 2019-22 budget strategy update report to Council back in October 2018 and subsequently endorsed at Budget Council on 13 February 2019. The proposals set out in this report meet the minimum financial reserves requirement as set out at the time.

4. Consultees and their opinions

The proposals set out in this report have been discussed at Executive Team.

5. Next steps

Subject to member approval, the recommendations in this report will be incorporated into the 2018-19 final accounts process, and subsequently reported on as part of the 2018-19 Financial Outturn report to Cabinet in June 2019 and full Council in July 2019.

6. Cabinet portfolio holder recommendation

The Cabinet portfolio holder supports the recommendations in this report.

7. Officer recommendations and reasons

7.1 Cabinet are asked to support the following officer recommendations:

- i) to approve the Waste Management strategy reserve at £11m ;
- ii) to approve the increase in the Strategic Investment Reserve by £1.4m, to £5.4m;
- iii) to approve the Commercialisation reserve at £0.5m; and
- iv) re i) to iii) above, to approve funding of the reserves proposals through the transfer of £4.1m unallocated MRP release from Central Budgets, and re-direct of existing financial resilience reserves of £8.8m, as part of the 2018-19 final accounts process

8. Contact Officer

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9. Background Papers and History of Decisions

Council Budget Strategy Update Report 2019-22

Annual budget report 2019-22

Corporate Financial Monitoring Report, Quarter 3, 2018/19

10. Service Director responsible

Eamonn Croston, Service Director - Finance

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