

**Name of meeting:** Cabinet

**Date:** 13th August 2019

**Title of report:** Corporate Financial Monitoring Report, Quarter 1, 2019-20

**Purpose of the Report**

To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 1 (month 3), 2019-20.

<b>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?</b>	<b>Yes</b>
<b>Key decision - is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</b>	<b>Key decision - Yes</b>
<b>The Decision - Is it eligible for “call in” by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director &amp; name</b>	<b>Rachel Spencer Henshall – 2 August 2019</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Eamonn Croston – 31 July 2019</b>
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning?</b>	<b>Julie Muscroft – 2 August 2019</b>
<b>Cabinet member portfolio - Corporate</b>	<b>Give name of Portfolio Holders Cllr Graham Turner</b>

**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 revised General Fund controllable (net) revenue budget for 2019-20 is **£287.1m**. The budget includes planned (net) revenue savings in-year of £10.9m.
- 1.1.2 The revised budget includes a number of planned transfers from reserves during the year, with the most significant being £2.8m from the revenue grants reserve which includes £0.8m from the Public Health reserve.
- 1.1.3 There is a forecast overspend of £2.0m against the £287.1m revised budget at Quarter 1; equivalent to 0.7%. This represents the following:
- i) forecast delivery of £7.8m planned savings against the target £10.9m ; equivalent to 72%;
  - ii) proposed transfer and roll forward of unbudgeted forecast in-year high needs pressure of £4.2m, through the Dedicated Schools Grant (DSG) funding account, within allowable Government rules;
  - ii) forecast £1.1m net underspends elsewhere

A detailed breakdown of the planned savings can be found at Appendix 6.

- 1.1.4 The forecast revenue outturn as at Quarter 1 is summarised at Appendix 1 and also in Table 1 below.

**Table 1 - Overview of 2019-20 general fund forecast revenue outturn position as at Quarter 1**

	<b>Revised Budget</b>	<b>Outturn Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children & Families	80,317	80,751	434
Adults & Health	100,315	101,265	950
Economy & Infrastructure	40,997	43,765	2,768
Corporate Services	32,068	32,044	(24)
Central Budgets	33,382	31,282	(2,100)
<b>Grand Total</b>	<b>287,079</b>	<b>289,107</b>	<b>2,028</b>

- 1.1.5 It is expected that Strategic Directors continue to ensure as far as possible that management actions are taken between now and year end to manage down the forecast £2.0m forecast overspend, to deliver an overall balanced position for the Council for 2019-20. Headline variances are described in more detail in sections 1.2 to 1.5 below and a summary of all key variances can also be found at Appendix 4.
- 1.1.6 Cabinet has started work with the Executive Team to develop the budget for 2020-21 and beyond. After an initial review of the implementation of this year's agreed budget, the Cabinet will be looking to develop proposals that continue to build on their ambition for investment that supports the Council's priorities. A report will be submitted to Cabinet and the Council in early autumn which will set out the financial planning framework to inform the Council's budget strategy for 2020-21 and beyond.

## 1.2 Children & Families

### Learning – High Needs

- 1.2.1 The Dedicated Schools Grant (DSG) High Needs funding allocation for 2019-20 is £38.0m. The forecast in-year pressure on High Needs spend in excess of the DSG funding allocation is £9.2m (equivalent to 24.2%). This pressure has been part offset from the planned release of Central Budget Minimum Revenue Provision (MRP) budget of £5m in-year. The current Medium Term Financial Plan (MTFP) strategy is to continue to release MRP over-provision budget over the medium term, but on a reducing basis.
- 1.2.2 Government's 2017 review of the National Funding Formula (NFF) acknowledged that Kirklees was underfunded in relation to existing high needs support from birth through to age 25, and identified a £7m high needs funding increase requirement (equivalent to 21% uplift against the existing high needs allocation). However, maximum annual increases have been capped at 3%, which translates to around to £1m uplift per year from 2018-19, over a seven year period. The current MTFP strategy set out in paragraph 1.2.1 above is intended to compensate for the fact that the full £7m funding requirement is only being released gradually by Government, over the 7 year period. It also takes into account a supplementary extra £250m national high needs funding announcement by Government late in 2018-19; £125m in 2018-19 and £125m 2019-20. Kirklees share of this is £1m per annum.
- 1.2.3 Net of the planned release of £5m MRP over-provision in-year, there is still a balance of £4.2m forecast unfunded in-year pressure. Of this, £2.2m relates to additional funding required to address structural funding pressures within the Council's Special Schools provision.
- 1.2.4 The remaining £2m High Needs pressure relates to a forecast increase in the overall number of children with Education, Health and Care Plans (EHCP's) and increased levels of top up funding for children already with an EHCP.
- 1.2.5 There has already been a 44% rise in the number of EHCP's within Kirklees in the last four years (2015-2019) since the 2014 Children and Families Act was implemented (47% nationally). The rising demand and cost pressures show no sign of slowing down, with continued growth of EHCP numbers expected in future years (over 10% in each of the last three years nationally).
- 1.2.6 It is not known at this stage whether any additional High Needs funding will be allocated by Government later in the year in response to the growing pressures noted at paragraph 1.2.5 above. 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.
- 1.2.7 It is proposed at Quarter 1 that the projected unfunded High Needs pressure of £4.2m is carried forward on the balance sheet as a funding deficit against Dedicated School Grant (DSG). This is allowable under current Department for Education (DfE) DSG grant conditions. Should the deficit rolled forward comprise greater than 1% of the Council's total DSG allocation, the DfE will require the Council to agree a plan to return the DSG account to a balanced position within a specified time period (up to a maximum of three financial years). Kirklees received an overall DSG allocation of £362.65m for financial year 2019-20 so a deficit of £4.2m equates to 1.16%.
- 1.2.8 To put the above approach into context, most recently the Association of Local Authority Treasurers wrote to the Secretary of State for Education on 28<sup>th</sup> June 2019 outlining the issues facing the 152 Councils with statutory education responsibilities, in managing this additional demand, and asking Government for a further injection of funding into the system alongside a review of the Children and Families Act. Based on a survey response of 88 Authorities, the letter sets out an indicative estimate that by the end of 2018/19, the cumulative High Needs deficit across the 152 authorities would be in the region of £500m, and that through 2019-20, 88% of the 152 authorities will be in a deficit high needs funding position. The proposals set out in paragraph 1.2.7 above would also result in an equivalent Kirklees DSG £4.2m forecast

deficit carried forward equivalent to 11.0% of the Council's annual high needs funding allocation.

- 1.2.9 High Needs is an area of significant and growing pressure on Council budgets nationally and officers will continue to review and update current and future year forecasts through 2019-20, informed by local and national intelligence. It is anticipated that medium term, 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. Medium term, the approved capital budget plans for 2019-24 include £25m to support increased District high needs specialist placement sufficiency.
- 1.2.10 However, the above measures in themselves will not be enough to recover the overall position, and there is an expectation both locally and across the sector that Government has to fundamentally review High Needs funding requirements through any forthcoming Spending Review process, with some potential for a further supplementary in-year High Needs funding allocation as well, in 2019-20.

#### Learning and Early Support

- 1.2.11 There is a forecast pressure of £0.5m on Post -16 Home to School Transport due to an increase in the number of pupils with Education Health and Care Plans (EHCP's) requiring transport. Currently there are 245 children with EHCP's using this service which is an increase of 48 from the previous year and 91 from 4 years ago. This pressure also links in to other schools transport pressures highlighted in paragraph 1.4.2 further below, and the Council is currently exploring a range of alternate approaches, working with pupils, parents, schools sector and providers, to deliver more innovative and tailored transport options while reducing overall cost pressures.

#### Child Protection and Family Support

- 1.2.12 Child Protection and Family Support has an estimated underspend of £0.7m on demand led placement costs; with planned moves agreed to reduce External Residential Placement (ERPs) from 37 to 16 during the year. This underspend is offset in part by other net social care pressures totalling £0.3m, including investment in Social Work practice and staff development.

### **1.3 Adults and Health**

- 1.3.1 Within Adults and Health there is a planned saving on independent sector home care of £1m, and this is anticipated to be achievable, in part due to strengths based approaches having an impact. However there is a further projected £1.3m home care underspend; mainly due to current capacity challenges in the Independent Sector Home Care market which is resulting in causing alternate spend on placements and short term packages of £500k; and also some re-direct of anticipated Home Care spend to self-directed support, at £600k.
- 1.3.2 The other main projected variance in Adults relates to employee costs at £461k. A Programme is currently being shaped around the means of achieving the 19-20 savings targets. This will involve further developing understanding around demand and growth predictions, levels of productivity and the workforce shape required to best deliver pathways. It will also enable an intelligence led approach to vacancy management.
- 1.3.3 Government confirmed a national in-year (2018-19) 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 2019-20 finance settlement confirmed the continuation of this funding in 2019-20. This is built into Adults base budgets alongside £1.2m Social Care Grant, originally announced as a one-off grant for 2018-19 but subsequently rolled into a new funding allocation for 2019-20 to be spent on Adult's

and Children's social care.

- 1.3.4 An additional £2.8m resource was set aside in reserves for Social Care Investment and Transformation in 2018-19; 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 (2018-19 allocation). Specific resource allocation recommendations for this additional funding were approved at Cabinet on 18th August 2018 with plans to draw the reserve down over a two year period to match actual spend. £2.5m of this reserve is still available to draw down in 2019-20.
- 1.3.5 The revised budget for Public Health includes a planned transfer of £823k from the Public Health reserve in-year, approved as part of the Annual Budget report in February 2019. This resource is being used to allow continued investment in substance misuse and sexual health activities that would otherwise have been subject to savings in 2019-20.

## **1.4 Economy and Infrastructure**

- 1.4.1 Within Commercial, Regulatory & Operational Services (CROS) there is a projected overall income shortfall of £1.2m in Car Parking. As part of 2019-20 budget, car parking charges were frozen, and have been for a number of years. This means that the income targets within the budget cannot be achieved. Parking studies are underway, taking into account the Council's town centre and climate change ambition, which will enable a more realistic figure to be built into the budget process for 2020-21.
- 1.4.2 Also within CROS there is a projected overspend of £0.5m on Schools Transport; in the main linked to special educational needs demand (links also to the Learning-High Needs Section 1.2 of the report earlier), and a £0.4m short-term pressure in Bereavement due to a revised income shortfall projection relating to the Cremator Replacement project.

## **1.5 Central Budgets**

- 1.5.1 Approved Central Budgets for 2019-20 include the set aside of £2.7m minimum revenue provision (MRP) over-allocation budget, as in-year contingency. This report reflects the intended release of £2.1m of this contingency over-provision at Quarter 1, to part mitigate the balance of £3.1m, or 28%, of the planned £10.9m savings unlikely to be achieved by current year end (see also Appendix 6). This leaves a contingency of £600k within Central Budgets; the further release of which will be reviewed in subsequent monitoring reports.

## **1.6 General Fund Reserves**

- 1.6.1 The reserves position at Appendix 2 reflects the Council's reserves strategy and approach reported and approved at Budget Council on 13 February 2019 and subsequently updated as part of the 2018-19 Outturn report to Cabinet and Council in June and July 2019 respectively.
- 1.6.2 General fund reserves and balances are estimated to reduce through 2019-20 by £5.5m; from £112.5m at the start of the year to £107.0m as at 31 March 2020. The movement is made up of planned drawdowns in the year of £2.8m from the Revenue Grants reserve and £0.5m from the Rollover Reserve, together with the forecast overspend in year of £2m. However, this is a very early indicative forecast movement, and will be re-freshed and updated later in the year.
- 1.6.3 The revenue rollover of £189k approved at Council on 17<sup>th</sup> July has been transferred from general balances to the rollover reserve in-year to leave a revised General Balances figure of £10.0m.
- 1.6.4 The forecast reserves as at 31st March 2020, includes £9.7m relating to statutory schools reserves (which cannot be re-directed for non-school uses), leaving £10.0m general balances

and £87.3m usable reserves.

- 1.6.5 Total forecast usable reserves at 31<sup>st</sup> March 2020 is equivalent to 30.4% of the 2019-20 £287.1m (net) revenue budget. This represents a net increase of over 2% 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.
- 1.6.6 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.
- 1.6.7 Forecast financial resilience reserves as at 31<sup>st</sup> March 2020 will remain at just over £35m, which is net of the forecast £2m overspend and therefore £2m below the minimum financial reserves requirement recommendation by the Chief Financial Officer at least to the start of 2020-21. This recommendation was set out in the original 2019-22 budget strategy update report to Council in October 2018, informed by the Council's corporate risk register.
- 1.6.8 Regular monitoring and review of corporate reserves will be undertaken as part of the standard monitoring cycle and factored into the budget update due to Cabinet and Council in early Autumn 2019.
- 1.6.9 The Strategic Investment Support Reserve stands at £5.4m but there will be a review of the profile of commitments against this reserve for Quarter 2. Current commitments total £5.35m across the period 2019-24. These include managing the medium term revenue impact associated with the strategic acquisitions of key assets in support of the Council's broader Blueprint agenda for the major transformation of our key Town Centres. These reserves commitments will be monitored on an ongoing basis.
- 1.6.10 Kirklees had previously been allocated £210k funding from Government to help Councils with preparations for the UK's planned withdrawal from the EU; £105k for 2018-19 and a further £105k for 2019-20. This is being held within earmarked reserves in the first instance. Any costs incurred relating to planning, for example for increasing capacity and resilience, will be monitored and funding drawn down from the reserve to cover these costs in due course. Another potential impact on service budgets is the slow release build-up of costs through changes in prices/shortages in supply etc. These costs will also be monitored as required.

## **1.7 Collection Fund**

- 1.7.1 The Collection Fund accounts separately for council tax and business rates income and payments. At Quarter 1, both elements of the collection fund are projecting an in-year performance in line with budget for 2019-20.
- 1.7.2 Taking into account the opening balance and repayments to the general fund in year, this results in a forecast deficit of £0.4m at 31<sup>st</sup> March 2020 for council tax; equivalent to 0.2% of Kirklees annual council tax requirement, and a forecast surplus of £1.8m for business rates; or 2.4% of planned income. See also the collection fund summary at Table 2 below.

**Table 2 – Collection Fund Summary**

<b>Collection Fund forecast (Council Share)</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Surplus)/Deficit at 1st April 2019	<b>1,621</b>	<b>(8,700)</b>	<b>(7,079)</b>
Re-payments to/(from) General Fund 19-20	(1,179)	6,923	5,744
In year Financial Performance	-	-	-
<b>(Surplus)/Deficit at 31st March 2020</b>	<b>442</b>	<b>(1,777)</b>	<b>(1,335)</b>

- 1.7.3 Business Rates annual appeals bad debt provision requirement was reduced in the 2019-20 budget round as a reflection of the new, more stringent, appeals system implemented from April 2017 onwards. Based on Quarter 1 forecasts, this revised level is robust, however officers will continue to review and update appeals provision assumptions throughout the remainder of the financial year as further intelligence emerges from the new system.

### **2018-19 Leeds City Region Business Rates Pool Surplus**

- 1.7.4 The Leeds City Region Pool (LCR) was disbanded on 31st March 2019, with the new North and West Yorkshire 75% Pilot arrangement beginning on 1st April 2019. At the final meeting of the LCR Pool's Joint Committee on 27th March, a projected surplus of £1.5m was noted and this was notionally allocated to member authorities in accordance with the Governance Agreement. Kirklees' allocation of the surplus was calculated to be £164k.
- 1.7.5 A meeting of the Leaders was held on 11th April to discuss how to utilise this surplus. Leaders agreed to fund the following from the 2018-19 surplus position:
- i) 2019-20 Leeds City Region Secretariat £620k
  - ii) 2019-20 Combined Authority Transport Fund £696k
  - iii) 2019-20 WYCA China/India Desk £150k

Governance arrangements require individual members of the LCR Pool to formally approve the proposed utilisation of the LCR Pool Surplus funds as set out above. Cabinet is therefore asked to approve the proposals set out here, as part of this overall report.

## **1.8 Housing Revenue Account**

- 1.8.1 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 forecast revenue outturn at Quarter 1 is a surplus of £0.9m against an annual turnover budget of £92.0m in 2019-20; equivalent to just 1%. This largely reflects a planned re-payment to the HRA by Kirklees Neighbourhood Housing of £1.1m fee underspend rolled forward from 2018-19, against repair and maintenance activity.
- 1.8.2 Forecast HRA reserves at 31 March 2020, net of set asides for business risks and investment needs and a minimum working balance, is £61.2m. A summary of the HRA outturn and reserves position can be found at Appendix 3. Key variances are highlighted as part of Appendix 4.

## **1.9 Capital**

- 1.9.1 The Council's revised capital budget for 2019-20 is £114.8m. The forecast capital outturn at Quarter 1 is £113.4m; forecast £1.4m variance.
- 1.9.2 The quarter 1 position is summarised in Table 3 below, categorised by Council primary outcomes as set out in the Corporate Plan, which illustrates how the Council's investment proposals align

with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline work programmes and one-off projects.

**Table 3 – Forecast Capital Outturn 2019-20 at Quarter 1**

<b>By Category</b>	<b>Revised Budget £000</b>	<b>Actuals to Date £000</b>	<b>Annual Forecast £000</b>	<b>Variance £000</b>
Achieve & Aspire	16,031	157	14,632	(1,399)
Children	200	0	200	0
Independent	2,673	13	2,673	0
Sustainable Economy	59,746	10,357	59,746	0
Well	4,029	68	4,029	0
Safe & Cohesive	180	0	180	0
Clean & Green	1,789	360	1,789	0
Efficient & Effective	4,456	166	4,456	0
<b>General Fund</b>	<b>89,104</b>	<b>11,121</b>	<b>87,705</b>	<b>(1,399)</b>
Independent –Strategic Priorities	6,790	287	6,790	0
Independent - Baseline	18,892	389	18,892	0
<b>Housing Revenue Account</b>	<b>25,682</b>	<b>676</b>	<b>25,682</b>	<b>0</b>
<b>Total Capital Plan</b>	<b>114,786</b>	<b>11,797</b>	<b>113,387</b>	<b>(1,399)</b>

- 1.9.3 A more detailed breakdown of the capital outturn position is provided at Appendix 5, along with key variances highlighted.
- 1.9.4 Noting that Quarter 1 is an early capital forecast, officers will continue to review capital budget profiles in year, including any more detailed recommendations for potential re-profiling of scheme budgets between years (allowable under Financial Procedure Rules 3.10-3.15), as part of Quarter 2 financial monitoring. Any such recommendations would reflect the growing complexities and challenges over the next 5 years in delivering to this scale of ambition.
- 1.9.5 Future capital plan updates will also be presented periodically 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.
- 1.9.6 The overall capital funding position will also be updated for Quarter 2 monitoring, based on the actual spending to that point. It should be noted that early indicators of actual expenditure as at Quarter 1 are £3.8m ahead of last year (£11.8m for 2019-20 compared to £8m in 2018-19), which highlights the progress to date in delivering the capital plan.
- 1.9.7 Approval is requested for a Council contribution to counter terrorism work in Kirklees Stadium Development Ltd (KSDL) relating to various grades of telescopic bollards. The Council's share (40%) of the planned expenditure for this scheme is likely to be up to £60k. It is intended that this can be absorbed within existing capital funding (re-direct from flexible capital receipts activity line).

## **2 Information required to take a decision**

- 2.1 The Appendices accompanying this report provide a more detailed breakdown of the Quarter 1 financial monitoring position, as follows:
- i) Appendix 1 sets out by service area, the forecast general fund revenue outturn position in 2019-20;



- ii) Appendix 2 summarises the forecast general fund reserves and balances movements in-year,
- iii) Appendix 3 summarises the forecast 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 forecast capital outturn position in 2019-20 and the reasons for the more significant forecast capital variances across strategic priority and baseline capital schemes.
- vi) Appendix 6 shows forecast performance against planned savings at Quarter 1.

### **3 Implications for the Council**

3.1 The report provides summary information on current and forecast financial performance against annual Council revenue and capital budgets, as at Quarter 1. 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 Councils 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 due to protracted uncertainty around the nature and timing of the UK's intended withdrawal from the EU, this could be cut 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 uncertainty for councils going forwards that, upon their conclusion, will result in a redistribution of funding between individual authorities.

3.6.4 Existing approved budget plans for 2019-22 include further target savings proposals of £6.2m over the 2020-22 period. However, given the uncertainties outlined above, there is significant

volatility in future years funding forecasts from 2020-21 onwards, and the Council at least needs to ensure that it achieves overall delivery of its existing planned savings over the 2019-22 period, including corrective action or alternative proposals.

- 3.6.5 Quarter 1 monitoring forecasts indicate the delivery in year of £7.8m net savings compared to planned savings of £10.9m; equivalent to 71% against target savings, and an overall £2.0m projected overspend. Note that these forecasts are net of High Needs unfunded pressures now assumed to be rolled forwards on the balance sheet as a deficit against DSG.
- 3.6.6 It is expected that Strategic Directors ensure as far as possible that management actions are taken between now and year end to manage down the remaining net overspend position to a nearer overall break-even position.
- 3.6.7 The Council's refreshed reserves strategy approved in the 2019-22 budget plans and since reaffirmed in Outturn and Rollover report to Cabinet and council in June and July 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. Any projected overspend would in the first instance effectively be transferred to reserves at year end and offset by financial resilience reserves, as indicated at Appendix 2.
- 3.6.8 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).
- 3.6.9 The above will factor in as appropriate, emerging issues highlighted through in-year financial monitoring reports.

#### **4 Consultees and their opinions**

This report has been prepared by the Service Director Finance, in consultation with the Executive Team.

#### **5 Next Steps**

To present this report to Cabinet as part of the Quarterly financial monitoring reporting cycle.

#### **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:

##### General Fund

- 7.1 approve the roll forward of the £4.2m High Needs overspend through the DSG mechanism for the reasons set out in the narrative of this report ;
- 7.2 note the 2019-20 forecast revenue overspend of £2.0m as at quarter 1; net of the proposal set out at 7.1 above;
- 7.3 note the expectation that Strategic Directors work to identify opportunities for spending plans to be collectively brought back in line within the Council's overall budget by year end;

- 7.4 note the forecast year end position on corporate reserves and balances;
- 7.5 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;
- Collection Fund
- 7.6 note the forecast position on the Collection Fund as at Quarter 1;
- 7.7 approve the allocation of the Leeds City Region pool surplus against the schemes highlighted in section 1.7 of the report.
- HRA
- 7.8 note the Quarter 1 forecast HRA surplus at £0.9m and forecast year-end reserves position of £61.2m;
- Capital
- 7.9 note the Quarter 1 forecast capital monitoring position for 2019-20;
- 7.10 to note the intention to bring back to Cabinet a more detailed review of the in-year capital forecast for Quarter 2, including any recommendations for scheme re-profiling across years ;
- 7.11 approve the capital expenditure for KSDL as highlighted in paragraph 1.9.7.

## **8 Contact Officer**

James Anderson, Head of Service - Accountancy  
james.anderson@kirklees.gov.uk

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

## **9 Background papers and History of Decisions**

Outturn and Rollover Report 2018-19  
Early Closedown Review 2018-19  
Annual budget report 2019-22  
Budget Strategy Update Report 2019-22  
Annual budget report 2018-20

## **10 Service Director responsible**

Eamonn Croston, Service Director Finance.

## Appendix 1

Corporate Revenue Budget Monitoring 2019-20 – Month 3								
	Year To Date			Annual				
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Actuals	Variance	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	14,700	13,183	(1,517)	58,486	29	58,515	58,007	(508)
Learning & Early Support & Schools	8,363	8,935	572	21,417	385	21,802	22,744	942
<b>Sub Total (Children &amp; Families)</b>	<b>23,063</b>	<b>22,118</b>	<b>(945)</b>	<b>79,903</b>	<b>414</b>	<b>80,317</b>	<b>80,751</b>	<b>434</b>
Adults Social Care Operation	14,325	14,609	284	33,375	18	33,393	33,151	(242)
Policy, Intelligence & Public Health	1,122	1,450	328	(2,632)	1,186	(1,446)	(1,473)	(27)
Commissioning, Quality and Performance	16,088	15,721	(367)	60,428	-	60,428	61,717	1,289
Service Integration	538	559	21	7,940	-	7,940	7,870	(70)
<b>Sub Total (Adults &amp; Health)</b>	<b>32,073</b>	<b>32,339</b>	<b>266</b>	<b>99,111</b>	<b>1,204</b>	<b>100,315</b>	<b>101,265</b>	<b>950</b>
Economy, Regeneration & Culture	1,748	1,792	44	8,543	908	9,451	9,495	44
Commercial, Regulatory & Operational Services	1,296	2,921	1,625	31,570	(24)	31,546	34,270	2,724
<b>Sub Total (Economy &amp; Infrastructure)</b>	<b>3,044</b>	<b>4,713</b>	<b>1,669</b>	<b>40,113</b>	<b>884</b>	<b>40,997</b>	<b>43,765</b>	<b>2,768</b>
Finance & Transactional Services	17,958	17,879	(79)	19,797	917	20,714	20,635	(79)
Governance & Commissioning	518	573	55	1,970	-	1,970	2,025	55
Corporate Services (OCE)	941	941	(0)	9,240	144	9,384	9,384	(0)
<b>Sub Total (Corporate Services)</b>	<b>19,417</b>	<b>19,393</b>	<b>(24)</b>	<b>31,008</b>	<b>1,061</b>	<b>32,068</b>	<b>32,044</b>	<b>(24)</b>
Central	3,151	3,319	168	33,487	(105)	33,382	31,282	(2,100)
<b>General Fund Total</b>	<b>80,748</b>	<b>81,882</b>	<b>1,134</b>	<b>283,621</b>	<b>3,458</b>	<b>287,079</b>	<b>289,107</b>	<b>2,028</b>

## Appendix 2

	General Fund Earmarked Reserves						
	As at 1st April 2019	Reserves Review (annual budget)	Revised Balance	Planned drawdown in-year	Movements in-year	Unplanned use	Forecasted Reserves 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>	<b>(9,744)</b>		<b>(9,744)</b>	-	-	-	<b>(9,744)</b>
<b>Earmarked</b>							-
<b>Financial Resilience</b>	<b>(32,746)</b>	<b>(4,400)</b>	<b>(37,146)</b>	-	-	<b>2,028</b>	<b>(35,118)</b>
<b>Earmarked (Other)</b>							
<b>Workforce Restructure</b>	-	-	-	-	-		-
<b>Rollover</b>	(2,160)	-	(2,160)	473	(189)	-	(1,876)
<b>Revenue Grants (various)</b>	(15,014)	21	(14,993)	2,796	-		(12,197)
<b>Stronger Families Grant</b>	(1,817)		(1,817)	-	-	-	(1,817)
<b>Insurance</b>	(1,900)		(1,900)	-	-	-	(1,900)
<b>Other</b>	(3,913)	(120)	(4,033)	139	-	-	(3,894)
<b>Ward Based Activity</b>	(1,067)	(160)	(1,227)	50	-	-	(1,177)
<b>Social Care Reserve</b>	(2,496)	-	(2,496)	-	-	-	(2,496)
<b>Property and Other Loans</b>	(3,000)	-	(3,000)	-	-	-	(3,000)
<b>Adverse Weather</b>	(4,000)	1,000	(3,000)	-	-	-	(3,000)
<b>Strategic Investment Support</b>	(5,400)	-	(5,400)	-	-	-	(5,400)
<b>Waste Management</b>	(11,000)	-	(11,000)	-	-	-	(11,000)
<b>Mental Health</b>	-	(1,400)	(1,400)	-	-	-	(1,400)
<b>Business Rates</b>	-	(2,000)	(2,000)	-	-	-	(2,000)
<b>Elections</b>	-	(500)	(500)	-	-	-	(500)
<b>One venue Dev't Plan</b>	(500)	-	(500)	-	-	-	(500)
<b>Total – Earmarked Other</b>	<b>(52,267)</b>	<b>(3,159)</b>	<b>(55,426)</b>	<b>3,458</b>	<b>(189)</b>	-	<b>(52,157)</b>
<b>Sub-total Earmarked Reserves</b>	<b>(85,013)</b>	<b>(7,559)</b>	<b>(92,572)</b>	<b>3,458</b>	<b>(189)</b>	<b>2,028</b>	<b>(87,275)</b>
<b>General Balances</b>	(10,215)	-	(10,215)	-	189	-	(10,026)
<b>Grand Total</b>	<b>(104,972)</b>	<b>(7,559)</b>	<b>(112,531)</b>	<b>3,458</b>	-	<b>2,028</b>	<b>(107,045)</b>
<b>Total usable reserves (excluding schools)</b>	<b>(95,228)</b>	<b>(7,559)</b>	<b>(102,787)</b>	<b>3,458</b>	-	<b>2,028</b>	<b>(97,301)</b>

## HOUSING REVENUE ACCOUNT 2019-20 - MONTH 3

	Year to Date			Annual		
	Controllable Budget	Actuals	Variance	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Repairs & Maintenance	7,851	6,779	(1,072)	23,549	23,549	(0)
Housing Management	11,252	10,350	(902)	34,187	33,974	(213)
Other Expenditure	466	438	(28)	27,568	27,595	27
<b>Total Expenditure</b>	<b>19,569</b>	<b>17,567</b>	<b>(2,002)</b>	<b>85,304</b>	<b>85,118</b>	<b>(186)</b>
<b>Rent &amp; Other Income</b>	<b>(23,024)</b>	<b>(20,426)</b>	<b>2,598</b>	<b>(91,999)</b>	<b>(91,497)</b>	<b>502</b>
Revenue Contribution to Capital Funding	0	0	0	6,695	6,695	0
Planned transfer to HRA Reserves	0	0	0	0	(1,200)	(1,200)
<b>Total</b>	<b>(3,455)</b>	<b>(2,859)</b>	<b>596</b>	<b>0</b>	<b>(884)</b>	<b>(884)</b>

## HRA RESERVES

	Balance at 31 March 2019	Approved Movement in Reserves	Balance at 31 March 2020
	£'000	£'000	£'000
Set aside for business risks	(4,000)	-	(4,000)
Forecast in Year Surplus	-	(884)	(884)
Set aside to meet investment needs (as per HRA Business Plan)	(54,858)	-	(54,858)
Working balance	(1,500)	-	(1,500)
<b>Total</b>	<b>(60,358)</b>	<b>(884)</b>	<b>(61,242)</b>

## Key Highlights – Child Protection & Family Support

Appendix 4

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Service wide	Employee related	11,374	(299)	(299)	Vacancy/ turnover savings
Service wide	Social Care demand budgets	20,988	(675)	(665)	Estimated underspending on demand led placement costs due to improvements in service delivery, review of high cost placements and reduced numbers of Looked After Children
Service wide	Other social care pressures	10,322	404	589	Includes investment in Social Work practice and staff development & provision for slippage against planned demand led savings

## Key Highlights – Learning & Early Support & Schools

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Early Years Quality & Improvement	Review support to early learning	39	(12)	247	Balance of 2019-20 MTFP budget savings not achieved
Post 16 Services	Post-16 Transport	508	134	549	Overspending on Post-16 Home to School Transport due to increase in number of pupils with EHC plans requiring transport.

## Key Highlights – Adults Social Care Operation

## Appendix 4 (continued)

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Assessment & Care Management	Employee related	4,378	713	461	Potential for partial achievement through vacancy management, and efficiency work-streams.
Self-Directed Support – Older People	Demand led budgets.	9,489	(244)	(1,020)	Lack of capacity in the Independent Sector Home Care market is resulting in lower home care spend, and alternate spend on placements/short-term packages, and direct payments.
Contracted Services	Independent Sector Daycare - Review of contracts	1,634	(95)	266	Work ongoing to identify means of achieving savings, alongside possible use of additional funding streams.

## Key Highlights – Commissioning, Quality & Performance

## Appendix 4 (continued)

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Self-Directed Support	Apply proportional spend on direct payments	15,702	(478)	423	Higher activity and costs than anticipated.
Assessment & Care Management	Employee related	2,933	125	354	Mainly use of agency



## Key Highlights – Commercial, Regulatory & Operational Services

## Appendix 4 (continued)

Activity Level	Description	Annual Budget £'000	Variance to Date £'000	Variance for the year £'000	Comments
Car Parking	Income	(3,994)	486	1,200	Ongoing income shortfall on parking charges; parking studies underway; to be reviewed as part of the 2020-21 budget process
Bereavement Services	Income	(860)	371	371	Planned closures for cremator replacement works. Estimated shortfall for the year to be reviewed each month.
Schools Transport		3,968	167	501	Budget savings in previous years not achieved due to high volumes of clients linked to high needs. Service offer being reviewed.

## Corporate Capital Budget Monitoring 2019-20 – Month 3

## Appendix 5

	Revised Budget £'000	Actuals to Date £'000	Forecast £'000	Variance £'000	Variance %
<b><u>General Fund</u></b>					
Achievement	16,031	157	14,632	(1,399)	(9)
Children	200	0	200	0	0
Independent	2,673	13	2,673	0	0
Sustainable Economy	59,746	10,357	59,746	0	0
Well	4,029	68	4,029	0	0
Safe & Cohesive	180	0	180	0	0
Clean and Green	1,789	360	1,789	0	0
Efficiency & Effectiveness	4,456	166	4,456	0	0
<b>GENERAL FUND TOTAL</b>	<b>89,104</b>	<b>11,121</b>	<b>87,705</b>	<b>(1,399)</b>	<b>(2)</b>
<b><u>Housing Revenue Account</u></b>					
Strategic Priorities	6,790	287	6,790	0	0
Baseline	18,892	389	18,892	0	0
<b>HOUSING REVENUE TOTAL</b>	<b>25,682</b>	<b>676</b>	<b>25,682</b>	<b>0</b>	<b>0</b>
<b>CAPITAL PLAN TOTAL</b>	<b>114,786</b>	<b>11,797</b>	<b>113,387</b>	<b>(1,399)</b>	<b>(1)</b>

## Capital Monitoring Key Highlights – Achieve & Aspire

Appendix 5 (continued)

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
<b>Strategic Priorities</b>			
<b>District Sufficiency (SEND)</b>	999	(499)	SEN High Level Review to be undertaken to assess best outcome for district sufficiency programme.
<b>Delivery of Autistic Spectrum Disorder School</b>	500	(400)	Scheme delayed due to changing priority outcomes of the SEN High Level Review.
<b>Achieve &amp; Aspire Total</b>	<b>1,499</b>	<b>(899)</b>	

## Planned Savings Table

## Appendix 6

Reference	Service Activity	Headline Proposal	Forecast Saving	Planned Saving	Variance Month 3
			£000	£000	£000
EX CP3	Management and Regulatory	Planned reduction in Legal Disbursement charges	-398	-175	-223
EX CP4	Service Wide	Planned reduction in the use of Agency Social Workers	-609	-636	27
<b>TOTAL CHILD PROTECTION AND FAMILY SUPPORT</b>			<b>-1,007</b>	<b>-811</b>	<b>-196</b>
EX LE4	Education services for vulnerable children	Part of a broader strategic review of services to vulnerable children	-46	-84	38
EX LE5	Early Learning	Review support to early learning (sufficiency and development)	2	-300	302
<b>TOTAL LEARNING &amp; EARLY SUPPORT</b>			<b>-44</b>	<b>-384</b>	<b>340</b>
EX IN1	Access Strategy & Delivery – Library and Information Centres	Re-shape Library and Information Service	-312	-300	-12
EX IN2	Access, Strategy & Delivery – Access to Services	New ways of working; customer service centres/Kirklees Direct	-107	-100	-7
EX IN3	Access Strategy & Delivery – Library and Information Centres	Organisation wide – cross-cutting savings from Place based working	-316	-300	-16
<b>TOTAL INTEGRATION, ACCESS &amp; COMMUNITY HUB</b>			<b>-735</b>	<b>-700</b>	<b>-35</b>
EX AS1 / 2 / 10 / 12 / 13	Assessment and Care Management	Staff Realignment within Adult Social Care	-266	-740	474
EX AS3	Demand Led Services	Reduce spend on independent sector home care and apply proportional spend on direct payment	-988	-988	-
EX AS4/5	Independent Sector Residential & Nursing Placements	Reduction of older people and physical disability placements	-296	-387	91
EX AS6	Day care and Contracted Services	Review all existing contracts	133	-133	266
EX AS7	Day care and Contracted Services	Older People's Independent Sector Day Services	-50	-50	0
EX AS8	Other demand led services	Community equipment	-33	-33	0
EX AS 9	Care Phones & Assistive Technology	Care Phones – Increased Income	-9	-20	11
New AS1	Care Phones & Assistive Technology	Additional savings	0	-250	250
New AS2	Other demand led services	Change in bad debt provision requirement	-200	-200	0
<b>TOTAL ADULT SOCIAL CARE OPERATION</b>			<b>-1,709</b>	<b>-2,801</b>	<b>1,092</b>
EX CQ1	Demand led services	Apply proportionate spend on direct payments	11	-412	423

Reference	Service Activity	Headline Proposal	Forecast	Planned	Variance Month 3
			£000	£000	£000
EX CQ2	Independent sector residential and nursing placements	Reduction in high cost learning disability placements	-207	-423	216
EX CQ3	Independent sector residential and nursing placements	Mental Health Placements	93	-67	160
EX CQ4	Day care and contracted services	Review of all existing contracts	-152	-234	82
<b>TOTAL COMMISSIONING, QUALITY &amp; PERFORMANCE</b>			<b>-255</b>	<b>-1,136</b>	<b>881</b>
EX ER3	Strategic Investment - Planning	Increase in Planning Fees	-61	-120	59
EX ER4	Markets	Closure of Heckmondwike & Holmfirth markets and other increase income	-20	-40	20
NEW ER1	Management & Regulatory	Reduction in the events budget	-100	-100	0
<b>TOTAL ECONOMY, REGENERATION AND CULTURE</b>			<b>-181</b>	<b>-260</b>	<b>79</b>
EX CR1	Transport Services	Smarter practices/efficiencies	-91	-103	12
EX CR2	Bereavement Services	Additional income potential, 20%, through smarter marketing/product offer	-16	-50	34
EX CR3	Parks & Open Spaces	Increased cost recovery on services from KNH	-25	-25	0
EX CR4	Schools Facilities Management – Catering/Assets	Meal price increase/reduced subsidy on living wage	-106	-55	-51
EX CR5	Schools Facilities Management - Cleaning	Realignment to current performance	-42	-25	-17
EX CR6	Corporate Landlord	New ways of working	-280	-300	20
EX CR7	Parking	Income	0	-750	750
NEW CR1	Management & Regulatory	Income generation initiatives ; 10% booking fee – town hall tickets	-47	-50	3
NEW CR2	Management & Regulatory	Increase income collection efficiency thereby reducing bad debt requirement	-56	-50	-6
NEW CR3	Management & Regulatory	Increased contribution from HRA/KNH for housing management service	-1,500	-1,500	0
<b>TOTAL COMMERCIAL, REGULATORY AND OPERATIONAL SERVICES</b>			<b>-2,163</b>	<b>-2,908</b>	<b>745</b>
EX PI1	Sexual Health	Incorporating additional schemes into integrated sexual health services main contract	-72	-100	28
EX PI2	Substance Misuse	Reducing payments in primary care and ongoing contract efficiencies	-80	-100	20

Reference	Service Activity	Headline Proposal	Forecast £000	Planned £000	Variance Month 3 £000
EX PI3 / 4 / 5	Obesity, Physical Activity, Healthy Child	Incorporating additional schemes into healthy child programme	-123	-103	-20
<b>TOTAL POLICY, INTELLIGENCE AND PUBLIC HEALTH</b>			<b>-275</b>	<b>-303</b>	<b>28</b>
EX CS1	Transformation team	Organisation wide – cross-cutting reduction in sickness absence	-859	-859	0
EX CS2	Legal Services	Further savings to be identified	13	-122	135
EX CS3	Finance and Accountancy	Efficiency Savings	-184	-201	17
EX CS5	Welfare and Exchequer	More automation on back office services	-56	-50	-6
EX CS6	Finance and Accountancy	Income generation	-100	-100	0
NEW CS1	Management & Regulatory	Strategy & Commissioning review	-250	-250	0
<b>TOTAL CORPORATE SERVICES</b>			<b>-1,436</b>	<b>-1,582</b>	<b>146</b>
<b>TOTAL GENERAL FUND PLANNED BUDGET SAVINGS</b>			<b>-7,806</b>	<b>-10,885</b>	<b>3,079</b>