Kirklees COUNCIL

Name of meeting: Cabinet

Date: 18th June 2019

Title of report: Council Financial Outturn & Rollover Report 2018-19 incorporating General Fund Revenue, Housing Revenue account, Capital and Treasury Management

Purpose of the Report

To receive information on the Council's 2018-19 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2018-19 to 2019-20. 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**
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 **Is it also signed off by the Service Director for Finance?** **Is it also signed off by the Service Director – Legal, Governance & Commissioning?**	**Rachel Spencer Henshall –** **Eamonn Croston –** **Julie Muscroft –**
Cabinet member portfolio - Corporate	**Give name of Portfolio Holders** **Cllr Graham Turner**

Electoral wards affected: None Ward Councillors Consulted: None

Public or private: Public
GDPR: This report contains no information that falls within the scope of General Data Protection Regulations.

1. Summary

1.1 General Fund

1.1.1 The Council's General Fund Revised (net) revenue budget for 2018-19 was £275.2m. The budget included planned (net) revenue savings of £16.2m in 2018-19.

1.1.2 The revised budget is net of a number of planned transfers to reserves during the year, the most significant being the approved release of £8.5m Minimum Revenue Provision (MRP) overprovision from the Treasury Management budget in-year.

1.1.3 Council spend was £275.0m in 2018-19. This resulted in an underspend of £0.2m or 0.07% against the revised budget. The year-end financial position is the equivalent to the delivery of £16.4m overall savings broken down as follows:

i) £13.1m savings achievement against the £16.2m target; equating to 81%

ii) £3.3m net underspends elsewhere

1.1.4 The revenue outturn position is summarised at Appendix 1 and in Table 1 below.

Table 1 - Overview of 2018-19 general fund revenue outturn position

	Revised Budget	Outturn	Variance
	£000	£000	£000
Children & Families	76,256	83,129	6,873
Adults & Health	102,760	101,582	(1,178)
Economy & Infrastructure	35,266	37,685	2,419
Corporate Services	31,018	30,174	(844)
Central Budgets	29,927	22,468	(7,459)
Grand Total	**275,227**	**275,038**	**(189)**

1.1.5 The £198k underspend is net of a number of variances against budget. Headline variances are described in more detail in sections 1.2 to 1.6 below. A summary of all key variances can also be found at Appendix 4.

1.2 Children & Families

Learning – High Needs

1.2.1 There was a net £8m pressure on High Needs in excess of the annual funding allocation from Dedicated Schools Grant (High Needs Block). Unfunded spend pressures included £3.3m in respect of placements of Kirklees children in independent and other local authority specialist provisions; compared to a £2.7m overspend in 2017-18. The average annual number of active placements in independent specialist provision has significantly increased over the last few years moving from an average of 88 active placements in 2016-17 to a 2018-19 average of 121; an increase of 38%. An increase was also evident over the same period in the annual average number of children placed in other local authority specialist provision, moving from an average of 20 children in 2016-17 to an average of 23 children in 2018-19.

1.2.2 The balance of the High Needs pressure was made up of £1.7m for support funding payments for high needs students in the local further education sector (predominantly at Kirklees College), £2.6m additional funding commitments in the special schools sector and £1.6m in respect of top-up funding to support rising numbers of increasingly complex need children within the mainstream schools sector, and £0.1m other service pressures. Total spend pressures totalling £9.3m, were offset in part by £1.3m additional High Needs Funding (described in paragraphs 1.2.3-1.2.4 below); resulting in a net 2018-19 High Needs overspend of £8.0m.

1.2.3 The Government's new National Funding Formula (NFF) for High Needs acknowledges that Kirklees requires more funding to support high needs issues from birth through to age 25. The initial outcome of the new formula indicated a near 21% increase in funding is merited, however maximum annual increases are capped at 3%, which translates to around £0.3m in 2018-19, increasing to £1.0m per year thereafter for Kirklees over a seven year period.

1.2.4 The issue of high needs pupil pressures on Council budgets has been the subject of significantly increased recent national media coverage, and broader sectoral lobbying. The 2019-20 finance settlement included a supplementary national high needs funding allocation totalling £125m in both 2018-19 and 2019-20 to offset high needs pressures. The Council's share of this is £1.04m in each year.

1.2.5 The high needs issues highlighted above were anticipated early as part of Quarter 1 financial monitoring 2018-19. The report included Cabinet approval to apply £5.0m of the £13.5m Minimum Revenue Provision (MRP) 'over-provision- in-year to part mitigate unfunded high needs pressures in 2018-19.

1.2.6 Approved Council budget plans 2019-21 reflected a continuation of £8m high needs pressures from 2019-20 and the partial netting off from incremental Government High Needs Block Grant uplifts of £1m per annum. The additional £1.04m funding declared in the 2019-20 finance settlement, and referred to in paragraph 1.2.4 above, has also been added into budget plans from 2019-20 onwards.

1.2.7 Officers will continue to review and update in-year forecasts through early 2019-20 in light in particular of the 2018-19 final high needs position. This remains an area of significant pressure on Council budgets. It is anticipated that future year growth pressures may be mitigated at least in part through other measures included in the Kirklees-wide High needs Strategic review, with the Council currently working on the implementation of an action plan with key education partners across the district. Longer term, the approved capital budget plans 2019-24 include £25m to support increased District high needs specialist placement sufficiency.

Learning and Early Support

1.2.8 There was an underspend of £0.6m on Early Intervention and Targeted Support. This was primarily made up of £1m savings in the Early Support Team; £0.8m of which related to timing issues filling vacant posts and a further £0.2m from savings on transport, supplies and services and commissioned services; offset in part by ongoing pressures on school transport costs at £0.5m.

Child Protection and Family Support.

1.2.9 There was a pressure of £0.8m within Child Protection and Family Support relating to external residential placements. Reviews of each placement have taken place within the service and a number of children have been successfully returned to placements within Kirklees. It is intended that more children will be brought back into Kirklees when appropriate arrangements are in place. The service has also engaged with the Clinical Commissioning Group (CCG) to ensure that health contributions are at the appropriate level.

1.2.10 Work is underway to develop Early Intervention and Edge of Care processes which should impact on the future number of children and young people that need to be placed externally. However, this will be influenced by the availability of suitable in-house capacity and the wider development of a sufficiency strategy.

1.2.11 There was an offsetting underspend within Child Protection and Family Support of £1.4m. This relates to savings from staff vacancies and turnover.

1.3 Adults and Health

1.3.1 Lack of capacity in the Independent Sector Home Care market to meet assessed user needs resulted in increased spend on residential placements and short term packages above budget at £3.9m. This was partially offset by £3.1m home care budget underspend from market capacity issues. In addition, the in-house Residential (Older People) budget had an overspend of £0.4m.

1.3.2 Government confirmed a national in-year (2018-19) £240m package of social care funding to ease pressure on the NHS over the winter months as part of the Autumn Budget announcement on 29 October 2018. Kirklees' share of this additional in-year funding was £1.86m. The funding had to be spent on providing adult social care services, and be in addition to existing planned spending. The 2019-20 finance settlement confirmed the continuation of this funding in 2019-20.

1.3.3 As approved in the Quarter 2 2018-19 Monitoring Report to Cabinet, this additional £1.86m in-year funding was aligned to a number of key elements of the adult social care system. Examples include increased funding for placements in residential care, new short stay 'Choice and Recovery' beds, and supporting local domiciliary care providers to adopt new ways of working and to reduce demand for domiciliary care. As such, the funding has been applied in-year to offset the net pressures and areas of additional spend highlighted above.

1.3.4 The proposals above were developed alongside the previous plans approved by Cabinet for use of the Improved Better Care Fund, Adults Social Care Grants and Leeds Business Rate Pool and form a crucial part for the wider transformation programme across health and social care.

1.3.5 An additional £2.8m resource was set aside in reserves for Social Care Investment and Transformation; the funding made up of £1.6m additional income from the 2018-19 100% business rates pilot plus £1.2m additional Adult Social Care (ASC) grant from government, also in 2018-19. Specific resource allocation recommendations for this additional funding were approved at Cabinet on 18th August 2018 and the reserve is to be drawn down over a two year period to match actual spend. In 2018-19 £0.3m was drawn down from this reserve.

1.4 Economy and Infrastructure

1.4.1 There was an overspend on schools transport of £2m due to volume pressures and the delayed implementation of savings rolled forwards from 2017-18. These savings are currently under review in terms of deliverability and timing. Approved 2019-21 budget plans included £1.4m base budget uplift to reflect recurrent demand pressures on schools transport service*;* in particular impacted on by Special Educational Needs and Disability demand pressures.

1.4.2 Commercial Regulatory and Operational Service pressures included £0.4m relating to the loss of the West Yorkshire Driver Training Contract, £0.4m under-collection on parking income and £0.3m overspend in Bereavement due to income shortfall relating to the Cremator Replacement project.

1.4.3 There was an underspend of £1m within Economy, Regeneration and Culture, largely relating to timing issues recruiting to a number of vacant posts; mainly in Economic Resilience.

1.5 Corporate Services

1.5.1 Within the Office of the Chief Executive, there was an underspend of £0.9m on Transformation budgets; mainly related to the application of capital receipts flexibilities to capitalise Council corporate transformation costs in-year; see also paragraph 1.6.4 below.

1.6 Central Budgets

1.6.1 As part of the 2019-20 provisional finance settlement, Government confirmed an unexpected "one off" business rates levy rebate to all Councils in 2018-19. The Council's share of the national £180m re-distribution was £1.2m and this is reflected in the Central budget outturn position.

1.6.2 In addition to the above, overall Section 31 business rate relief grants received in-year was £1.5m higher than budgeted. This again has been reflected in Central budget outturn position for 2018-19. Local Authorities are paid section 31 grants throughout the year using the budgeted business rates position. This year end adjustment reflects the relative volatility in budgeting for the 12 distinct business rate relief offsets available to businesses in-year, and for which Government compensates Councils through a corresponding section 31 grant.

1.6.3 The MRP overprovision in 2018-19 was £13.5m. As noted in paragraph 1.2.5 earlier, £5m of the over-provision was applied in-year to part offset high needs service pressures. £4.4m has been transferred to Financial Resilience Reserves with the remaining £4.1m being allocated to reserves as outlined in section 1.7 below.

Flexible Capital Receipts

1.6.4 The Council's flexible capital receipts strategy was applied in relation to £2.0m transformation related spend and £0.6m voluntary severance costs in 2018-19. These costs meet the criteria for qualifying expenditure of *funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation*, set out at paragraph 3i) of the Flexible Capital Receipts strategy which can be found at Appendix 8.

1.6.5 The strategy is based on current Government guidance which allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts.

1.7 General Fund Reserves

1.7.1 General fund reserves and balances have increased through 2018-19 by £16.2m; from £88.8m at the start of the year to £105.0m as at 31 March 2019. A further £7.5m was added into Council reserves at the start of 2019-20, as per the 2019-21 budget plans approved at Budget Council on 13 February 2019; increasing the overall level of reserves and balances to £112.5m as at 1st April 2019.

1.7.2 The year-end reserves position set out in Appendix 2 incorporates a number of new reserves approved as part of the overall Council budget plans at Budget Council on 13 February 2019. It also reflects subsequent reserves adjustments approved in the 2018-19 Early Closedown Review report to Cabinet on 29 May 2019.

1.7.3 The £112.5m general fund reserves and balances at 1st April 2019 includes £9.7m relating to statutory schools reserves (which cannot be re-directed for non-school uses), leaving £10.2m general balances and £92.6m usable reserves.

1.7.4 The most significant new reserve is £11m to support the development of the Council's waste management strategy, in light of the current Council Private Finance Initiative (PFI) Waste Contract ending in 2022-23, which has known financial implications.

1.7.5 Total usable reserves at 1st April 2019 is equivalent to 32.3% of the 2019-20 £287.1m (net) revenue budget. This represents a net increase of over 4% in this particular indicator, over the past 12 months, from 28%. For comparator purposes, the median percentage across the 26 metropolitan Councils on this particular indicator was 36% as at 31 March 2018.

1.7.6 The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators being developed to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector.

1.7.7 Financial resilience reserves as at 1st April 2019 will remain at just over £37m, which was also the minimum financial reserves requirement recommendation by the Chief Financial Officer at least to the start of 2020-21, as set out in the original 2019-22 budget strategy update report to Council in October 2018. The financial resilience risk reserve is informed by the Council's corporate risk register; current version attached at Appendix 10 for information.

Revenue Rollover

1.7.8 The £189k underspend was transferred to general balances at year end. Included in this net position was £89k of deferred expenditure commitments within Economy and Infrastructure relating to the Textile Festival. It is proposed that this is rolled forward in full to 2019-20.

1.7.9 Kirklees Youth Alliance (KYA) on behalf of a partnership of over 60 local organisations and key stakeholders, is seeking to co-ordinate a Kirklees-wide Healthy Holidays (Integrated Activities & Food Programme) for Summer 2019, on behalf of the Council. It is proposed that 45-50 free open access holiday clubs will be established within the heart of disadvantaged communities within Kirklees; allowing the right children access to the provision. The clubs will provide healthy meals, nutritional education and exercise, with many also involving families and thereby improving outcomes for both parents and children.

1.7.10 The overall costs are anticipated to be in the region of £200k-£225k. It is recommended that the Council contributes £100k revenue rollover, and in conjunction with KYA, will seek sponsorship from other stakeholders to make up the balance of funding requirement. The Council will commit to underwrite the balance of funding requirement from existing public health grant reserves to ensure its successful and timely delivery.

1.8 Collection Fund

1.8.1 The Collection Fund accounts separately for council tax and business rates income and payments. Table 2 below summarises the financial performance of the collection fund in 2018-19, including planned payments to and from the general fund in 2019-20.

Table 2 – Collection Fund Summary

Collection Fund forecast (Council Share)	Council Tax	Business Rates	Total
	£000	**£000**	**£000**
(Surplus)/Deficit at 1st April 2018	(2,321)	(4)	(2,325)
Re-payments to/(from) General Fund 18-19	3,462	-	3,462
In year Financial Performance	480	(8,696)	(8,216)
(Surplus)/Deficit at 31st March 2019	**1,621**	**(8,700)**	**(7,079)**
Re-payments to/(from) General Fund 19-20	(1,179)	6,923	5,744
Remaining (Surplus)/Deficit 19-20	**442**	**(1,777)**	**(1,335)**

1.8.2 In-year income performance on Council Tax reflects a deficit of £480k; equivalent to 0.3% against planned income of £173.4m. The deficit is mainly due to greater spend through the Council Tax Reduction scheme, impacted on by the large 2018-19 Council Tax rise, together with increases in students exemptions and single person discounts.

1.8.3 The business rates surplus reflects a review of the Council's prudent bad debt provision for historical appeals valuations outstanding (largely relating to the 2010 rating list); set at £11.5m at 31st March 2018. This requirement was revised downwards in-year reflecting the impact of many long standing appeals being either withdrawn or settled.

1.8.4 This includes the withdrawal of a national appeal by Virgin Media which if successful would have cost the Council £2m in backdated rates adjustments to 2010. In addition, the number of appeals emerging with respect to the current year was not at the level anticipated, mainly due to the embedding of a more stringent appeals system, implemented from April 2017 onwards.

1.8.5 Taking into account the opening balance and repayments to the general fund in year, the above in-year performance resulted in an overall surplus for the collection fund of £7.1m at 31st March 2019. There are planned repayments of £5.7m to the general fund in 2019-20, leaving a £1.3m balance of surplus overall on the collection fund going forwards.

1.9 Housing Revenue Account

1.9.1 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 revenue outturn is a surplus of £1.4m against an annual turnover budget of £91.7m in 2018-19; equivalent to just 1.5%. The HRA also delivered £2.8m of savings against a £2.8m target; equating to 100%.

1.9.2 HRA reserves at 31 March 2019, net of set asides for business risks and investment needs and a minimum working balance, is £54.2m. A summary of the HRA outturn and reserves position can be found at Appendix 3. Key variances are highlighted as part of Appendix 4.

1.10 Capital

1.10.1 The Council's capital budget for 2018-19 was £100.3m. The nature of capital programmes and funding means that with some schemes, there is greater potential for variations in-year; for example timing of external funding being secured, or the size and complexity of specific schemes meaning longer lead in times than originally profiled in capital budget plans.

1.10.2 The 2018-19 capital outturn was £68.4m, which is about £7m higher than equivalent capital spend in 2017-18. . Of the total actual spend, £15m relates to strategic priorities, the balance of £53.4m relates to baseline capital spend.

Table 3 – Capital Outturn 2018-19

By Category	Capital Budget £000	Outturn £000	Variance £000
Achievement	16,088	13,600	(2,488)
Children	448	586	138
Independent	2,442	977	(1,465)
Sustainable Economy	46,529	30,238	(16,291)
Well	2,340	1,832	(508)
Clean & Green	695	106	(589)
Efficiency & Effectiveness	3,900	3,480	(420)
General Fund	**72,442**	**50,819**	**(21,623)**
Strategic Priorities	9,348	4,083	(5,265)
Baseline	18,478	13,513	(4,965)
Housing Revenue Account	**27,826**	**17,596**	**(10,230)**
Total Capital Budget	**100,268**	**68,415**	**(31,853)**

1.10.3 A more detailed breakdown of the capital outturn position is provided at Appendix 5, along with key variances highlighted.

1.10.4 Capital expenditure was funded by the following sources of finance; borrowing £17.2 million, grants and contributions £29.8 million, capital receipts at £5.6 million, Major Repairs Reserve (HRA) at £15.8 million. This is shown in more detail at Appendix 7. Due to timing issues, borrowing costs incurred in-year largely impact on the following year's treasury management budget. Actual borrowing costs incurred 2018-19 are consistent with treasury management budget assumptions for 2019-20. Treasury Management budgetary assumptions are reviewed annually as part of the MTFP re-fresh, and will take account of any changes in the profiling and quantum of capital spend to be funded from borrowing over the periodically re-freshed 5 year capital plan.

Capital Rollover Proposals

1.10.5 The proposal is to effectively re-profile planned spend totalling £31.7m from 2018-19 to 2019-20); £21.5m general fund and £10.2m HRA. This largely reflects deferred spend against existing schemes rolled forward into future years. The remaining £0.2m underspend is identified as not required and is recommended to be removed from the Capital Plan.

1.10.6 The capital plan approved at Budget Council on 13th February 2019 has now been updated to take account of the capital rollover proposals totalling £31.7m. The revised capital plan set out in this report, including re-profiled planned spend, is £666.1m over the 2019-24 period.

Other

1.10.7 The updated capital plan includes e Public Realm Improvement Works totalling £1.2m approved by Cabinet 19th March 2019, to be funded from earmarked rollover reserves. A review of the approved works has determined that the works fall within the definition of capital expenditure, hence their subsequent inclusion in the updated capital plan.

1.10.8 To support projects and investment across Kirklees venues, £200k per annum has been included as a new baseline programme area ‘One Venue Development Plan’. The continuous investment in facilities, aesthetics, infrastructure and equipment is directly linked to developing the commerciality, culture and vibrancy of Kirklees as well as having a positive economic impact for our communities and places.

1.10.9 As part of the current mobile and agile/digital and transformation programme, £500k is required to continue the purchase of devices/laptops in line with the new IT Strategy, ensuring a consistent model of device on the Councils protected network leading to efficient device management and support. The additional £50k for Occupational Health IT system is to replace a bespoke IT system, now at the end of life. The new system will have “portal” functionality, will enable the service to meet GDPR requirements and allow Employee Health Care Unit to make operational efficiencies.

1.10.10 The Corporate Landlord Asset Investment plan includes additional Bereavement works totalling £150k relating to footway works, concrete plinths, Public Burial Area for Infants and new roadways to provide vehicular and walking access, across a range of sites.

1.10.11 Also, in readiness for the early delivery and commencement of Internal Renovation Works, the audio-visual and webcasting equipment in Huddersfield Town Hall’s Council Chamber has reached end of life and will be replaced by a modern, reliable and up to date system that both better supports Councillors and officers, and improves the quality of the Councils webcasts, thereby enhancing citizen engagement in decision making.

1.10.12 The old equipment will be decommissioned and there will be a degree of building work required to make good the Chamber following the installation of the new solution. Minor amendments to the press and officer galleries will be made to improve the experience of those observing meetings.

1.10.13 Following a recent corporate strategic review of the plan, opportunity has been taken to update the profiling of the capital plan across years, particularly for several strategic priorities i.e. West Yorkshire plus Transport Scheme, Site Development, the loan facility to develop a hotel as part of the HD One scheme, new pupil places, Dementia respite, and Pump priming and Commissioning Specialist Accommodation. In total £40.1m has been re-profiled from 2019-20 into later years of the 5 year plan.

The draft capital plan 2019-24 is shown at Appendix 7 and summarised in Table 4 below:

Table 4 – Updated Capital Plan 2019-24

By Category *	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	Total £m
General Fund :						
Achievement	16.0	19.9	22.7	13.1	5.0	76.7
Children	0.2	1.3	3.6	4.2	0.8	10.1
Independent	2.6	5.1	5.1	3.5	11.4	27.7
Sustainable Economy	59.5	106.7	77.8	68.7	16.4	329.1
Well	4.0	15.0	9.3	2.2	0.9	31.4
Safe & Cohesive	0.2	0.0	0.0	0.0	0.0	0.2
Clean & Green	1.8	5.5	0.1	6.6	20.6	34.6
Efficiency & Effectiveness	4.3	3.7	3.7	3.7	3.7	19.1
General Fund	**88.6**	**157.2**	**122.3**	**102.0**	**58.8**	**528.9**
Strategic Priorities	6.8	9.8	9.0	7.3	8.9	41.8
Baseline	18.9	18.7	19.6	19.3	18.9	95.4
Housing Revenue Account	**25.7**	**28.5**	**28.6**	**26.6**	**27.8**	**137.2**
Overall Total	**114.3**	**185.7**	**150.9**	**128.6**	**86.6**	**666.1**

**categorisation here by primary outcome for illustrative purposes, acknowledging that in many instances capital investment delivers multiple outcomes.*

1.10.14 Officers will continue to review capital budgetprofiles in year, and any further re-profiling movements between years will be reported to Cabinet as part of the quarterly financial monitoring arrangements through 2019-20, in accordance with Financial Procedure Rules 3.10-3.15. This approach acknowledges the growing complexities and challenges over the next 5 years in delivering to this scale of ambition

1.10.15 , Future capital plan updates will also be presented perdiodically to Council as part of the annual budget strategy update and annual budget approval reports to Cabinet and Council as a matter of course as part of the annual planning cycle.

<u>Prudential Indicators</u>

1.10.16 Appendix 6 provides a schedule of the prudential indicators applicable to affordability and prudence which have been reported as part of capital monitoring in 2018-19. Indicators applicable to treasury management are reported in the Review of Treasury Management activity for 2018-19 which can be found at Appendix 9.

1.10.17 The proportion of the annual revenue budget set aside to repay debt and interest is a matter of local decision, informed by relevant CIPFA prudential guidance relating to prudence, affordability and sustainability.

2 Information required to take a decision

2.1 The Appendices accompanying this report provide a more detailed breakdown of the outturn financial monitoring position, as follows:

i) Appendix 1 sets out by service area, the general fund revenue outturn position in 2018-19;

ii) Appendix 2 summarises the general fund reserves and balances movements in-year,

iii) Appendix 3 summarises the HRA financial position including movements in HRA reserves in-year;

iv) Appendix 4 highlights the more significant general fund and HRA variances across service areas;

v) Appendix 5 sets out by Outcome area the capital outturn position in 2018-19 and the reasons for the more significant forecast capital variances across strategic priority and baseline capital schemes.

vi) Appendix 6 provides a schedule of prudential indicators for 2018-19, applicable to affordability and prudence;

vii) Appendix 7 shows the draft capital plan 2019-24, taking into account rollover, grant changes and additions. A funding summary is also included.

viii) Appendix 8 details the flexible capital receipts strategy approved at Council, 13th Feb 2019.

ix) Appendix 9 is the Annual Report on treasury Management activity to Corporate Governance and Audit Committee, 17th May 2019.

x) Appendix 10 is the Corporate Risk Register, updated as at June 2019.

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 The Council has complied with its prudential indicators for 2018-19, which were approved as part of the Treasury Management Strategy. Details accompany the Treasury Management report at Appendix 9. Indicators relating to affordability and prudence can be found at Appendix 6.

2.4 The corporate risk register at Appendix 10 summarises the key strategic risks or barriers to achieving the corporate objectives. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the council's budget. There isn't a direct link but they do help to inform the level of reserve held by the council.

2.5 Individual risks vary over time, and the need to set aside reserves changes depending on the underlying budget provisions. The risk assessment reflects the approved budget plans updated for emerging and changing medium and significant risk.

3 Implications for the Council

3.1 The report provides summary information on the overall financial performance against annual Council revenue and capital budgets, incorporating as well an overall updated capital plan for 2019-24. These budgets 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

3.2 Working with People

3.3 Working with Partners

3.4 Place Based working

3.5 Improving Outcomes for Children

3.6 Financial, Legal & Other Implications

3.6.1 The financial climate facing local government remains challenging; in particular with regard to Council's like Kirklees that have statutory education and social care responsibilities. The number of people who require support continues to increase and the complexity of services provided to vulnerable children and adults require higher levels of resourcing, while the cost of services continues to increase.

3.6.2 This challenge is exacerbated by the uncertainty surrounding the local government funding landscape post 2020. The political indecision created by the delay in the withdrawal of the UK from the European Union, is causing disruption to many decisions throughout Whitehall.

3.6.3 The Chancellor announced that the 2019 Spending Review would be revealed later in the Autumn and would cover the period 2020-21 to 2022-23, however Brexit delays could cut this to a single year. In turn, this could potentially impact the planned timeline for the business rates re-set and fair funding reviews, currently intended to be in place for 2020-21. In isolation, these reviews are already a source of great uncertainly for councils going forwards that, upon their conclusion, will result in a redistribution of funding between individual authorities.

3.6.4 Budget plans for 2019-22 include further target savings proposals of £10.9m in year one, with a further £6.2m planned savings over the 2020-22 period. However, given the uncertainties outlined above, there is significant volatility in the budget forecasts; in particular from 2020-21 onwards. Officers will continue to assess, review and update budget planning forecasts and implications through early 2019 informed by emerging national and local intelligence.

3.6.5 The Council's refreshed reserves strategy approved in the 2019-22 budget plans and since reaffirmed in the Early Closedown review to Cabinet in May 2019, are directed at strengthening organisational flexibility and financial resilience over the medium to longer term in account of the continued funding uncertainty for Councils post 2020. The financial resilience reserves level on 1st April 2019 of £37.1m meets the minimum recommended level as set out in the strategy.

3.6.6 It is intended that the forthcoming annual budget strategy report to Cabinet and Council in early autumn will incorporate a more detailed review, quantification and sensitivity analysis on a range of emerging budget and other risks to help inform the Council's financial planning framework and overall reserves requirement as part of the refreshed Medium Term financial Plan (MTFP).

4 Consultees and their opinions

This report has been prepared by the Service Director Finance, 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 2019-20, and reported quarterly to Cabinet from Quarter 1 onwards.

6 Cabinet portfolio holders recommendations

The portfolio holder agrees with the recommendations set out in this report.

7 Officer recommendations and reasons

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

<u>General Fund</u>

7.1 note the revenue outturn position for 2018-19;

7.2 note the year end position on corporate reserves and balances;

7.3 note the regular monitoring and review of corporate reserves in 2019-20 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;

7.4 approve the revenue rollover recommendation set out in the report;

<u>Collection Fund</u>

7.5 note the year end position on the Collection Fund;

<u>HRA</u>

7.6 note the HRA revenue outturn and reserves position 2018-19;

<u>Capital</u>

7.7 note the Council capital outturn position for 2018-19

7.8 approve the £31.7m capital rollover from 2018-19 to 2019-20;

7.9 approve the revised capital plan for the period 2019-24 after taking into account rollover, the re-phasing of schemes and changes to grant assumptions;

<u>Treasury Management</u>

7.10 note the review of Treasury Management activity for 2018-19

8 Contact Officer

James Anderson, Senior Finance Manager
james.anderson@kirklees.gov.uk

Sarah Hill, Finance Manager
sarahm.hill@kirklees.gov.uk

9 Background papers and History of Decisions

Early Closedown Review 2019-20
Annual budget report 2019-22
Budget Strategy Update Report 2019-22
Annual budget report 2018-20
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.
Local Authorities Property Fund & Factsheet

10 Service Director responsible

Eamonn Croston, Service Director Finance.
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General Fund 2018-19 Outturn

Strategic Director portfolio responsibilities	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Child Protection & Family Support	58,289	58,076	(213)
Learning & Early Support & Schools	17,967	25,053	7,086
Sub Total (Children & Families)	**76,256**	**83,129**	**6,873**
Adults Social Care Operation	40,096	39,052	(1,044)
Policy, Intelligence & Public Health	3,076	2,654	(422)
Commissioning, Quality and Performance	52,552	53,830	1,278
Service Integration	7,036	6,046	(990)
Sub Total (Adults & Health)	**102,760**	**101,582**	**(1,178)**
Economy, Regeneration & Culture	6,765	5,960	(805)
Commercial, Regulatory & Operational Services	28,501	31,725	3,224
Sub Total (Economy & Infrastructure)	**35,266**	**37,685**	**2,419**
Finance & Transactional Services	18,915	18,960	45
Governance & Commissioning	2,140	2,404	264
Corporate Services (OCE)	9,963	8,810	(1,153)
Sub Total (Corporate Services)	**31,018**	**30,174**	**(844)**
Central Budgets	**29,927**	**22,468**	**(7,459)**
General Fund Total	**275,227**	**275,038**	**(189)**

Appendix 2a)

Corporate Reserves and balances

	1st April 2018 (plus 2018/19 budget report approvals)	Drawdown/ contribution in-year	Early Closedown Review / MRP	Reserves Position as at 31st March 19	2019/20 Budget Report Approvals	Reserves Position as at 1st April 19
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory (School Reserves)	**(9,827)**	**82**	**-**	**(9.745)**	**-**	**(9,745)**
Earmarked						
Financial Resilience Reserves	(37,146)	-	4,400	(32,746)	(4,400)	(37,146)
Rollover	(3,437)	1,276	-	(2,161)	-	(2,161)
Revenue Grants (various)	(9,912)	(5,101)	-	(15,013)	21	(14,992)
Stronger Families	(1,924)	107	-	(1,817)	-	(1,817)
Insurance	(1,900)	-	-	(1,900)	-	(1,900)
Ward Based Activity	(706)	(361)	-	(1,067)	(160)	(1,227)
Other	(2,905)	(1,007)	-	(3,912)	(120)	(4,032)
Social Care Reserve	-	(2,496)	-	(2,496)	-	(2,496)
Property and Other Loans	(3,000)	-	-	(3,000)	-	(3,000)
Adverse Weather	(4,000)	-	-	(4,000)	1,000	(3,000)
Strategic Investment Support	(4,000)	-	(1,400)	(5,400)	-	(5,400)
Waste Management	-	-	(11,000)	(11,000)	-	(11,000)
One venue Development Plan	-	-	(500)	(500)	-	(500)
Mental Health	-	-	-	-	(1,400)	(1,400)
Business Rates	-	-	-	-	(2,000)	(2,000)
Elections	-	-	-	-	(500)	(500)
Total Earmarked	**(68,930)**	**(7,582)**	**(8,500)**	**(85,012)**	**(7,559)**	**(92,571)**
Total Earmarked + Schools	**(78,757)**	**(7,500)**	**(8,500)**	**(94,757)**	**(7,559)**	**(102,316)**
General Balances	(10,026)	(189)	-	(10,215)	-	(10,215)
Grand Total	**(88,783)**	**(7,689)**	**(8,500)**	**(104,972)**	**(7,559)**	**(112,531)**

Appendix 2b)

GLOSSARY OF RESERVES

RESERVE	DESCRIPTION
School Reserves	Statutory reserves relating to both individual schools balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure)
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks as set out in the sensitivity analysis within this report.
Rollover	To fund deferred spend commitments against approved rollover
Revenue Grants	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred.
Stronger Families	Represents deferred expenditure commitments supporting a range of Stronger Families activity.
Insurance	Mitigates against risk from increased liabilities and insurance claims.
Ward Based Activity	To fund deferred ward based activity commitments
Social Care	Set aside to cover a range of social care expenditure commitments as agreed at Cabinet, August 2018.
Property and Other Loans	Set aside against the potential risk of future loan default. Arising from the introduction of a new local government accounting code intended to strengthen balance sheet transparency.
Adverse Weather	Mitigates against budget risk arising from severe weather events in the District.
Strategic Investment Support	To address the likely scale of one off costs required to support the scale of regeneration capital investment over the 2018-24 period.
Waste Management	To support the development of the Council's waste management strategy in light of the known financial implications of the current PFI Waste contract ending in 2022-23.
One Venue Development Plan	To support extending the One Venue Development Plan in future years, to help drive investment in public and community buildings to boost commercialism and to generate income.
Mental Health	To support a number of local area based mental health initiatives over 2019-21.
Business Rates	Set aside against potential backdated payment with respect to national ATM business rates appeal and also to resource the Council's approved business start-up and retention policy.
Elections	Set aside to accommodate potential local and national elections costs in excess of current base budget.
Other	A range of smaller reserves earmarked for specific purposes, each less than £0.6m.
General Balances	General reserve available for Council use, excluding Housing Revenue Account purposes. Minimum level proposed to be £10m going forwards.

Appendix 3

HOUSING REVENUE ACCOUNT 2018/19 - OUTTURN

	Annual		
	Revised Budget	**Actuals**	**Variance**
	£'000	**£'000**	**£'000**
Repairs & Maintenance	22,800	22,800	**0**
Housing Management	34,344	33,683	**(661)**
Other Expenditure	28,289	26,393	**(1,896)**
Total Expenditure	**85,433**	**82,876**	**(2,557)**
Rent & Other Income	**(91,747)**	**(91,084)**	**663**
Revenue Contribution to Capital Funding	6,314	6,784	470
Planned transfer to HRA Reserves	0	0	0
Total	**0**	**(1,424)**	**(1,424)**

HRA RESERVES

	Balance at 31 March 2018	**Approved Movement in Reserves**	**Balance at 31 March 2019**
	£'000	**£'000**	**£'000**
Set aside for business risks	(4,000)		(4,000)
In Year Surplus/Deficit		(1,424)	(1,424)
Set aside to meet investment needs (as per HRA Business Plan)	(54,858)	7,538	(47,320)
Working balance	(1,500)		(1,500)
Total	**(60,358)**	**6,114**	**(54,244)**

Key Highlights

Appendix 4

Child Protection & Family Support

Activity Level	Progress against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
External Residential Placements	% of Children placed outside Kirklees	6,134	812	Overspending on volume led External Residential placements. Under review as part of wider Sufficiency strategy.
Various	Accelerated Progression/Turnover Savings	18,044	(1,351)	Slippage savings to date on substantive vacant posts /Turnover.

Learning & Early Support & Schools

Activity Level	Progress against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
High Needs	Independent Schools Fees	2,513	3,292	Service pressure on placement costs
	Further Education High Needs	805	1,734	Payments to Kirklees College
	Schools High Needs Top-Up funding	20,600	1,600	Top up funding to Schools
	Special Schools		2,600	Additional Funding Commitments in the Special Schools sector.
	Additional High Needs DSG Funding		(1,300)	Additional DSG income
Early Intervention & Targeted Support		12,375	(647)	Mainly £1m early support team savings offset by £0.5m school transport pressures.

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Self-Directed Support - OP	Reduced spend on independent sector home care & Apply proportional spend on direct payments & Review taskforce.	2,598	(918)	Lack of capacity in the independent Sector Home Care market is resulting in lower spend, but offset by alternate spend on placements/short term packages and direct payments.
Self-Directed Support - PD	Reduced spend on independent sector home care & Apply proportional spend on direct payments	7,813	(1,052)	Lack of capacity in the Independent Sector Home Care market is resulting in lower spend.

Commissioning, Quality & Performance

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Supporting People		2,880	511	Mental health housing related support - £500k pressure funded from 2019/20.
Self-Directed Support - LD	Apply proportional spend on direct payments	14,277	(1,367)	Lower activity and costs on LD Direct Payments than anticipated.
Independent Sector Residential. & Nursing- LD	Reduction of LD Placements	15,941	1,541	Higher residential activity and higher nursing costs than anticipated.
Independent Sector Residential. & Nursing- MH	Reduction of MH Placements	4,054	795	Higher residential costs than anticipated.

Commercial, Regulatory & Operational Services

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Schools Transport	Combined Authority working	2,662	1,974	Insufficient budget for current volumes - new policy on going.
Driver Training		(502)	376	Kirklees no longer have the contract to deliver the driver training courses on behalf of West Yorkshire Police.
Car Parking		(2,967)	363	None of new proposals actioned + historic shortfall in income
Bereavement Services		(1,682)	252	Cremator Replacement Project – income shortfall
Seasonal Weather		1,220	388	Delayed implementation of seasonal weather savings.

Economy, Regeneration & Culture

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Economic Resilience		2,384	(1,039)	Staff Vacancies & delayed start to schemes.

Corporate Services

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Transformation			(880)	£0.5m transformation fund set aside for investment, no longer required plus £0.4m expenditure capitalised.

Central Budgets

Activity Level	Progress Against Planned Savings	Annual Budget £'000	Variance for the year £'000	Comments
Treasury Management	Minimum Revenue Provision (MRP) planned over-provision		(5,000)	MRP overprovision released to offset High Needs pressure. Remaining £8.5m to reserves.
General Contingencies			(1,248)	National redistribution of surplus in 18/19 Business Rates Levy account.
General Contingencies			(1,500)	Additional £1.5m income from section 31 business rates grants at year end

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Housing Management	34,344	(661)	Strategic priorities (£498k), KNH Fee (£181k), Communal lighting and sheltered heating (£135k)
Other Expenditure	28,290	(1,896)	Rents, Rates and Taxes £318k, Corporate and Democratic Core SLA £19k, Bad debt provision (£1823k), Depreciation (£411k)
Rent and Other income	(91,747)	662	Leaseholders (minimal Major Repairs) and Garage income, Furniture packs service charges, Rechargeable Repairs

Capital Plan 2018/19 Outturn Summary

	Revised Budget £'000	Outturn £'000	Variance £'000	Variance %
General Fund				
Achievement	16,088	13,600	(2,488)	(15)
Children	448	586	138	31
Independent	2,442	977	(1,465)	(60)
Sustainable Economy	46,529	30,238	(16,291)	(35)
Well	2,340	1,832	(508)	(22)
Clean and Green	695	106	(589)	(85)
Efficiency & Effectiveness	3,900	3,480	(420)	(11)
GENERAL FUND TOTAL	**72,442**	**50,819**	**(21,623)**	**(30)**
Housing Revenue Account				
Strategic Priorities	9,348	4,083	(5,265)	(56)
Baseline	18,478	13,513	(4,965)	(27)
HOUSING REVENUE TOTAL	**27,826**	**17,596**	**(10,230)**	**(37)**
CAPITAL PLAN TOTAL	**100,268**	**68,415**	**(31,853)**	**(32)**

Key Highlights (variances >£500k)

Achievement

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
New Pupil Places	7,062	(950)	Majority of underspend is ring-fenced grants to fund the New Pupils Places Strategy. Largest Variances £446k Moor End Academy due to slippage on build programme and - £317k Birkby Junior Expansion due to a competitive tender reducing the cost of the scheme.
Baseline			
Capital Maintenance	4,607	(587)	The majority of funds are contractually committed as part of the 2018-19 Capital Maintenance programme, since monies from the construction value is held as retention on the majority of schemes. Funding is to be rolled over into the next financial year.
One-Off Projects	862	(693)	Mainly due to underspend on the Healthy Pupils Capital Fund (£358k) to improve children's and young people's physical and mental health.

Independent

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
One Off Projects			
Information Technology (Digital)	942	(942)	Commitments deferred following Corporate review exercise undertaken with Deloitte and Modern Organisation Board to re-align Digital programme with Council priority outcomes areas.

Sustainable Economy

Appendix 5 b)

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
Town Centre Action Plans	1,755	(1,405)	Works delayed in part due to timing of prior infrastructure works to be undertaken by City Fibre.
Loans – Development Finance	1,100	(927)	103 New Street development underspend (£827k) ; feasibility work undertaken to date ; balance of expenditure commitments re-profiled into 2020/21.
Baseline			
Housing Private Sector	3,678	(536)	Mainly relates to deferred expenditure commitments against Disabled Facilities Grant related works (£408k) which will roll into 2019-20.
Highways	14,784	(3,058)	In November 2018 a "one-off" £2.7m Government Capital grant was allocated to Councils for pothole repairs/road -resurfacing and other repair work; Kirklees share was £2.7m. The underspend largely reflects the unanticipated grant being applied in-year against eligible planned activity ; thereby releasing equivalent resources to roll forward into 2019-20 plans
Corporate Landlord Asset Investment	4,811	(2,806)	Mainly reflects slippage on a number of schemes, including crematoria replacement schemes which have been managed around service needs and contractual complexities, and the fire safety programme which has been managed around access to sleeping risk buildings. Majority of schemes are contractually committed (£2.6m) and unspent resources will roll forward into 2019-20
Transport	2,377	(1,256)	The underspend reflects those vehicles that have been ordered but have long lead in times for delivery and will be delivered in 2019-20.
One Off Projects			
Economic Resilience	1,896	(1,106)	£473k underspend for the Dewsbury Townscape Heritage Initiative - the programme has been extended and there are two outstanding commitments for work at 28-30 Northgate and The Black Bull. The Energy Efficiency in Riddings scheme underspent by £462k, since some of the work covered HRA properties.
Leeds City Region Revolving Fund	1,632	(1,211)	The revolving fund is administered by Leeds City region and totals about £20m via contributions from member authorities. It is intended to provide development finance across a range of regeneration projects region wide. The underspend reflects slippage on schemes

Housing Revenue Account

Appendix 5 b)

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
HRA Strategic Priorities			
Misc Schemes	3,028	(2,054)	Underspends of £990k on Ashbrow since spend is anticipated next financial year, and £1m on Garage Site Development, to be transferred to the Housing Growth programme as part of the capital plan refresh.
Remodelling/High Rise	2,000	(2,000)	Underspend reflects scheme deferral pending commission of wider option appraisal of current high rise accommodation across current HRA stock.
Housing Growth	4,320	(1,211)	Underspend reflects 38 properties bought back/completed with the lower average value of £80k against a target of 44 properties with an expected purchase price of £100,000.
HRA Baseline			
Housing Capital Plan	10,889	(1,415)	Detailed assessment of fire safety measures to 6 storey blocks identified significant additional improvement work. The delays caused a knock on effect to the remainder of the programme.
Environmental	1,988	(1,811)	Delays due to introduction of a new process, establishment of a new design relationship with Council Landscapes team combined with a lengthy consultation process undertaken with tenants and elected members. Specifications and scope of works inherently vary on each scheme so overall design timescales have taken longer than expected.
Compliance	2,200	(1,915)	Fire doors, the ongoing changes to MHCLG guidance prevented the ability to purchase a fully compliant flat door with the relevant 3rd party accreditation hence impacting on the programme of 1500 replacement doors. The latest guidance was issued in March 2019. Also, sprinklers to Buxton and Berry Brow were pending Kirklees Council approval, Portfolio lead approval received in Feb 2019.

Breakdown of Capital Budget Changes (Since quarter 3 capital monitoring)

Appendix 5 c)

	£'000	£'000
QUARTER 3 CAPITAL BUDGET		**98,672**
Increase in Grants/Contributions		
Strategic Priorities:		
West Yorkshire + Transport Fund	616	
Baseline:		
Learning – Devolved Formula Capital	531	
Housing Private Sector - contributions	79	
Economic Resilience - Dewsbury THI addition of grant	128	
Corporate Landlord Asset Investment - Parks & Open Spaces (S106 monies and contributions)	227	
Asset Utilisation – General Contribution for Data Centre	9	
Catering - Addition of healthy eating contribution	6	
Total Additions/Reductions		1,596
REVISED OUTTURN BUDGET		**100,268**

PRUDENTIAL INDICATORS ACTUALS 2018/19 Appendix 6

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.

	2017/18 Actual £000s	2018/19 Strategy Estimate* £000s	2018/19 Actual £000s
Capital Expenditure			
General Fund	48,555	71,790	50,820
HRA	13,248	30,717	17,595
Sub-total (excl. PFI)	61,803	102,507	68,415
General Fund - PFI	1,849	1,849	1,554
HRA – PFI	266	266	300
Total	63,918	104,622	70,269
Financed by -			
Borrowing	15,465	36,822	17,229
PFI	2,115	2,115	1,854
Other	46,338	65,685	51,186
Total	63,918	104,622	70,269
CFR as at 31 March			
General Fund excl PFI	420,331	458,903	436,600
General Fund PFI	52,271	49,300	49,300
HRA excl PFI	182,843	175,289	175,300
HRA PFI	54,897	52,900	52,900
Total CFR	710,342	736,392	714,100
External debt as at 31 March			
Borrowing (excl interest accrued)	413,167	493,722	395,870
Other LT Liabilities	111,289	106,070	106,266
Total debt	524,456	599,792	502,136

*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.

	2017/18	2018/19	
	Actual (max)	Limits/ Boundary	Actual (max)
	£m	£m	£m
Authorised limit for external debt			
Borrowing	438.2	585.0	395.9
Other Long Term Liabilities	116.6	110.0	106.3
Total	554.8	695.0	502.2
Operational boundary for external debt			
Borrowing	438.2	495.0	395.9
Other Long Term Liabilities	116.6	106.1	106.3
Total	554.8	601.1	502.2

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 2019 is £175.3 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 un-ringfenced government grants and local taxpayers, and for HRA it refers to the total HRA income (rent, other income and grant).

	2017/18	2018/19	
	Actual	Estimate	Actual
Ratio of financing costs to net revenue stream			
General Fund	7.31%	7.19%	5.93%
General Fund excl PFI	4.88%	5.00%	3.69%
HRA	31.32%	31.38%	29.63%
HRA excl PFI	29.28%	29.50%	31.53%

The actual for General Fund for 2018/19 was less than estimated largely due to the Council's decision to change its policy for the repayment of debt (MRP) and to increase the un-winding of the over-provision for 2018-19, thus resulting in a much lower charge for 2018/19. The PIs have marginally increased for HRA due to changes in depreciation charged to Council dwellings and income levels in year.

Capital Plan Expenditure Summary

Appendix 7 a)

	Outturn		Revised Capital Plan Budget					
2019/20 – 2023/24 Capital Plan Expenditure Summary	**2018/19 £'000**		**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**Total £'000**
General Fund:								
Achievement	13,600		16,030	19,930	22,763	13,030	5,045	**76,798**
Children	586		200	1,250	3,600	4,200	750	**10,000**
Independent	977		2,673	5,100	5,050	3,450	11,400	**27,673**
Sustainable Economy	30,238		59,497	106,668	77,776	68,746	16,455	**329,142**
Well	1,832		4,029	14,968	9,260	2,249	867	**31,373**
Safe & Cohesive	0		180	20	0	0	0	**200**
Clean & Green	106		1,789	5,475	125	6,600	20,600	**34,589**
Efficiency & Effectiveness	3,480		4,256	3,737	3,700	3,700	3,700	**19,093**
General Fund Capital Plan	**50,819**		**88,654**	**157,148**	**122,274**	**101,975**	**58,817**	**528,868**
Housing Revenue Account:								
Independent - Strategic Priorities	4,083		6,790	9,825	9,014	7,364	8,864	**41,857**
Independent - Baseline	13,513		18,892	18,696	19,591	19,278	18,923	**95,380**
HRA Capital Plan	**17,596**		**25,682**	**28,521**	**28,605**	**26,642**	**27,787**	**137,237**
TOTAL EXPENDITURE	**68,415**		**114,336**	**185,669**	**150,879**	**128,617**	**86,604**	**666,105**

Capital Plan Funding Summary

	Outturn		Revised Capital Plan					
Funding Summary	**2018/19 £'000**		**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**Total £'000**
Direct / Earmarked Contributions to Schemes								
Capital Grants / Contributions applied	29,804		28,751	78,643	67,025	47,919	15,005	237,343
Earmarked Capital Receipts	5,612		4,973	4,499	4,499	4,499	4,499	22,969
Revenue Contributions (HRA)	6,785		11,979	14,088	12,894	8,588	13,701	61,250
Reserves (HRA)	8,985		11,917	11,493	13,579	16,500	12,532	66,021
Revenue Contributions (General Fund)	0		1,279	0	0	0	0	**1,279**
Pooled Resources								
Non Earmarked Capital Receipts	0		700	700	700	700	700	**3,500**
Corporate Prudential Borrowing	17,229		54,737	76,246	52,182	50,411	40,167	273,743
FUNDING	**68,415**		**114,336**	**185,669**	**150,879**	**128,617**	**86,604**	**666,105**

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

GENERAL FUND CAPITAL PLAN	Funding	Outturn 2018/19 £'000	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
ACHIEVEMENT								
Strategic Priorities								
Alternative Provision School	B	1	499	5,000	4,250	250	0	9,999
Special School - SEMHD	B	0	500	1,000	5,500	7,500	500	15,000
District Sufficiency - SEND		**1**	**999**	**6,000**	**9,750**	**7,750**	**500**	**24,999**
New Pupil Places in Primary/Secondary Schools		6,111	2,978	4,680	6,063	780	545	**15,046**
Delivery of an Autistic Spectrum Disorder (ASD) School to mitigate expenditure on out of area ASD placements	B	0	500	2,150	350	0	0	**3,000**
Dewsbury Learning Quarter	B	1,590	2,086	0	0	0	0	**2,086**
Libraries & Public Buildings	B	0	700	1,950	2,100	250	0	**5,000**
Strategic Priorities Total		**7,702**	**7,263**	**14,780**	**18,263**	**8,780**	**1,045**	**50,131**
Baseline								
Basic Need	G	253	577	500	500	500	500	**2,577**
Capital Maintenance	G/B	4,021	4,408	3,400	3,200	3,000	2,800	**16,808**
Devolved Formula Capital	G	1,455	1,500	850	800	750	700	**4,600**
Baseline Total		**5,729**	**6,485**	**4,750**	**4,500**	**4,250**	**4,000**	**23,985**
One Off Projects								
SEND Provision	G	34	1,360	400	0	0	0	**1,760**
Healthy Pupils	G	0	358	0	0	0	0	**358**
Completed Schemes	B	20	29	0	0	0	0	**29**
Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs	B	115	535	0	0	0	0	**535**
One Off Projects Total		**169**	**2,282**	**400**	**0**	**0**	**0**	**2,682**
ACHIEVEMENT TOTAL		**13,600**	**16,030**	**19,930**	**22,763**	**13,030**	**5,045**	**76,798**

GENERAL FUND CAPITAL PLAN	Funding	Outturn 2018/19 £'000		Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
CHILDREN									
Strategic Priorities									
Specialist Accommodation/Youth Services	B/G			200	1,250	3,600	4,200	750	**10,000**
Strategic Priorities Total		**0**		**200**	**1,250**	**3,600**	**4,200**	**750**	**10,000**
One Off Projects Total (Childrens IT System)	R/B	**586**		**0**	**0**	**0**	**0**	**0**	**0**
CHILDREN TOTAL		**586**		**200**	**1,250**	**3,600**	**4,200**	**750**	**10,000**
INDEPENDENT									
Strategic Priorities									
Pump Prime & Commissioning Specialist Accommodation	B	0		250	750	750	250	0	**2,000**
Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	40		310	250	150	0	0	**710**
Day Services Support for Vulnerable Adults	B	1		699	2,800	3,500	2,600	11,400	**20,999**
Strategic Priorities Total		**41**		**1,259**	**3,800**	**4,400**	**2,850**	**11,400**	**23,709**
One Off Projects									
Adults Social Care Operation	G/R	286		164	700	50	0	0	**914**
Information Technology (Digital)	B/R	0		600	600	600	600	0	**2,400**
Information Technology (*Laptops/GDPR)	B/R	650		600	0	0	0	0	**600**
Occupational Health Care (IT)	B	0		50	0	0	0	0	**50**
One Off Projects Total		**936**		**1,414**	**1,300**	**650**	**600**	**0**	**3,964**
INDEPENDENT TOTAL		**977**		**2,673**	**5,100**	**5,050**	**3,450**	**11,400**	**27,673**

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

GENERAL FUND CAPITAL PLAN	Funding	Outturn 2018/19 £'000	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
SUSTAINABLE ECONOMY								
Strategic Priorities								
A62 & A644 Corridors & Cooper Bridge	G	256	560	23,040	22,405	22,405	0	**68,410**
Corridor Improvement Programme – A62 Smart Corridor	G	326	338	3,042	3,920	176	0	**7,476**
Corridor Improvement Programme - Holmfirth Town Centre Access Plan	G	78	72	646	3,906	0	0	**4,624**
Huddersfield Southern Gateways	G	144	300	2,700	4,000	842	0	**7,842**
A653 Leeds to Dewsbury Corridor (M2D2L)	G	52	410	3,687	4,097	4,097	0	**12,291**
A629 Ainley Top to Huddersfield (Phase 5)	G	826	317	2,850	3,781	3,909	0	**10,857**
Huddersfield Station Gateway Phase 1	G	9	0	5,000	0	0	0	**5,000**
Huddersfield Station gateway Phase 2	G	2	0	5,000	0	0	0	**5,000**
Highways – Others Non-Core	G	275	0	0	0	0	0	**0**
WYTF Land Acquisition	B	250	591	0	0	0	0	**591**
West Yorkshire plus Transport Schemes		2,218	2,588	45,965	42,109	31,429	0	122,091
Aspirational Regeneration of Major Town Centres - Feasibility	B	19	331	150	0	0	0	**481**
Regeneration of Strategic Town Centres - Dewsbury	B	40	2,250	5,310	4,144	3,256	0	**14,960**
Regeneration of Strategic Town Centres - Huddersfield	B	291	1,644	8,640	7,000	12,406	0	**29,690**
Town Centre Action Plans		350	4,225	14,100	11,144	15,662	0	45,131
KSDL (HD One)	B	0	0	4,100	4,900	4,000	0	**13,000**
Property Investment Fund	B**	173	13,327	11,500	0	0	0	**24,827**
Bridge Homes (Joint Venture)	B	0	0	1,250	1,250	0	0	**2,500**
Loans - Development Finance		173	13,327	16,850	6,150	4,000	0	40,327
Local Growth Fund	B	97	153	0	0	0	0	**153**
Site Development	G	0	0	6,000	0	0	0	**6000**
Public Realm Improvements	RR	0	1,245	0	0	0	0	**1245**
Strategic Priorities Total		**2,838**	**21,538**	**82,915**	**59,403**	**51,091**	**0**	**214,947**

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

	GENERAL FUND CAPITAL PLAN	Funding	Outturn 2018/19 £'000	Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
	SUSTAINABLE ECONOMY								
	Baseline								
	Housing (Private)	G	3,142	3,600	4,650	3,350	3,350	3,350	**18,300**
	Highways	G/B	10,342	15,186	10,346	9,873	9,155	9,155	**53,715**
	Corporate Landlord Asset Investment	B	2,005	6,074	1,300	1,300	1,300	1,300	**11,274**
	Corporate Landlord Asset Investment	B	0	1,000	1,000	1,000	1,000	1,000	**5,000**
	Vehicle Replacement Programme	B	1,121	2,505	1,250	1,250	1,250	1,250	**7,505**
	School Catering	B	162	271	200	200	200	200	**1,071**
*	One Venue Development	B	0	200	200	200	200	200	**1,000**
	Baseline Total		**16,772**	**28,836**	**18,946**	**17,173**	**16,455**	**16,455**	**97,865**
	One-Off Projects								
	Housing (Private)	G/R	66	467	432	0	0	0	**899**
	Economic Resilience	G/B	540	533	0	0	0	0	**533**
	Strategic Asset Utilisation	B	1,779	947	150	0	0	0	**1,097**
	Leeds City Region Revolving Fund	B	421	1,211	0	0	0	0	**1,211**
	Highways	B/B*/ S278	6,627	4,155	3,000	1,000	1,000	0	**9,155**
	Corporate Landlord Compliance	B	906	1,294	1,000	0	0	0	**2,294**
*	Bereavement	B	0	125	25	0	0	0	**150**
	School Catering - Compliance Essential Works	B*	120	280	200	200	200	0	**880**
	Ward Based Activity	B	169	111	0	0	0	0	**111**
	One-Off Projects Total		**10,628**	**9,123**	**4,807**	**1,200**	**1,200**	**0**	**16,330**
	SUSTAINABLE ECONOMY TOTAL		**30,238**	**59,497**	**106,668**	**77,776**	**68,746**	**16,455**	**329,142**

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn 2018/19 £'000		Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
WELL										
	Strategic Priorities									
	Spenborough Valley Leisure Centre	B	566		1,434	8,000	3,500	232	0	**13,166**
	Spenborough Valley Leisure Centre - KAL Contribution	B*	0		0	0	750	0	0	**750**
	Huddersfield Leisure Centre	B	14		220	0	0	0	0	**220**
	Dewsbury Sports Centre Priorities	B	0		300	250	300	1,400	250	**2,500**
	Strategic Priorities Total		**580**		**1,954**	**8,250**	**4,550**	**1,632**	**250**	**16,636**
	Baseline									
	KAL Self Finance Programme	B*	1,252		362	2,959	617	617	617	**5,172**
	Play Strategy	B/G	0		1,713	3,759	4,093	0	0	**9,565**
	Baseline Total		**1,252**		**2,075**	**6,718**	**4,710**	**617**	**617**	**14,737**
	WELL TOTAL		**1,832**		**4,029**	**14,968**	**9,260**	**2,249**	**867**	**31,373**
SAFE AND COHESIVE										
	Strategic Priorities									
	Youth Offending Team	B	0		180	20	0	0	0	**200**
	Strategic Priorities Total		**0**		**180**	**20**	**0**	**0**	**0**	**200**
	SAFE AND COHESIVE TOTAL		**0**		**180**	**20**	**0**	**0**	**0**	**200**
CLEAN AND GREEN										
	Strategic Priorities									
	Depot Works	B	0		100	375	25	0	0	**500**
	Waste Management Plant/Infrastructure	B/B*	0		1,000	5,000	0	6,500	20,500	**33,000**
	Strategic Priorities Total		**0**		**1,100**	**5,375**	**25**	**6,500**	**20,500**	**33,500**

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn 2018/19 £'000		Revised Capital Plan 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
	Environment & Strategic Waste	B	104		144	100	100	100	100	**544**
	Baseline Total		**104**		**144**	**100**	**100**	**100**	**100**	**544**
	One Off Projects									
	Electric Vehicle Charge Points	G	2		545	0	0	0	0	**545**
	One Off Projects Total		**2**		**545**	**0**	**0**	**0**	**0**	**545**
	CLEAN AND GREEN TOTAL		**106**		**1,789**	**5,475**	**125**	**6,600**	**20,600**	**34,589**
EFFICIENCY AND EFFECTIVENESS										
	Baseline									
	Information Technology	B*	895		905	900	900	900	900	**4,505**
	Flexible Capital Receipts Strategy	R	2,573		2,800	2,800	2,800	2,800	2,800	**14,000**
	Baseline Total		**3,468**		**3,705**	**3,700**	**3,700**	**3,700**	**3,700**	**18,505**
	One Off Projects									
	Internal Renovation works	B	12		551	37	0	0	0	**588**
	One Off Projects Total		**12**		**551**	**37**	**0**	**0**	**0**	**588**
	EFFICIENCY AND EFFECTIVENESS TOTAL		**3,480**		**4,256**	**3,737**	**3,700**	**3,700**	**3,700**	**19,093**
GENERAL FUND CAPITAL PLAN TOTAL			**50,819**		**88,654**	**157,148**	**122,274**	**101,975**	**58,817**	**528,868**

FUNDING KEY:

B = Borrowing

B* = Service funded Borrowing - Work is ongoing to remove this category and have one system of prudential borrowing.

G = Grant

R = Capital receipts

RR = Revenue Rollover

*Addition

Capital Plan 2019/20-2023/24 including Rollover

Appendix 7 b)

		Outturn		Revised Capital Plan					
HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	2018/19 £'000		2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	5 Yr Total £'000
Strategic Priorities									
Housing Growth	H / R	4,083		4,800	4,364	4,364	4,364	4,363	22,255
New Build Phase 1 - Ashbrow Extra Care	H / R/ G	0		990	3,961	1,650	0	0	6,601
Remodelling / High Rise	H / R	0		500	1,000	3,000	3,000	4,500	12,000
IT System (Universal Housing Replacement)	H / R	0		500	500	0	0	0	1,000
Strategic Priorities Total		**4,083**		**6,790**	**9,825**	**9,014**	**7,364**	**8,863**	**41,856**
Baseline									
Housing Capital Plan	H	9,474		11,006	10,522	11,346	10,960	10,605	54,439
Estate Improvements (Neighbourhood Investment)	H	177		1,093	1,108	1,122	1,137	1,138	5,598
Compliance	H	285		1,000	1,479	1,479	1,479	1,478	6,915
Compliance – Fire Doors	H			3,000	1,913	1,913	1,912	1,912	10,650
Fuel poverty	H / G	982		0	826	826	826	825	3,303
Adaptations	H	2,595		2,793	2,849	2,906	2,964	2,964	14,476
Baseline Total		**13,513**		**18,892**	**18,697**	**19,592**	**19,278**	**18,922**	**95,381**
TOTAL HRA CAPITAL PLAN		**17,596**		**25,682**	**28,522**	**28,606**	**26,642**	**27,785**	**137,237**

FUNDING KEY:
H = HRA revenue contribution/major repairs reserve
R = Capital receipts
G = Grant

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY Appendix 8

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-year, from 2016-17 to 2021-22 inclusive.

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 capitalised revenue expenditure, in line with original 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;*

<u>Qualifying expenditure in 2018-19</u>

£2.0m transformation spend – used to support the programme Management Office and the Council's external business partner in providing governance, monitoring, review and delivery of transformation and change.

£0.6m voluntary severance costs – will deliver future ongoing efficiency savings to the council through a rationalised workforce.

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 2018-19 and the following 3 years. The original DCLG guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021-22, following the Autumn Statement announcement on November 17th, 2017.

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;

6. 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.

7. 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.

   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.

Kirklees COUNCIL

Name of meeting: Corporate Governance and Audit Committee **17 May 2019**

Title of report: Annual Report on Treasury Management 2018-19

Purpose of report
Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the previous financial year. The report reviews borrowing and investment performance.

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?	**Not applicable**
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	**Yes**
The Decision - Is it eligible for "call in" by Scrutiny?	**Yes**
Date signed off by Service Director & name **Is it also signed off by the Service Director for Finance, IT and Transactional Services?** **Is it also signed off by the Service Director for Governance and Commissioning Support?**	**Eamonn Croston** **As above** **Julie Muscroft**
Cabinet member portfolio	**Cllr Graham Turner**

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or private: **Public**

GDPR: This report contains no information that falls within the scope of General Data Protection Regulations

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1. Summary

1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 14 February 2018. Investments averaged £45.2 million, were largely deposited in instant access accounts and earned an average interest rate of 0.67%. Total external borrowing decreased for the year by £17.3 million to £395.9 million. (£413.2m 31st March 2018) The decrease is due to a variety of reasons including; repayment of existing debt, slippage in the capital plan and higher internal borrowing due to increases in overall reserves levels from budgeted. There were no new temporary borrowing in the year, the average long term borrowing rate for 2018-19 was 4.62%.

1.2 In 2017-18 the Council approved a revision to its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007-08 onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.

1.3 In updating the approach the Council effectively over-provided in previous years the re-payment of debt to the sum of £91.1m. Within the Treasury Management Strategy 2018-19 the Council set out its approach to unwind this over-provision at £9.1m each year over the next 10 years, starting from 2017-18 onwards.

1.4 Following approval within the 2019-20 Treasury Management Strategy there is a further increase in the un-winding for 2018-19 and 2019-20. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The maximum unwind allowable in 2018-19 is £13.5m. In the 2018-19 accounts this has resulted in the budgeted over-provision element of £13.4m being transferred to revenue reserves in order to strengthen the Council's overall financial resilience as per the Council's approved reserves strategy.

1.5 Treasury management costs incurred in the year include £10.1 million on net interest payments and £0.1 million on providing for the repayment of debt (MRP). The Council complied with its treasury management prudential indicators in the year.

1.6 This report also notes a number of early 2019-20 treasury management issues for consideration. These include options for re-financing a current Lender Option-Borrower Option loan of £10m, and also considers potential Council investment in a property fund investment fund, CCLA, specifically set up for not-for profit investors, including local authorities.

2. Information required to take a decision

2.1 Background

2.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.

2.1.2 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management.

2.1.3 In reviewing 2018-19 performance, reference will be made to the Treasury Management Strategy Report approved by Council on 14 February 2018.

2.2 Borrowing and Investment Strategy 2018-19

2.2.1 The Councils overall Treasury Management Strategy prioritises security, liquidity and risk management which was adhered to in 2018-19. The Council aims to invest externally balances of £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 is 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.

2.3 The economy and interest rates

Below paragraphs 2.3.1-2.3.2 are a commentary from our external treasury management advisors, Arlingclose

2.3.1 UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year on year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

2.3.2 After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

2.4 Investment activity

2.4.1 The Council's treasury management investments totalled £39.1 million as at 31 March 2019 (£36.1 million 31 March 2018). The Council invested an average balance of £45.2 million externally during the year

(£37.9 million 2017-18). Income of £313k was generated through these investments (£196k 2017-18). Appendix 1 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 0.67% (0.26% 2017-18). The increase in interest rates between the years reflects the Base Rate in 17-18 being 0.5% and in the current year there was an increase in August of 0.25% to 0.75%, but there is also an element of lag in institutions passing on the benefit of higher interest rates.

2.4.2 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 instant access and relatively good returns.

2.5 <u>Borrowing requirement and debt management</u>

2.5.1 In terms of borrowing, long-term loans at the end of the year totalled £389.1 million and short-term loans (excluding interest accrued) £6.8 million (£392.5 million and £20.7 million 31 March 2018), an overall decrease of £17.3 million. There was no new long term borrowing in 2018-19. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2019.

2.5.2 Fixed rate loans account for 81.25% of total long-term debt (see also Appendix 5) giving the Council stability in its interest costs. The maturity profile for all long-term loans is shown in Appendix 3 and shows that no more than 9% of all 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 any one particular future year, when interest rates might be at a relatively high level.

2.5.3 The primary source of the Council's borrowing is from the Government ie Public Works Loan Board (PWLB).

2.5.4 The table below sets out the estimated external borrowing requirement against actual requirements;

	2017-18 £m actual	2018-19 £m estimated	2018-19 £m actual
General Fund CFR - Non PFI	420.3	458.9	436.6
PFI	52.3	49.3	49.3
HRA CFR - Non PFI	182.8	175.3	175.3
PFI	54.9	52.9	52.9
Total CFR	710.3	736.4	714.1
Less: Other debt liabilities*	107.1	102.2	102.2
Borrowing CFR	603.2	634.2	611.9
Less: Deferred Liabilities	4.1	3.9	3.9
Less: Internal borrowing	185.9	136.6	214.2
PWLB Loans	278.6	286.6	273.2
LOBOs	76.6	76.6	76.6
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other LT Loans (Fixed Rate)	30.3	30.2	30.2
Temporary Borrowing	20.7	93.3	6.8
Total : External Borrowing	413.2	493.7	393.8
Investments	(36.1)	(30.0)	(39.1)

2.5.5 As can be seen from the table above the temporary borrowing requirement is far lower than expected due to a combination of an increase in internal balances (it was expected that these would reduce in year by £49.3m from £185.9m) and slippage in the capital plan of £30.8m.

2.5.6 The Local Capital Finance Company 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.

2.5.7 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 in 2018-19.

2.5.8 The average long term borrowing rate for 2018-19 for the Council's long-term loans outstanding was 4.62% (4.76% 2017-18).

2.6 Trends in treasury management activity

2.6.1 Appendix 4 shows the Council's borrowing and investment trends over the last 5 years. This highlights the current trend to re-pay long term debt at maturity and where required borrow over the short term.

2.7 Risk and Compliance Issues

2.7.1 The Council has complied with its prudential indicators for 2018-19, which were approved as part of the Treasury Management Strategy. Details can be found in Appendix 5. Indicators relating to affordability and prudence are highlighted in this appendix.

2.7.2 When the Council has received unexpected monies late in the day, officers have no alternative but to put the monies into the Barclays Business Reserve Account overnight. The account is maintained so that usually, daily balances are under £100k. The maximum daily amount deposited in this account overnight as a result of unexpected late payments was £1.100m. Whilst this is not an ideal situation, the Council is still within investment limits as per the Treasury Management Strategy which is set at £10m per counterparty.

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

2.7.4 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.

2.7.5 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 2018-19. Training was provided to Members on the 16th November 2018.

Looking ahead – Treasury Management developments in 2019-20

2.8 Re-financing/re-payment of current Long Term Borrowing

2.8.1 As outlined within the Council approved Treasury Management Strategy 2019-20, the Council will continue to look to repay existing long term debt when the opportunity arises where it becomes beneficial for the Council to do so.

2.8.2 Within the next 12 months there may be Lenders Option Borrowers Option (LOBO) loans which present us with an option to convert or refinance and these as detailed further below.

2.8.3 The Council currently has a £10.0m Range LOBO with Barclays. The Range LOBO has an annual rate of interest of 3.4% when the 6 month London Interbank Offered Rate (LIBOR) Rate is between 4%-6%, and a rate of 4.1% when it falls outside of this. Currently the LIBOR Rate is 0.83% and hasn't been as high as 4% since November 2008. The current interest rate is therefore 4.1%.

2.8.4 Barclays have approached the Council to convert the LOBO loan to a fixed rate interest loan. The rate is currently subject to discussion between both parties, and would remain until maturity of the loan on 15th January 2067. This could generate immediate savings per annum. By way of illustration, a mid-point fixed rate of 3.75% would equate to immediate £35k annual savings to the Council for the remainder of the loan.

2.8.5 On LOBO loans the Lender has the option to exercise their right to change the interest rate. At which point the borrower can then choose to accept the new interest rate or choose to re-pay at no additional cost.

2.8.6 It is intended that Council officers liaise with the Council's external Treasury Management advisors, Arlingclose, to review lender options, and proceed if they are considered to be in the longer term best interests of the Council.

2.9 Loan Funding Sources

2.9.1 The Council may be presented with additional sources of long-term funding at certain points in time, beyond those currently listed in the Council's current treasury management strategy. These may be at preferential rates of interest and therefore the Chief Financial Officer (s151 officer) will look to maximise the use of source funds when it is preferential to do so.

2.9.2 One such opportunity is with SALIX Finance Ltd. SALIX Finance Ltd provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £5.9m interest free loan to part fund the £11m approved street lighting replacement scheme in the Council's approved capital plan.

2.10 Investment Opportunities

2.10.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2019-20 continues to place emphasis on the security of the Council's balances. Although credit conditions have been steadily improving, the global recovery is still fragile and regulation changes have increased local authority exposure in the event of a possible default of any financial institutions

2.10.2 Average current Council cashflow balances remain consistent at about £45m, and officers consider that an investment of up to £10m will still enable sufficient remaining headroom to accommodate the £30m day-to-day cashflow requirement as noted in the Treasury Management Strategy.

2.10.3 In order to increase investment returns, alternative investment options were considered. There was member approval to add the Local Authorities Pooled Investment Fund (LAPF) as an approved Council Investment in the 2019-20 Treasury Management Strategy approved as part of the budget on 13 February 2019.

2.10.4 The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. Any Local Authority in the United Kingdom can invest in the Fund and the minimum investment is £25k. As at December 2018 there are assets under management of £1,104m. The Fund aims to provide investors with a high level of income and long-term capital appreciation, and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets, but may invest in other assets. There is an accompanying prospectus and factsheet appended to this report, for information.

2.10.5 Such funds tend to generate a higher rate of return. For example, 2017-18 returned a 4.2% dividend yield on the Local Authority Property Fund compared with the Council's average rate of return on investments of 0.67% in 2018-19.

2.10.6 Clearly there are increased risks associated with higher yield investment opportunities, and any potential investment would need to be considered very much as a much longer term investment strategy, pro-actively managed by CCLA, to manage those risks over time. Indeed 10 year returns for CCLA show an annualised total return of 8.7%.

2.10.7 Given the nature of the underlying investment (UK based diversified property portfolio) and the potential for domestic economic volatility in the run up to UK's expected withdrawal from the EU, advice has been sought from the Council's external treasury advisors, as well as detailed officer discussions with the LAPF's Fund Manager, CCLA. Approved Council budget plans factored in a potential investment of up to £10m part way through 2019-20, with an assumed net income yield of £150k in 2019-20, increasing to £300k from 2020-21 onwards.

2.10.8 It is intended that the Council will make an initial Investment in LAPF of £5m, with a view to consideration for a further investment tranche later in the year. Splitting the total investment in to two batches would potentially reduce the timing risk of the investment. It should also be noted that there is an 8% ‘spread’ on this particular investment. This is made up of a purchase charges of 6.5% and selling charges of 1.5%.

2.10.9 The nature of this type of investment is such that it has to be seen as a much longer term investment to mitigate against any short-term market volatility or risk. Any initial net yield gains would be offset to some extent by these transaction costs. There are also annual management charges that are payable to reflect the fact that the fund is actively managed. These costs are 0.65% and are deducted from dividend payments.

3. Implications for the Council

3.1 Working with People – no impact

3.2 Working with Partners – no impact

3.3 Place Based Working – no impact

3.4 Improving outcomes for children - no impact

3.5 Other (e.g. Legal/Financial or Human Resources) – Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.

4. Consultees and their opinions

None.

5. Next steps and timelines

Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet in June and Council in July 2019 as part of the overall financial outturn and rollover report 2018-19.

6. Officer recommendations and reasons

CGAC are asked to consider the following for Cabinet and Council approval;

6.1 note treasury management performance in 2018-19 as set out in this report;

6.2 agree officer proposals to review any LOBO loan re-financing options in conjunction with Arlingclose, and to proceed if considered beneficial to the Council;

6.3 note officer intention to undertake an investment in the Local Authorities Property Fund through 2019/20.

7. Cabinet portfolio holder's recommendations

To follow

8. Contact officer

James Anderson	Senior Finance Manager
Rachel Firth	Finance Manager

9. Background Papers and History of Decisions

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.
Treasury Management Strategy Report approved by Council on 14 February 2018.
Local Authorities Property Fund & Factsheet

10. Service Director responsible

Eamonn Croston 01484 221000

APPENDIX 1

Kirklees Council Investments 2018/19											
Counterparty		**Credit Rating Mar 2019***	**1 April 2018 £m**	**Interest Rate**	**Type of Investment**	**30 September 2018 £m**	**Interest Rate**	**Type of Investment**	**31 March 2019 £m**	**Interest Rate**	**Type of Investment**
Specified Investments											
Barclays	Bank	F1+/A1				0.8	0.05%	Instant Access			
Lloyds	Bank	F1+/A1				6.0	0.75%	32 Day Notice			
Santander	Bank	F1+/A1				7.0	0.85%	35 Day Notice	2.0	0.85%	35 Day Notice
Svenka Handelsbanken	Bank	F1+/AA						Instant Access			
Svenka Handelsbanken	Bank	F1+/AA				6.6	0.77%	35 Day Notice			
Aberdeen Standard	MMF**	AAAmmf	9.9	0.46%	Instant Access	9.9	0.67%	Instant Access	9.8	0.79%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.42%	Instant Access	10.0	0.66%	Instant Access	10.1	0.65%	Instant Access
Deutsche	MMF**	AAAmmf	9.0	0.37%	Instant Access	0.9	0.64%	Instant Access			
Goldman Sachs	MMF**	AAAmmf	7.2	0.37%	Instant Access	9.9	0.64%	Instant Access	7.2	0.72%	Instant Access
Thurrock Council	Local Auth'y								5.0	0.94%	Local Authority
Suffolk County Council	Local Auth'y								5.0	0.95%	Local Authority
			36.1			**51.1**			**39.1**		
Sector analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
Bank						20.4	40%		2.0	5%	
Building Society											
MMF**			36.1	100%		30.7	60%		37.1	95%	
Local Authorities/Cent Govt											
			36.1	100%		**51.1**	100%		**39.1**	100%	
Country analysis			**£m**	**%age**		**£m**	**%age**		**£m**	**%age**	
UK						13.8	27%		2.0	5%	
Sweden						6.6	13%				
MMF**			36.1	100%		30.7	60%		37.1	95%	
			36.1	100%		**51.1**	100%		**39.1**	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 2

Long-term loans repaid and short-term loans outstanding 31 March 2019

Long-term loans repaid during 2018/19

	Amount £000s	Rate %	Date repaid
Repayments on maturity			
PWLB (498254)	2,768	4.24	24 Dec 18
PWLB (498438)	4,612	4.10	17 Sep 18
Repayments on annuity loans			
PWLB (496956)*	337	4.58	01 Oct 18
PWLB (496956)*	345	4.58	29 Mar 19
Total	**8,062**		

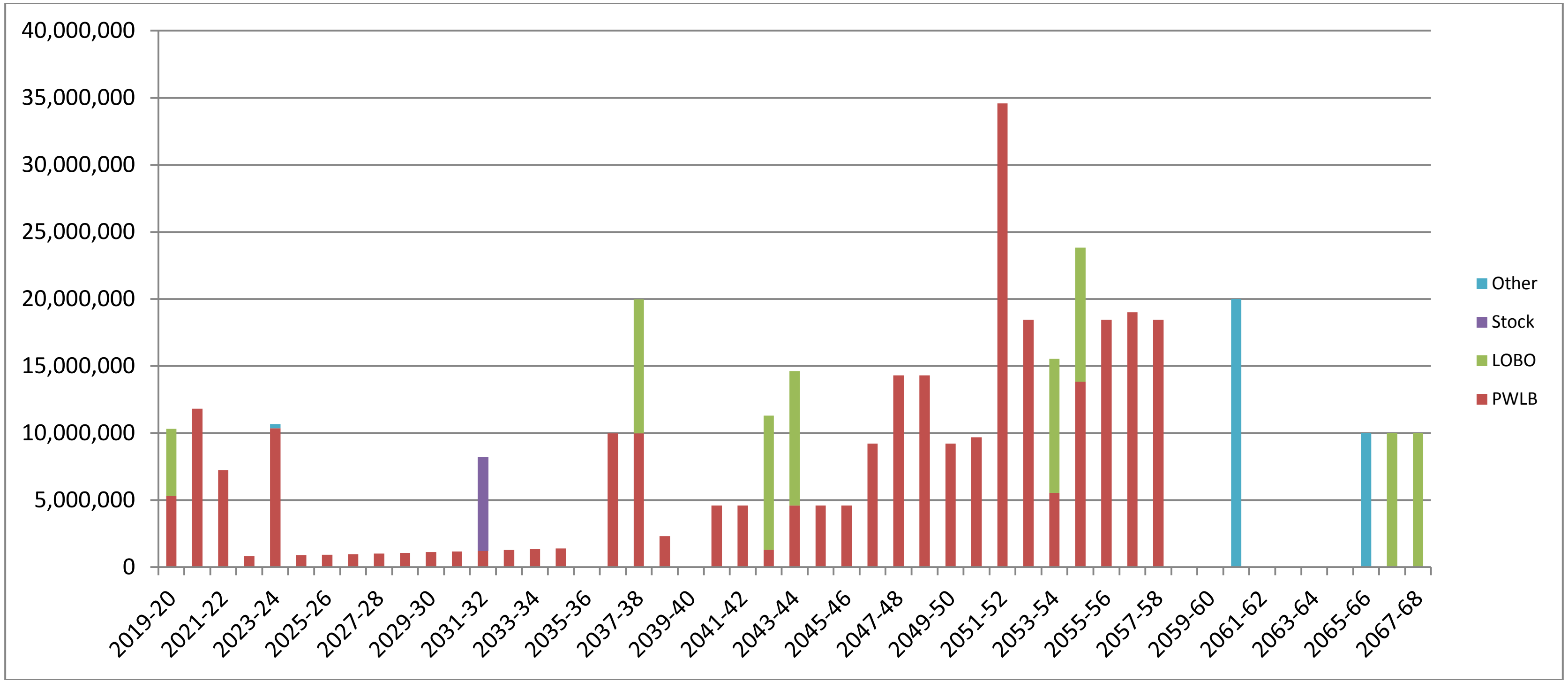
* represents loan extended to Kirklees College, for which the College is making similar repayments to the Council

Short-term loans outstanding 31 March 2019

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
None			
Local lenders/Trust Funds	1,389		
Long-term loans due to mature in the next twelve months	5,366		
Total*	6,755		

* excludes interest accrued

Kirklees Council Loan Maturity Profile (All Debt) **Appendix 3**



Appendix 4

Kirklees Council - Borrowing and Investment Trends

At 31 March	2019	2018	2017	2016	2015
Investments	(39.1m)	(36.1m)	(31.3m)	(38.3m)	(38.7m)
ST Borrowing (excl interest accrued)	6.8m	20.8m	37.7m	16.0m	21.1m
LT Borrowing	389.1m	392.4m	400.5m	408.4m	422.6m
Total Borrowing	395.9m	413.2m	438.2m	424.4m	443.7m
Deferred liabilities (non PFI)	3.9m	4.1m	4.1m	4.3m	4.4m
Net debt position	**360.7m**	**381.2m**	**411.0m**	**390.4m**	**409.4m**
Capital Financing Requirement (excl PFI)					
General Fund	436.6m	420.3m	412.8m	411.3m	422.2m
HRA	175.3m	182.8m	186.2m	192.4m	196.6m
Total CFR	**611.9m**	**603.2m**	**599.0m**	**603.7m**	**618.8m**
Balances “internally invested”	214.2m	185.9m	156.7m	175.0m	170.7m
Ave Kirklees’ investment rate for financial year	0.7%	0.3%	0.4%	0.5%	0.4%
Ave Base rate (Bank of England)	0.7%	0.3%	0.3%	0.5%	0.5%
Ave LT Borrowing rate (1)	2.6%	2.5%	2.5%	3.2%	3.7%

(1) Based on average PWLB rate throughout the year on a 20 year loan repayable on maturity.

APPENDIX 5

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 2018-19	Actual 2018-19
Interest at fixed rates as a percentage of net interest payments	60% - 100%	81%
Interest at variable rates as a percentage of net interest payments	0% - 40%	19%

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.

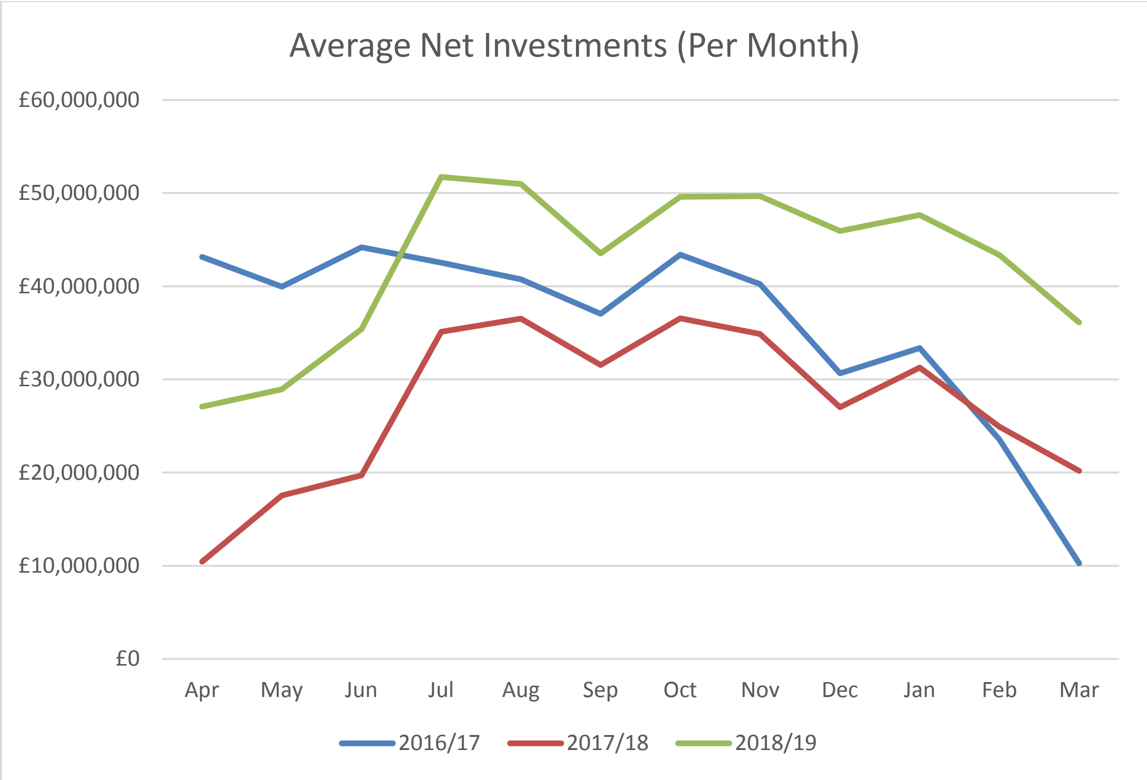
Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2018-19	Actual Levels 2018-19
Under 12 months	0% - 20%	2%
12 months to 2 years	0% - 20%	4%
2 years to 5 years	0% - 60%	6%
5 years to 10 years	0% - 80%	1%
More than 10 years	20% - 100%	87%

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.

APPENDIX 6



Average Net Investments (Per Month)
£60,000,000
£50,000,000
£40,000,000
£30,000,000
£20,000,000
£10,000,000
£0
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
2016/17
2017/18
2018/19

Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend
	The finances of the Council			
1	A failure to achieve the Councils savings plan impacts more generally on the councils finances with the necessity for unintended savings (from elsewhere) to ensure financial stability	• Established governance arrangements are in place to achieve planned outcomes at Cabinet and officer level • Escalation processes are in place and working effectively. • Alignment of service, transformation and financial monitoring. • Tracker developed which allows all change plans to be in view and monitored on a monthly basis • Programme management office established and resourced • Monthly (and quarterly) financial reporting ***Responsible for this risk - E Croston & ET (owner J Anderson)***	**H**	⬌ 4x5=20
2	Failure to control expenditure and income within the overall annual council approved budget leads to the necessity for unintended savings (from elsewhere)). The most significant of these risks are related to volumes (in excess of budget) of; • Complex Adult Care services • Childrens Care Services • Educational high needs & Rent Collection impact of Universal Credit rollout (H R A) And in the longer term, the costs of waste disposal.	• Significant service pressures recognised as part of resource allocation in 2018/19 and 2019/20 • Responsibility for budgetary control aligned to Strategic and Service Directors. • Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs • Utilise supplementary resources to cushion impact of cuts and invest to save. • Continue to lobby, through appropriate mechanisms, for additional resources • Proactive monitoring as Universal Credit is introduced ***Responsible for this risk - E Croston & ET(owner J Anderson)***	**H**	⬌ 3x5=15
3	Above inflation cost increases,	• Monitor quality and performance of contracts.	**M**	

	particularly in the care sector, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.	• Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices • Renegotiate or retender contracts as appropriate. • Ensure that budgets anticipate likely cost impacts • Seek additional funding as a consequence of government imposed costs ***Responsible for this risk - E Croston & R Parry (owner several)***		↑ 4x4=16
4	Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.	• Effective due diligence prior to granting loans and careful monitoring of investment decisions. • Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice ***Responsible for this risk - E Croston (owner R Firth)***	**MH**	↔ 2x5=10
5	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances	• Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. • Consider risks and most cost effective appropriate approach to responding to these (internal or external insurance provision) ***Responsible for this risk - E Croston & J Muscroft(owner K Turner)***	**H**	↔ 4x4=16
6	A future financial regime set by government causes a further loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans.	• Monitor government proposals and legislation, and their impact on council and partner services. • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with citizens, partners, service providers and suppliers about likely impact on resources • Ensure that budgets anticipate likely impacts • Ensure adequacy of financial revenue reserves to protect the council financial exposure and managed effectively not to impact on the council essential services. . ***Responsible for this risk - E Croston & ET (owner J Anderson)***	**L**	↑

	Community Impacts & Risks			
7	The council does not adequately safeguard children and vulnerable adults, as a result of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	• Disclosure & Barring Service (DBS) 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 • Development of market sufficiency strategy; consider approaches to support the development of the available service offer both locally and regionally. • Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Ensure routine internal quality assessment • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as “corporate parent” • Childrens Improvement Board to assist governance and quality improvement ***Responsible for this risk – R Parry and M Meggs (owners several)***	**H**	↓ 4X5=20
8	Legacy issues of historical childcare management practices, and particularly, the heightened national attention to Child Sexual Exploitation and historical abuse cases leads to reputational issues, and resource demands to address consequential matters.	• Additional resources and expertise allocated to new and historical Child Sex Exploitation (CSE) and other legacy work, as required. • Risk matrix and risk management approach implemented with the police and partners. • Understand relationship with the Prevent strategy, and issues linked to counter terrorism • Take steps per risk 7 to seek to avoid ongoing issues ***Responsible for this risk –M Meggs***	**LM**	↔ 4x4=16

9	Failure to address matters of violent extremism and related safer stronger community factors create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals).	• 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 ***Responsible for this risk – R Parry and M Meggs(owners C Gilchrist)***	**M**	⬆ 4x5=20
10	Significant environmental events such as severe weather impact on the Council's ability to continue to deliver services.	• 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. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.) ***Responsible for this risk – K Battersby (owners L Haywood, W Acornley)***	**M**	⬌ 3x5=15
11	The policy presumption of communities taking more responsibility for service provision does not deliver the hoped for outcomes, with the consequence that some community services will no longer be sustainable from the resources available, with reputational and policy risks.	• 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 implementation 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. ***Responsible for this risk – all strategic directors (owner C Gilchrist)***	**M**	⬆ 5x4=20

	The UK exiting the EU			
12	The process of the UK exiting the EU lead to the following consequences and impact: • Economic uncertainty impact on business rates and housing growth, with knock-ons to council tax, new homes bonus and business rate income. • The potential for increased cuts in core government funding (as a result of economic pressures) in the context of ongoing increases in demand for council services. • Rising inflation could lead to increased costs. Interest rate volatility impacting on the cost of financing the council's debt. • The general uncertainty affecting the financial markets could lead to another recession. • An uncertain economic outlook potentially impacting on levels of trade and investment. • Uncertainty about migration impacting on labour markets, particularly in key sectors like health and social care • Potential impact on community cohesion, with increased community tensions and	These risks are largely addressed elsewhere in the Matrix • Monitor government proposals and legislation, and their impact on council and partner services. • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers about likely impact on prices and resources. • Ensure that budgets anticipate likely cost impacts • Utilise supplementary resources to cushion impact of any cuts and invest to save. • Ensure adequacy of financial revenue reserves to protect the council financial exposure and that they are managed effectively not to impact on the council essential services • Local intelligence sharing and networks. • Prevent partnership action plan. • Community cohesion work programme • Service and financial strategies kept under review to keep track of developments related to the UK exiting the EU. • Working Group established to consider and monitor implications. ***Responsible for this risk –all ET (owner D Bundy)***	**LM**	4x4=16

	reported hate crimes			
	Other Resource & Partnership Risks			
13	Council supplier and market relationships, including contractor failure leads to; • loss of service, • poor quality service • an inability to attract new suppliers (affecting competition, and to replace any incumbent contractors who have failed) • complexities and difficulties in making arrangements in respect of significant and long running major outsource contracts, and their extension and renewal.	• 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. • Consideration of social value, local markets and funds recirculating within the borough • Understanding supply chains and how this might impact on the availability of goods and services • 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. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors ***Responsible for this risk – J Muscroft (owner J Lockwood)***	**MH**	4x4=16
14	Management of information from loss or inappropriate destruction or	• Thorough, understandable information security policies and practices that are clearly communicated to workforce.	**H** **(INFO)** **M**	

	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) leading to reputational damage, rectification costs and fines. Cyber related threats affecting data integrity and system functionality	• 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. • Council has a Senior Information Risk Owner ("SIRO") officer and a Data Protection Officer (DPO) who are supported by an Information Governance Board • Development of action plan to respond to GDPR requirements and resourcing requirements as appropriate • Increased awareness of officers and members as to their obligations • Proactive management of cyber issues, including additional web controls ***Responsible for this risk – J Muscroft (owner K Deacon) & A Simcox (owner T Hudson)***	**(CYBER)**	4x5=20
15	Health and 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.(and the potential of prosecution and corporate /personal liability)(and in particular issues of fire safety,)	• New Fire Safety Policy approved and being implemented with improved monitoring of fire risk • Prioritised programme of remedial works to buildings to tackle fire safety and other issues • Review work practices to address H&S risks • Monitor safety equipment • Improved employee training as to their responsibilities, as employees and (where appropriate) as supervisors • Approval of additional resources to improve corporate monitoring regime. ***Responsible for this risk – R Spencer Henshall (owner S Westerby)***	**H**	3x5=15
16	Exposure to increased liabilities arising from property ownership and management, including	• Routine servicing and cleansing regimes • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy	**H**	

	dangerous structures and asbestos, with reputational and financial implications.	• Review of fire risks Develop management actions, categorised over the short to medium term and resource accordingly. • Prioritisation of funding to support reduction of backlog maintenance • Clarity on roles and responsibilities particularly where property management is outsourced. ***Responsible for this risk – K Battersby (owner D Martin)***		4x4=16
17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	• Engagement in winter resilience discussions with NHS partners • Secure funding as appropriate • Consider extension of pooled funds • Accept that this may lead to an increase in waiting times • Strengthen partnership arrangements to ascertain whether other funding or cost reduction solutions can be introduced. ***Responsible for this risk – R Parry & all ET (owner Various)***	**L**	↑ 4x4=16
18	The risk of retaining a sustainable, diverse, workforce, including • aging and age profile • encouraging people to enter hard to recruit roles (which often have low pay, or challenging hours or tasks) • encouraging entrants to professional roles where pay is often below market levels. • and ensuring that the workforce are broadly content, without whom the council is unable to deliver its service obligations.	• Effective Workforce Planning (including recruitment and retention issues) • Modernise Human Resources policies and processes • Increased accessibility to online training managers/ employees. • 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.. • Understand market pay challenges • Promote the advantages of LG employment • Emphasise the satisfaction factors from service employment • Engage and encourage younger people through targeted apprenticeships, training, and career development ***Responsible for this risk – R Spencer Henshall (owner D Lucas)***	**H**	↓ 4x4=16
19	National legislative or policy	• Reprioritise activities	**L**	

↑

	changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets.	• Deploy additional resources • Use of agency staff or contractors where necessary • Development of horizon scanning service ***Responsible for this risk – all ET (owner Various)***		5x4=20

All risks shown on this corporate matrix are considered to have a potentially high probability, or impact, which may be in the short or medium horizon 20190604

Risk Factor

Probability; Likelihood, where 5 is very likely and 1 is very unlikely

Impact; The consequence in financial or reputational terms

Risk ; Probability x Impact

TREND ARROWS

Worsening	⬆
Broadly unchanged	⬌
Improving	⬇

CONTROL OPPORTUNITIES

H	This risk is substantially in the control of the council
M	This risk has features that are controllable, although there are external influences
L	This risk is largely uncontrollable by the council