

Name of meeting: Cabinet

Date: 28th July 2020

Title of report: Council Financial Outturn & Rollover Report 2019-20 incorporating General Fund Revenue, Housing Revenue account, Capital and Treasury Management

Purpose of the Report

To receive information on the Council's 2019-20 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2019-20 to 2020-21. 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	Rachel Spencer Henshall – 20 July 2020
Is it also signed off by the Service Director for Finance?	Eamonn Croston – 20 July 2020
Is it also signed off by the Service Director – Legal, Governance & Commissioning?	Julie Muscroft – 20 July 2020
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 revised General Fund controllable (net) revenue budget for 2019-20 was **£287.1m**. The budget included adjusted (net) revenue savings in-year of £7.7m as reported at Quarter 3, reflecting the reversal of existing savings targets as part of the Council approved 2020-23 budget report.

1.1.2 The revised budget is net of a number of planned transfers to reserves during the year, with the most significant being £3.8m from the revenue grants reserve, £1.4m from the Strategic Investment reserve and £1.3m from the Waste Management reserve.

1.1.3 Council spend was £287.1m in 2019-20, which reflects an overall 'break-even' financial performance against budget. In actuality there was a marginal overspend of £27k or 0.01% against the revised budget. This includes the following:

- i) £6.5m savings achievement against the £7.7m revised target; equating to 84%
- ii) £1.2m net underspends elsewhere

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

Table 1 - Overview of 2019-20 general fund revenue outturn position

	Revised Budget	Outturn	Variance
	£000	£000	£000
Children & Families	91,213	91,173	(40)
Adults & Health	100,977	100,977	-
Economy & Infrastructure	34,897	40,134	5,237
Corporate Services	35,946	36,615	669
Central Budgets	24,047	18,208	(5,839)
Grand Total	287,080	287,107	27

1.1.5 The overall 'break-even' position (rounded) is net of a number of variances against budget. Headline variances are described in more detail in sections 1.2 to 1.6 below.

1.2 Children & Families

Learning – High Needs

1.2.1 The National Fair Funding (NFF) regime was implemented by Government from 2018-19. The High Needs block under the new NFF acknowledges the level of previous under-funding, and Government intention was to increase Kirklees' annual allocation by £7m in comparison to the 2017-18 baseline. Due to transitional arrangements, this was to be phased over a 7 year period, at about £1m per annum. This phasing was reflected in existing budget plans.

1.2.2 The Council has reported extensively on the fact that since the 2014 Children and Families Act was implemented, there has already been a 44% rise in the number of

Education Health & Care Plans (EHCP's) within Kirklees in the last four years (2015 to 2019; 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). In 2019-20, there was a further increase in EHCP's in Kirklees by 588 to 3,329; equivalent to a 21% increase from 2018-19. Note that this increase includes 276 young people who have left education but still have an EHCP. Such cases were not included in aggregate figures reported for 2019 and earlier.

- 1.2.3 For Kirklees, there is a significant and increasing funding pressure against the High Needs block of the Dedicated Schools Grant; to the extent that the Council's general fund has supported unfunded DSG pressures at £4.4m in 2017-18 and £8m in 2018-19. However, this is considered unsustainable going forward, with further demand and cost pressures anticipated in future years.
- 1.2.4 Government has acknowledged the extent of current and growing spend pressures on high needs and the 2019-20 Spending Round (SR2019) announcement in September 2019 included £700m additional national funding for high needs in 2020-21. This was subsequently confirmed through the Provisional Local Government Finance Settlement in December 2019, with the Council's share at £6.1m for 2020-21. This includes the minimum £1m annual uplift for Kirklees as part of transitional arrangements to mitigate the £7m baseline 2018-19 under-funding (see also para 1.2.1 above).
- 1.2.5 The 2019-20 Dedicated Schools Grant (DSG) High Needs funding allocation for Kirklees is £37.0m. The 2019-20 in-year pressure on High Needs spend in excess of the DSG funding allocation was £12.9m (equivalent to 34.85%). As per updated Government guidance following an initial consultation, this spending pressure must be carried forward on the balance sheet in full, as a funding deficit against Dedicated School Grant (DSG), from 2019-20 onwards. This is presented as a negative balance on the DSG reserve as at 31st March 2020 (see Appendix 2).
- 1.2.6 The total negative DSG reserve balance as at 31st March 2020 is £14.4m. Alongside the £12.9m High Needs pressure this includes a £2.2m overspend relating to the Council's general fund contribution to Schools PFI, pending confirmation from the DfE that this is able to continue under the new regulations. A matching £2.2m transfer from base budget has been set aside in a separate Schools PFI reserve to cover this cost when the appropriate permissions have been received (see also Appendix 2). The remaining balance reflects net underspends elsewhere of £0.7m; mainly due to underspending on the Early Years block.
- 1.2.7 The 2019-20 budget plans had initially assumed that the High Needs pressure would be part offset from the planned release of Central Budget Minimum Revenue Provision (MRP) budget of £5m. In anticipation of Government confirmation of its consultation on treatment of DSG deficits, the 2020-23 Annual Budget Report included proposals to create a demand reserve from the re-direct of MRP set-asides that would previously have been used to at least part offset in-year High Needs spend pressures. This will be used to mitigate the impact and volatility of a range of potential demand risks on statutorily provided service activity going forwards. The MRP re-direct has been reflected in the summary of revenue reserves at Appendix 2, with a transfer of £5m into the demand reserve by year end.
- 1.2.8 Further transfers of £6.7m were also made into the demand reserve in-year, giving a closing balance of £11.7m as at 31st March 2020. The transfers reflect a year-end review of capitalisation opportunities and funding sources within allowable accounting rules as outlined in the Early Closedown Review report to Cabinet on 2 June 2020

(see also section 1.7).

- 1.2.9 Current estimates suggest that Kirklees' High Needs budget pressures for 2020-21 will be in the region of £8m. High Needs remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update future year forecasts informed by national and local intelligence.
- 1.2.10 It is anticipated that medium term, growth pressures may be mitigated at least in part through other measures, with the Council currently working on the implementation of a ten-point action plan with key educational partners across the district. The approved capital budget plans for 2019-24 also include £25m to support increased District high needs specialist placement sufficiency.

Learning and Early Support

- 1.2.11 As at 31st March 2020, 311 children with Education Health and Care Plans (EHCP's) are using Post 16 Home to School Transport; a significant increase of 114 from the previous year. This has resulted in an overspend of £1m on Post -16 Home to School Transport in-year.
- 1.2.12 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 that will mitigate, at least in part, continuing growth pressures. An additional £1.1m has been built into base budgets going forwards as part of the 2020-23 Annual Budget Report to address the estimated residual ongoing pressure in this area. A further review of this baseline will be undertaken as part of the Council's Budget Update in Autumn 2020.
- 1.2.13 The increased number of approved applications for funding support from Special Educational Needs and Disability Inclusion Fund (SENDIF) has resulted in a pressure of £500k. Approved applications totalled £1.4m in 2019-20, compared to £917k in 2018-19. The fund primarily supports 2 to 4 year olds with special educational needs who attend a Private Voluntary and Independent (PVI) or mainstream school nursery setting. Numbers of children accessing the fund have increased from 299 to 406 over the last 12 months alongside a growth in complexity of need.
- 1.2.14 The service has strengthened the resources in the Early Years Special Educational Needs (SEN) Inclusion Team and is providing training to nursery settings to upskill the workforce so that they can meet the needs of the children rather than having to access SENDIF. This is intended to help mitigate pressures on this budget going forward.
- 1.2.15 There was a pressure of £0.3m within Statutory Responsibility for Education. This mainly related to staffing. This was offset by a temporary saving of £1m relating to the timing of posts being filled in the Early Support Service following significant investment into the service in 2019-20. Approved budget plans for 2020-23 have added back the £300k Statutory Responsibilities pressure into this budget heading.

Child Protection and Family Support

- 1.2.16 Within Child Protection and Family Support there was a plan to reduce the number of External Residential Placements during 2019-20. As a result of the successful implementation of this plan, numbers of placements have reduced from 37 to 31 during the year, resulting in an underspend of £0.8m, reflecting the successful transition of

placements to more appropriate support settings.

- 1.2.17 There were pressures within the service of £0.6m relating to increased demand on the Youth Remand Service budget and also the Persons from Abroad budget. Both these pressures were a result of increasing numbers.

1.3 Adults and Health

- 1.3.1 Within Adults and Health the planned saving on independent sector home care of £0.5m was achieved, in part, due to strengths-based approaches (new approaches that promote independence and focus on individual's strengths) having an impact. However, there was a further £1.25m home care underspend; mainly due to current capacity challenges in the Independent Sector Home Care market. This was offset to a large extent by increases in other demand activity relating to self-directed support, by £1m.
- 1.3.2 Home care capacity measures were implemented part-year to support providers, at an estimated cost of £400k. The additional cost was offset by compensating funding from Better Care fund; achieved through continued flexible deployment of funding allocations in conjunction with the Clinical Commissioning Group (CCG), with a consequential increase in the level of weekly hours provision of home care (and therefore cost) over the latter half of the year, when the measures were put in place. The approved budget plans for 2020-23 factored this part year uplift into forward budget plans.
- 1.3.3 The other main variance in Adults relates to employee pressures at £1m. A Programme has been undertaken to further develop understanding around demand and growth predictions, levels of productivity and the workforce shape required to best deliver pathways. It will enable an intelligence led approach to vacancy management. In conjunction with the above there was a risk assessment of the sustainability of existing planned social work staff savings, the outcome of which added back £500k revenue resources into approved 2020-23 budget plans.
- 1.3.4 The 2019-20 Adults budget included income from a number of specific adult social care grants such as Winter Pressures at £1.9m, Social Care grant at £1.2m and the Improved Better Care Fund (iBCF) at £15.4m. There was also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share £17.2m. This (along with the iBCF, and Winter Pressures grant) has national reporting conditions and joint health sign off agreements.
- 1.3.5 All existing social care specific grants, including BCF, have rolled into 2020-21 baselines, as confirmed in the 2020-21 Local Government Finance Settlement. A further £7.8m Social Care grant will also be received in 2020-21, as part of the overall national £1.5bn increase in social care funding; described by Government at the time as a 'down payment' for more extensive reforms to come.

1.4 Economy and Infrastructure

- 1.4.1 Within Environment there was an income shortfall of £1.4m 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 could not be achieved. As part of the strategic alignment of future income targets; in particular the Council's town centre and climate change ambition, a strategic review of car parking income targets resulted in a baseline budgeted income adjustment of £600k for Parking built

into approved budget plans for 2020-23

- 1.4.2 Also within Environment there was pressure of £1.5m 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 further overspends of £0.8m in Venues in-year; mainly relating to a short-term pressure in Bereavement due to revised income shortfall relating to the Cremator Replacement project.
- 1.4.3 Economy and Skills had a £0.4m adverse variance on Commercial Properties linked to income shortfalls and a further £0.5m overspend in Corporate Landlord. The latter was linked in the main to pressures on ongoing repairs and maintenance and an £80k financial pressure related to the finalisation of the Stadium agreement.
- 1.4.4 There was a £0.6m overspend within Growth & Housing relating to declining income across Markets. This included the part year effect of the rent reduction following the introduction of the new tenant leases for Huddersfield and Dewsbury Markets on 1st January 2020. As part of the town centre ambition, a strategic review of income targets has been undertaken, resulting in a baseline budgeted income adjustment for Markets of £500k which has been built into approved 2020-23 budget plans.

1.5 Corporate Strategy, Commissioning & Public Health

- 1.5.1 Within Finance, there was an overspend of £0.6m in Benefit Payments relating to homelessness. Since the introduction of the Homelessness Reduction Act in April 2018 the number of people eligible for, and being provided with, temporary accommodation in Kirklees has increased by 13%. This has resulted in the Council having to utilise more expensive accommodation options which has resulted in reduced levels of Housing Benefit subsidy income. This pressure was offset in part by other minor underspends across Welfare & Exchequer services
- 1.5.2 Within Governance and Commissioning there was a £0.4m pressure in Legal. As part of the wider Corporate capacity review, previous planned savings targets for 2020-21 have been reversed as part of approved budget plans 2020-23.

1.6 Central Budgets

- 1.6.1 Approved Central Budgets for 2019-20 included the set aside of £2.7m minimum revenue provision (MRP) over-allocation budget, as in-year contingency. This was released in-year, to part mitigate the balance of pressures set out in this report.
- 1.6.2 In addition to the above, overall Section 31 business rate relief grants received in-year was £2.2m higher than the £13.3m budgeted at the start of the year. This again has been reflected in Central budget outturn position for 2019-20. 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 Further Central Budget underspends include £0.5m relating to other contingency inflation adjustments in-year.

Flexible Capital Receipts

- 1.6.4 The Council's flexible capital receipts strategy was applied in relation to £2.3m

transformation related spend and £0.3m voluntary severance costs in 2019-20. 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 10.

- 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. At the time the 2019-20 approved budgets were set, there was no specific ask to apply the above policy in year, unlike in previous years. However, in light of the subsequent impact of COVID-19 on Council finances, the policy was applied at year end, as reported as part of the 2019-20 early closedown review report to Cabinet on 2 June 2020 (see also 1.7.2 below).

Revenue Rollover

- 1.6.6 Council Financial Procedure Rules allows for consideration of revenue rollover, but only if the overall general fund position is in an underspend position at year end. The marginal overspend of £27k against a revised revenue budget of £287m was transferred to reserves at year end and offset against general balances.

COVID-19 financial impact on 2019-20 Council finances

- 1.6.7 A total of £1.1m of additional pressures were identified in the 2019-20 accounts as a direct result of COVID-19. This included £676k cost pressures, mainly attributable to additional spend within Adults Social Care (£273k), Public Health (£162k) and Customers and Communities (£155k). Income losses totalled £453k with the largest individual loss relating to Catering (£196k). Further income losses were identified across a range of services including Welfare and Exchequer, Trade Waste, Parking, Town Halls and Public Halls.
- 1.6.8 The above additional pressures were offset in-year by £1.1m of the first tranche of un-ringfenced COVID Support Grant received by Government in March 2020. The total amount of funding received was £12.2m, and the remaining balance of £11.1m was transferred to earmarked reserves to be applied in 2020-21 as described in section 1.7 below.

1.7 General Fund Reserves

- 1.7.1 General fund reserves and balances have increased through 2019-20 by £0.9m; from £112.5m at the start of the year to £113.4m as at 31 March 2020. A further £2.3m was added into Council reserves at the start of 2020-21, as per the 2020-23 budget plans approved at Budget Council on 12 February 2020; increasing the overall level of reserves and balances to £115.7m as at 1st April 2020.
- 1.7.2 The year-end reserves position set out in Appendix 2 incorporates the new Place Partnership Theme reserve approved as part of the overall 2020-23 Council budget plans. It also reflects measures taken to release an additional £6.7m revenue resources into earmarked general fund revenue reserves in light of the heightened corporate risk assessment from the financial impact of COVID-19. These measures, outlined in the following paragraphs, were approved as part of the 2019-20 Early Closedown Review report to Cabinet on 2 June 2020. The link to this report is shown below :

[Agenda for Cabinet on Tuesday 2nd June 2020, 3.00 pm | Kirklees Council](#) (Item 9)

- 1.7.3 The 2019-20 early closedown review report set out proposals to increase earmarked reserves by £6.7m through a year end review of capitalisation opportunities and funding sources within allowable accounting rules. The review identified £5.4m of revenue costs that could be capitalised within allowable accounting rules, including use of the Council's existing flexible receipts policy to capitalise transformation costs which can be funded from in-year capital receipts. The remaining balance of £1.3m reflects the release of revenue rollover originally planned to fund capital public realm works, now to be funded from borrowing.
- 1.7.4 At the time of the Early Closedown Review report to Cabinet on 2 June 2020, the £6.7m transfer of revenue resources was anticipated to be aligned to financial resilience reserves. It is now proposed that this is re-directed to the Demand Reserve, given the significant High Needs deficit held on Kirklees' balance sheet, and which is forecast to increase by upto a further £8m in 2020-21.
- 1.7.5 A specific reserve has been set aside to cover the costs of the Council's COVID-19 response in 2020-21. The balance of this reserve as at 31 March 2020 is £11.1m; made up of the transfer of the first tranche of un-ringfenced COVID Support Grant of £12.2m, less £1.1m COVID-19 funding applied in 2019-20 for the identified cost pressures incurred in the period up to 31 March 2020.
- 1.7.6 The £12.2m funding was released early by Government on 27 March and technically has to be accounted for in 2019-20, with the balance of £11.1m rolling forward into 2020-21 through a specific reserve. It is anticipated that the £11.1m reserve will be fully applied in 2020-21 to help offset significant and unbudgeted COVID-19 pressures in-year.
- 1.7.7 The £115.7m general fund reserves and balances at 1st April 2020 includes a £14.4m deficit against the DSG reserve as outlined earlier in section 1.2.6. Of this, £12.9m reflects the 2019-20 High Needs overspend in-year.
- 1.7.8 Total usable reserves (excluding Schools Reserves (Other) and Public Health) at 1st April 2020 are £104.6m; equivalent to 34.6% of the 2020-21 £302.3 (net) revenue budget. For comparator purposes, the median percentage across the 36 metropolitan Councils on this particular indicator was 35% as at 31 March 2019.
- 1.7.9 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.
- 1.7.10 Financial resilience reserves as at 1st April 2020 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 2021-22, as set out in the 2020-23 Annual Budget Report. The financial resilience risk reserve is informed by the Council's corporate risk register; current version attached at Appendix 10 for information.

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 2019-20, including planned payments to the general fund in 2020-21.

Table 2 – Collection Fund Summary

Collection Fund forecast (Council Share)	Council Tax	Business Rates	Total
	£000	£000	£000
(Surplus)/Deficit at 1st April 2019	1,621	(8,700)	(7,079)
Re-payments to/(from) General Fund 19-20	(1,179)	6,923	5,744
In year Financial Performance	738	(1,908)	(1,170)
(Surplus)/Deficit at 31st March 2020	1,180	(3,685)	(2,505)
Re-payments to/(from) General Fund 20-21	58	3,377	3,435
Remaining (Surplus)/Deficit 20-21	1,238	(308)	930

- 1.8.2 In-year income performance on Council Tax reflects 99.6% actual income achieved against planned income of £180.0m. The balance of just 0.4% included a re-assessment of bad debt provision requirements, in light of the emerging financial climate.
- 1.8.3 The business rates surplus reflects a further review of the Council's provision for historical appeals valuations outstanding; set at £4.8m at 31st March 2019. This requirement was revised downwards in-year reflecting the impact of many long standing appeals being either withdrawn or settled, alongside the more stringent appeals system implemented from 2017 onwards.
- 1.8.4 Taking into account the opening balance and net repayments to the general fund in year, the above in-year performance resulted in an overall surplus for the collection fund of £2.5m at 31st March 2020. There are planned repayments of £3.4m to the general fund in 2020-21, reflecting best estimates of the forecast year end Collection Fund surplus at the time 2020-23 budget plans were approved. The actual £2.5m year end surplus leaves a £0.9m deficit balance overall on the collection fund as at 1 April 2020 and will be managed in due course as part of the forthcoming budget strategy update review .
- 1.9 Housing Revenue Account**
- 1.9.2 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 net nil variance against an annual turnover budget of £92.0m in 2019-20.
- 1.9.2 This included some additional costs incurred in-year on grounds maintenance at £0.2m and £0.1m temporary accommodation, and lower than expected rechargeable repairs cost recovery , and minor variations on for leasehold income, rents and service charges totalling £0.7m. This was offset largely by a lower than expected bad debt provision requirement due to the Government's temporary 'pause' on the national rollout of universal credit.
- 1.9.3 HRA reserves at 31 March 2020, net of set asides for business risks and investment needs and a minimum working balance, is £61.0m which will roll forward to support future HRA asset investment in line with HRA longer term business plan requirements. A summary of the HRA outturn and reserves position can be found at Appendix 3.

1.10 Capital

- 1.10.1 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. In recognition of this, Council Financial Procedure Rules (FPR's) now allow greater in-year flexibility for Cabinet to amend existing Programme and scheme allocations between years. So for example, the Council approved capital plan for 2019-20 including capital rollover, on 17 July 2019, was £114.3m. Subsequent application of the FPR flexibility in-year by Cabinet through quarterly financial monitoring reporting largely contributed to a revised capital budget of £94.6m; the difference largely re-profiled into later years.
- 1.10.2 As noted above, the Council's revised capital budget for 2019-20 was **£94.6m**. The budget has increased by £2.9m since quarter 3 as a result of increased grants and contributions. A breakdown of the budget changes can be found in Appendix 6.
- 1.10.3 The 2019-20 capital outturn was £81.2m, which is about £12.8m higher than equivalent capital spend in 2019-20. Of the total actual spend, £18.7m relates to strategic priorities, £51.2m relates to baseline capital spend, the balance of £11.3m to projects of a one-off nature.

Table 3 – Capital Outturn 2019-20

By Category	Revised Capital Budget £000	Outturn £000	Variance £000
Aspire & Achieve	13,055	10,230	(2,825)
Best Start	3	5	2
Independent	200	664	464
Sustainable Economy	51,898	40,511	(11,387)
Well	3,014	1,506	(1,508)
Safe & Cohesive	15	8	(7)
Clean & Green	1,625	1,148	(477)
Efficiency & Effectiveness	3,184	5,758	2,574
General Fund	72,994	59,830	(13,164)
Strategic Priorities	4,200	3,215	(985)
Baseline	17,377	18,165	788
Housing Revenue Account	21,577	21,380	(197)
Total Capital Budget	94,571	81,210	(13,361)

- 1.10.4 A more detailed breakdown of the capital outturn position is provided at Appendix 5 (a) and 5 (b), along with key variances highlighted.
- 1.10.5 Capital expenditure was funded by the following sources of finance; borrowing £29.8m, grants and contributions £24.2m, capital receipts at £6.9m, Major Repairs Reserve (HRA) at £12.6m and HRA Reserves/Revenue contributions at £7.7m. This is shown in more detail at Appendix 8 (a).
- 1.10.6 Actual borrowing costs incurred 2019-20 are largely consistent with treasury management budget assumptions. Treasury Management budgetary assumptions are reviewed annually as part of the annual budget re-refresh, and take account any changes

in the profiling and quantum of capital spend to be funded from borrowing over the periodically re-freshed multi-year capital plans.

- 1.10.7 The 2019-20 Early Closedown Review report to Cabinet on 2 June 2020 included £5.4m capitalisation within allowable accounting rules, of costs previously allocated to revenue in-year. Funding of this additional year end spend was met via un-ringfenced capital receipts and uncommitted underspends from the wider capital plan. Also, £1.3m of capital expenditure which was previously to be funded by the release of revenue rollover originally planned to fund capital public realm works, was funded from borrowing.
- 1.10.8 Capital rollover proposals total £17.8m and include £8.6m timing issues on contractually committed schemes rolling forward into 2020-21, and a further £9.2m slippage on spend commitments tied to specific unspent grants and other ring-fenced resources, totalling £17.8m. The £4.4m difference between the £17.8m capital rollover requested and the overall outturn variance of £13.4m will be met from a combination of uncommitted capital receipts and in-year uncommitted capital budgets no longer required.

Capital Rollover Proposals

- 1.10.9 When the Council approved the Capital Investment Plan in February 2020 for the 5 year period from 2020-21 to 2024-25, it made provision for a level of investment of £913.2m within the Annual Budget Report (£707.9m General Fund, £205.3m HRA).
- 1.10.10 The proposal is to effectively re-profile planned spend totalling £17.8m from 2019-20 to 20-21; £17.6m general fund and £0.2m HRA. This largely reflects deferred spend against existing schemes rolled forward into future years.
- 1.10.11 The capital plan has now been updated to take account of the capital rollover totalling £17.8m from 2019-20 and changes in the estimated levels of resources available. The revised capital plan set out in this report, including re-profiled planned spend, stands at £886.8m over the 2020-25 period.
- 1.10.12 It is acknowledged however that there will be a more fundamental review of the multi-year capital plans set out in this report, over the coming months, in preparation for the forthcoming medium term financial strategy re-fresh to Cabinet and Council later this year. In light of this, years 2 to 5 of the revised plan have been aggregated, pending the broader review, which is intended to reflect a longer term capital planning cycle, and emerging Council capital priorities in light of COVID-19 impact and local, regional and national mitigations to support the recovery plan (see also para 1.10.24).

Other

- 1.10.13 The updated capital plan includes the Transforming Cites Fund (TCF) which is a national sustainable transport fund administered by the Department for Transport (DfT) for delivery of transformational projects in the period 2020-21 to 2022-23. The specific funding for the Kirklees TCF programme from the £317m regionally secured TCF funding through Leeds City Region, is £39.5m TCF, presented within the West Yorkshire plus Transport schemes capital plan under Sustainable Economy, Strategic Priorities. This includes £6m local match funds have been identified from within the Town Centre Action Plan budget and is earmarked towards TCF.
- 1.10.14 The plan also incorporates proposals for King James's High School (£5.25m) for the construction of a new teaching block and the improvements to the existing accommodation in order to provide sufficient and suitable accommodation for 150

additional pupils. Provision is also made for Almondbury Community School (Primary) at £275k and £200k for Netherhall Learning Campus High School. These proposals were endorsed by Cabinet on 16th June 20.

- 1.10.15 A sum of £387k borrowing has been committed within the plan to support large capital maintenance scheme works required at Newsome High School. This represents 10% of the overall grant capital funding expected by the school (due to convert into an Academy) from the Department of Education.
- 1.10.16 The government grant allocations built into the 5 year Capital Plan approved by Council in February 2020 have been revisited. The main change to note is the basic need grant allocation which is used to fund New Pupil Places within Achieve & Aspire Strategic Priorities Capital Plan. Previously, an indicative annual amount of £1.05m had been built into the Plan from 2021-22 onwards. Basic Need allocations were published by Government in April 2020, of which Kirklees was allocated zero grant for 2021-22. In light of this, the grant assumptions for basic need grant allocations have been revised to nil from 2021-22 onwards within the updated Plan.
- 1.10.17 A two year Highways Capital Plan (2020-21 and 2021-22) was endorsed at Cabinet on 1 May 2020, to allow immediate commencement of works. The revised detailed two year Highways Capital Plan inclusive of subsequent capital rollover of £3.3m, is presented in Appendix 9. Cabinet are asked to endorse the detailed Highways plan presented at Appendix 9, which also incorporates the following funding adjustments :
- i) The challenge fund bid submitted jointly by Kirklees and Calderdale Councils for the A62 Leeds Road, Cooper Bridge and A6024 Holme Moss landslip was successful, this has brought an additional £2.03m to Kirklees Council, and includes matched funding from existing Highways capital allocations, which is shown in the total budget for these schemes.
 - ii) Government announced on 14 May 2020, additional funding for roads maintenance across the whole of the UK which was distributed on a formula basis. The West Yorkshire Combined Authority (WYCA) as a whole received £21.944m. This comprised additional challenge and pothole funds.

For Kirklees it is anticipated that there will be a direct payment of pothole grant increasing this amount from £349k which was shown in the May 2020 Highways capital plan to £3.8m, but this has yet to be confirmed. There may also be additional challenge fund grant made available for the financial year 2020-21 however the way this is allocated, and the amount made available to each of the authorities, if any, is still to be determined by WYCA.

- iii) WYCA has allocated £240k for Air Quality in Kirklees which has been shown in the Integrated Public Transport programme area of this capital plan; £125k in 2020-21 and £115k in 2021-22. The spend for this project will be managed by the Councils Environmental Services team.

The additional £240k identified above for air quality will be used on Initiatives to support the partners councils delivery of the West Yorkshire Low Emission Strategy, which could include upgrades to traffic management systems to improve air quality at sensitive locations, and continuation of the Eco-Stars Low Emission Fleet Incentive Scheme.

- iv) There are a number of large road resurfacing works to improve important local routes and reduce the maintenance backlog, for the following roads:

Scheme	From	To	Ward	Scheme Estimate	Programme
A616 Sheffield Road New Mill	New Mill	Boundary	Holme Valley South	£525,000	Principal* Roads
Hotspots			All	£1,300,000	Roads Connecting Communities
Carr Green Lane including Rawthorpe Lane	Long Lane	Bradley Mills Road	Dalton	£800,000	Roads Connecting Communities
Forge Lane	B6117 Station Road	Lees Hall Road	Dewsbury South	£500,000	Unclassified Roads
Cawley Lane	High Street		Heckmondwike	£270,000	Unclassified Roads

1.10.18 Other significant grant changes are an additional £400k WYCA grant towards the Town Centre Action Plan Acquisitions pot.

1.10.19 The Capital Plan currently includes £2m borrowing for Residential Children's Units within the Best Start Plan under Specialist Accommodation, Strategic Priorities. The Care Quality Commission and Children's service have identified a preferred bed model for residential units which is more closely associated with normal family life.

1.10.20 Work is being undertaken to identify appropriate preferred houses for purchase from private landlords, for conversion into Children's homes. Cabinet are therefore asked to delegate authority to the Strategic Director for Children in consultation with the Portfolio Member for Children's Services, along with the head of Corporate Landlord and Head of Legal services, to negotiate and to procure identified properties to meet service needs within the programme total.

1.10.21 The draft capital plan 2020-25 is shown at Appendix 8(a) and 8(b) and summarised in Table 4 below:

Table 4 – Updated Capital Plan 2020-25

	2020-21	2021 to 25	Total
By Category *	£000	£000	£000
General Fund :			
Achieve & Aspire	18,408	55,476	73,884
Children	748	9,250	9,998
Independent	1,855	22,606	24,461
Sustainable Economy	123,481	379,199	502,680
Well	14,617	15,964	30,581
Safe & Cohesive	185	0	185
Clean & Green	8,706	42,085	50,791
Efficient & Effective	2,955	7,685	10,640
General Fund	170,955	532,265	703,220
Housing Revenue Account :			
Strategic Priorities	13,448	72,523	85,971
Baseline	21,084	76,545	97,629
Housing Revenue Account	34,532	149,068	183,600
Overall Total	205,487	681,333	886,820

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

1.10.22 Officers will continue to review capital budget profiles in year, and any further re-profiling movements between years will be reported to Cabinet as part of the quarterly

financial monitoring arrangements through 2020-21, in accordance with Financial Procedure Rules 3.10-3.15. This approach acknowledges the growing complexities and challenges over the upcoming years in delivering to this scale of ambition

- 1.10.23 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.
- 1.10.24 A fundamental review of the 5 year plan will be undertaken in the summer to re-phase and reprioritise capital plan priorities over a 10 year period. The plan will be revamped in line with the Councils Economic Recovery Plan permitting strong financial management which will underpin sustainable decision making, deliverability of services/schemes, the financial risk and achievement of outcomes. The outcome will be presented as part of the Medium Term Financial Strategy review report in Autumn.
- 1.10.25 Provision has been made in the Revenue Budget and Medium Term Financial Plan to cover the expected costs of borrowing. As revenue resources are themselves under considerable pressure over the coming years, close scrutiny will need to continue to ensure borrowing fulfils the criteria of being affordable, prudent and sustainable.

Prudential Indicators

- 1.10.26 Appendix 7 provides a schedule of the prudential indicators applicable to affordability and prudence which have been reported as part of capital monitoring in 2019-20. Indicators applicable to treasury management are reported in the Review of Treasury Management activity for 2019-20 which can be found at Appendix 12. The Council has complied with its PI's for 2019-20.
- 1.10.27 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:

Appendix 1 summarises by service area, the general fund revenue outturn position in 2019-20;

Appendix 2a summarises the general fund reserves and balances movements in-year;

Appendix 2b sets out a glossary of terms for the general fund reserves ;

Appendix 3 summarises the HRA revenue outturn position including movements in HRA reserves in-year;

Appendix 4 shows the performance against revised planned revenue savings in-year;

Appendix 5a summarises by Council priority Outcome, the capital outturn position in 2019/20

Appendix 5b summarises by Council priority Outcome, key capital outturn variances in excess of £500k, against revised capital budget, for 2019-20

Appendix 6 summarises key capital budget changes between Quarter 3 financial monitoring report and outturn, for 2019-20

Appendix 7 provides a schedule of prudential indicators for 2019-20, applicable to affordability and prudence;

Appendix 8a summarises the updated capital plan 2020-25, taking into account rollover, grant changes and additions. A funding summary is also included;

Appendix 8b shows the detailed capital plan updated for 2020-21 including rollover, by Council Priority Outcome, and aggregated capital plan totals for the 2021 to 2025 period.

Appendix 9 shows the 2 year detailed Highways capital plan;

Appendix 10 details the updated Council flexible capital receipts strategy incorporating

Appendix 11 is the Corporate Risk Register, updated as at July 2020.

Appendix 12 is the Annual Report on treasury Management activity to Corporate Governance and Audit Committee, 22nd July 2020.

- 2.2 The corporate risk register at Appendix 11 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.
- 2.3 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 in 2019-20, incorporating as well an overall updated capital plan for 2020-25. 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 Climate Change & Air Quality

3.6 Improving Outcomes for Children

3.7 Other (e.g. Financial, Legal or Human Resources)

- 3.7.1 The Council's 2020-23 budget plans, approved at Budget Council on 12 February 2020, included further target revenue savings proposals of £5.4m over the 2020-23 period. The plans also incorporated a number of actions as part of the Council's refreshed reserves strategy. This included the Chief Finance Officer (Service Director Finance) recommendation that existing financial resilience reserves be maintained at £37.1m at the start of 2020-21.
- 3.7.2 The rationale for the above reflected continued uncertainty on the post 2020 national funding landscape for Councils, further uncertainty at UK's intended negotiated withdrawal from the EU, whilst at the same time the Council is facing continuing and significant challenges and service pressures over the medium term. It also took into consideration a range of risks recorded in the Council's updated corporate risk register, which was appended to the annual budget report. Since this time there has been heightened uncertainty caused by the ongoing COVID-19 pandemic and the resulting financial effects on the Council.
- 3.7.3 Council officers have implemented processes to capture COVID-19 related costs across the totality of Council activity. In addition, Government has requested monthly returns on the financial impact of COVID-19, starting from April 2020, to help inform Government intelligence on the scale of financial impact on Councils. The financial impact on Council finances is also significant across a range of Council income streams, with national lockdown measures having a material short-term impact on fees and charges across Council service activity. There are also significant pressures on council tax and business rates income.
- 3.7.4 Early indicative high-level COVID-19 financial impacts on Council finances forecasts were reported to Cabinet on 21 May 2020. A link to the report is shown below for reference:
- [Agenda for Cabinet on Thursday 21st May 2020, 3.00 pm | Kirklees Council](#) (Item 7)
- 3.7.5 The estimated financial impact set out in the above report was in the region of £34m to £66m. This will be adjusted down by the Council's share of Government funding; £23.2m to date in 2020-21 (net of £1.1m used to offset 2019-20 COVID financial impacts).
- 3.7.6 A further national funding package for local government was announced in early July as part of a "comprehensive plan to ensure councils' financial sustainability for the future". This included a further £500m un-ringfenced grant to be distributed to local authorities to help fund the additional expenditure incurred as a result of COVID-19. The Council's share of this funding is £3.9m. The funding package also includes funding for 75% of income losses from sales, fees and charges, where the losses are greater than 5% of the council's planned income receivable.
- 3.7.7 It was also announced that Councils may spread Collection Fund deficits arising in 2020-21 over three years to 2023-24. Under usual circumstances, any in-year deficit or surplus on council tax and business rates income is carried forward through the Collection Fund to the following year.
- 3.7.8 COVID-19 financial impacts will continue to be reviewed in light of further emerging local, regional and national intelligence through 2020-21, and will be included as part of overall in-year financial monitoring reported in the corporate member arena through established annual Council planning cycle and governance processes.

- 3.7.9 The Council's refreshed reserves strategy approved in the 2020-23 budget plans is directed at strengthening organisational flexibility and financial resilience over the medium to longer term in account of the continued funding uncertainty for Councils post 2021. The Financial Resilience reserves level on 1 April 2020 of £37.1m meets the minimum recommended level as set out in the strategy.
- 3.7.8 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). This will include a further review of any COVID-19 financial impacts anticipated to affect the Council's budget beyond 2020-21.

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 2020-21, 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:

General Fund

- 7.1 note the revenue outturn position for 2019-20;
- 7.2 note the year end position on corporate reserves and balances;
- 7.3 note the regular monitoring and review of corporate reserves in 2020-21 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;
- 7.4 note the use of the Council's flexible receipts strategy for the year end capitalisation of £2.4m transformation related costs in 2019-20

Collection Fund

- 7.5 note the year end position on the Collection Fund;

HRA

- 7.6 note the HRA revenue outturn and reserves position 2019-20;

Capital

- 7.7 note the Council capital outturn position for 2019-20
- 7.8 approve the £17.8m capital rollover from 2019-20 to 2020-21;
- 7.9 approve the revised capital plan for the period 2020-25 after taking into account rollover, the re-phasing of schemes and changes to grant assumptions;
- 7.10 approve the detailed 2 year Highways capital plan 2020-21 and 2021-22 which incorporates the large scheme road resurfacing programme;
- 7.11 Cabinet are asked to delegate authority to the Strategic Director for Children in consultation with the Portfolio Member for Children's Services, along with the head of Corporate Landlord and Head of Legal services, to negotiate and to procure identified properties to meet service needs within the £2m programme total. (para 1.10.20)

Treasury Management

- 7.12 note the review of Treasury Management activity for 2019-20

8 Contact Officer

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Sarah Hill, Finance Manager

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9 Background papers and History of Decisions

Early Closedown Review 2019-20 to Cabinet on 2 June 2020

Annual budget report 2020-23 to Budget Council on 12 February 2020

COVID-19 impact on Council finances report to Cabinet on 21 May 2020

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 2019-20 Outturn

Strategic Director portfolio responsibilities	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Child Protection & Family Support	58,569	57,589	(980)
Learning & Early Support & Schools	32,644	33,584	940
Sub Total (Children & Families)	91,213	91,173	(40)
Adults Social Care Operation	34,399	32,874	(1,525)
Commissioning, Quality and Performance	58,267	59,818	1,551
Integration, Access & Community Plus	8,311	8,285	(26)
Sub Total (Adults & Health)	100,977	100,977	-
Growth & Housing	6,538	6,894	356
Economy & Skills	9,633	10,328	695
Environment	18,623	22,808	4,185
E&I Management	103	104	1
Sub Total (Economy & Infrastructure)	34,897	40,134	5,237
Strategy, Innovation & Planning	12,929	12,994	65
Public Health & People	5,806	6,027	221
Governance & Commissioning	8,311	8,402	91
Finance	8,900	9,192	292
Sub Total (Corporate Strategy, Commissioning & Public Health)	35,946	36,615	669
Central Budgets	24,047	18,208	(5,839)
General Fund Total	287,080	287,107	27

Appendix 2a)

General Fund Earmarked Reserves						
	1st April 2019 (incl. 2019-20 budget report approvals)	Drawdown/ Contribution in-year	Early Closedown Review	Reserves position as at 31st March 2020	2020/21 Budget Report Approvals	Reserves position as at 1st April 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Dedicated Schools Grant (DSG)	(268)	14,664		14,396		14,396
Schools (other)	(9,476)	(491)		(9,967)		(9,967)
Total Statutory (School Reserves)	(9,744)	14,173		4,429		4,429
Earmarked						
Financial Resilience Reserves	(37,146)			(37,146)		(37,146)
Earmarked (Other)						
Rollover	(2,161)	223	1,282	(656)		(656)
Revenue Grants (various)	(12,924)	3,829		(9,095)		(9,095)
Public Health	(2,069)	919		(1,150)		(1,150)
Stronger Families Grant	(1,817)	806		(1,011)		(1,011)
Insurance	(1,900)			(1,900)		(1,900)
Ward Based Activity	(1,227)	28		(1,199)		(1,199)
Social Care Reserve	(2,496)	301		(2,195)		(2,195)
Property and Other Loans	(3,000)	-		(3,000)		(3,000)
Adverse Weather	(3,000)	568		(2,432)		(2,432)
Strategic Investment support	(5,400)	1,421		(3,979)	(250)	(4,229)
Waste Management	(11,000)	1,316		(9,684)	4,000	(5,684)
Mental Health	(1,400)			(1,400)		(1,400)
Business Rates	(2,000)			(2,000)		(2,000)
Covid 19 Response			(11,099)	(11,099)		(11,099)
School PFI		(2,184)		(2,184)		(2,184)
Demand Reserve		(5,000)	(6,706)	(11,706)	(4,000)	(15,706)
Place Partnership Theme					(2,000)	(2,000)
Other	(5,032)	(1,004)		(6,036)		(6,036)
Total - Earmarked Other	(55,426)	1,223	(16,523)	(70,726)	(2,250)	(72,976)
Sub Total Earmarked Reserves	(92,572)	1,223	(16,523)	(107,872)	(2,250)	(110,122)
GENERAL BALANCES	(10,215)	216	-	(9,999)		(9,999)
Grand Total	(112,531)	15,612	(16,523)	(113,442)	(2,250)	(115,692)
<i>Total usable reserves (excluding schools (other) and public health)</i>	<i>(100,986)</i>			<i>(102,325)</i>		<i>(104,575)</i>

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; surpluses/deficits carried forward).
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk register, 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.
Public Health	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
Stronger Families	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
Insurance	Mitigates against risk from increased liabilities and insurance claims.
Ward Based Activity	Set aside reflecting timing issues on ward based activity spend commitments
Property and Other Loans	Set aside in part against the potential risk of future loan defaults; in part to offset potential unfunded technical accounting entries on general fund revenue arising purely 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 scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
Social Care	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
Mental Health (including Domestic abuse)	To support a number of local area based mental health initiatives.
Business Rates	Set aside against potential backdated payments with respect to national company business rates appeals, and also to resource the Council's approved business start up and retention policy.
Elections	Smoothing reserve to accommodate annual fluctuations in local and national election cyclical costs outside the normal base budget provision.
Waste Management	To support the implementation of the Council's waste management strategy, including phased release over the MTFP to manage current PFI contract transition in light of the current Council PFI Waste Contract ending in 2022-23.
Commercialisation	To support Commercialisation opportunities including the One Venue Development Plan, to help drive investment in public and community buildings.
Demand Reserve	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
Place Partnership Theme	To encourage Place specific local initiatives
Other Earmarked	A range of smaller reserves earmarked for specific purposes, each less than £0.6m.
General Fund Balances	General reserve set at £10m to support general working capital and cashflow requirements.

Appendix 3

HOUSING REVENUE ACCOUNT 2019-20 - OUTTURN

	Annual		
	Revised Budget	Actuals	Variance
	£'000	£'000	£'000
Repairs & Maintenance	24,077	24,077	0
Housing Management	34,187	34,913	726
Other Expenditure	27,568	26,607	(961)
Total Expenditure	85,832	85,597	(235)
Rent & Other Income	(91,999)	(91,325)	674
Revenue Contribution to Capital Funding	6,167	7,691	1,524
Repairs & Maintenance Savings Returned 2018/19		(1,200)	(1,200)
Planned transfer from HRA Reserves	0	(763)	(763)
Total	0	(0)	(0)

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)
In Year Surplus/Deficit		-	-
Contribution from Reserves		763	763
Set aside to meet investment needs (as per HRA Business Plan)	(56,282)		(56,282)
Working balance	(1,500)		(1,500)
Total	(61,782)	763	(61,019)

Appendix 4

Planned Savings – 2019-20 Outturn

Reference	Service Activity	Headline Proposal	Actual Saving	Planned Saving	Variance
			£000	£000	£000
EX CP3	Management and Regulatory	Planned reduction in Legal Disbursement charges	-175	-175	0
EX CP4	Service Wide	Planned reduction in the use of Agency Social Workers	-636	-636	0
TOTAL CHILD PROTECTION AND FAMILY SUPPORT			-811	-811	0
EX IN1	Access Strategy & Delivery – Library and Information Centres	Re-shape Library and Information Service	-300	-300	0
EX OC7	Access, Strategy & Delivery – Access to Services	New ways of working; customer service centres/Kirklees Direct	-100	-100	0
EX OC8	Access Strategy & Delivery – Library and Information Centres	Organisation wide – cross-cutting savings from Place based working	-300	-300	0
TOTAL INTEGRATION, ACCESS & COMMUNITY HUB			-700	-700	0
EX AS3	Demand Led Services	Reduce spend on independent sector home care and apply proportional spend on direct payment	-988	-988	0
EX AS4/5	Independent Sector Residential & Nursing Placements	Reduction of older people and physical disability placements	-387	-387	0
EX AS6	Day care and Contracted Services	Review all existing contracts	-133	-133	0
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	3	-20	23
New AS1	Care Phones & Assistive Technology	Additional savings	0	-250	250
New AS2	Other demand led services	Change in bad debt provision requirement	-295	-200	-95
TOTAL ADULT SOCIAL CARE OPERATION			-1,883	-2,061	178
NEW CR2	Management & Regulatory	Increase income collection efficiency thereby reducing bad debt requirement	-50	-50	0
NEW CR3	Management & Regulatory	Increased contribution from HRA/KNH for housing management service	-1,500	-1,500	0
TOTAL ECONOMY & INFRASTRUCTURE MANAGEMENT			-1,550	-1,550	0
EX CR6	Corporate Landlord	New ways of working	-300	-300	0
TOTAL ECONOMY & SKILLS			-300	-300	0
EX CR1	Transport Services	Smarter practices/efficiencies	-103	-103	0

Reference	Service Activity	Headline Proposal	Actual Saving	Planned Saving	Variance
			£000	£000	£000
EX CR2	Bereavement Services	Additional income potential, 20%, through smarter marketing/product offer	-50	-50	0
EX CR3	Parks & Open Spaces	Increased cost recovery on services from KNH	-25	-25	0
NEW CR1	Management & Regulatory	Income generation initiatives ; 10% booking fee – town hall tickets	-50	-50	0
EX CR4	Schools Facilities Management – Catering/Assets	Meal price increase/reduced subsidy on living wage	-55	-55	0
EX CR5	Schools Facilities Management - Cleaning	Realignment to current performance	-25	-25	0
TOTAL ENVIRONMENT			-308	-308	0
NEW ER1	Management & Regulatory	Reduction in the events budget	-100	-100	0
EX ER3	Strategic Investment - Planning	Increase in Planning Fees	56	-120	176
TOTAL GROWTH & HOUSING			-44	-220	176
EX CS3	Finance and Accountancy	Efficiency Savings	-185	-201	16
EX CS5	Welfare and Exchequer	More automation on back office services	-132	-50	-82
TOTAL FINANCE			-317	-251	-66
EX CS6	HD-One Financial & HR Transactional Services	Income generation	-118	-100	-18
EX PI1	Sexual Health	Incorporating additional schemes into integrated sexual health services main contract	125	-100	225
EX PI3 / 4 / 5	Obesity, Physical Activity, Healthy Child	Incorporating additional schemes into healthy child programme	151	-103	254
EX PI2	Substance Misuse	Reducing payments in primary care and ongoing contract efficiencies	325	-100	425
TOTAL PUBLIC HEALTH & PEOPLE			483	-403	886
EX CS1	Transformation team	Organisation wide – cross-cutting reduction in sickness absence	-859	-859	0
NEW CS1	Management & Regulatory	Strategy & Commissioning review	-250	-250	0
TOTAL STRATEGY, INNOVATION & PLANNING			-1,109	-1,109	0
TOTAL GENERAL FUND PLANNED BUDGET SAVINGS			-6,539	-7,713	1,174

	Revised Budget £'000	Outturn £'000	Variance £'000	Variance %
<u>General Fund</u>				
Aspire & Achieve	13,055	10,230	(2,825)	(22)
Best Start	3	5	2	67
Independent	200	664	464	232
Sustainable Economy	51,898	40,511	(11,387)	(22)
Well	3,014	1,506	(1,508)	(50)
Safe & Cohesive	15	8	(7)	(47)
Clean and Green	1,625	1,148	(477)	(29)
Efficient & Effective	3,184	5,758	2,574	81
GENERAL FUND TOTAL	72,994	59,830	(13,164)	(18)
<u>Housing Revenue Account</u>				
Strategic Priorities	4,200	3,215	(985)	(23)
Baseline	17,377	18,165	788	5
HOUSING REVENUE TOTAL	21,577	21,380	(197)	(1)
CAPITAL PLAN TOTAL	94,571	81,210	(13,361)	(14)

Achieve & Aspire

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
New Pupil Places	2,679	(888)	Majority of underspend is ring-fenced grants to fund the New Pupils Places Strategy. Largest Variances £548k on Beaumont Academy due to savings made on final account with the gain shared, and £124k on future needs budget. Underspend in funding on Strategic Priorities will be required to rollover for 2020/21 to enable the rolling programme on schools to be delivered as part of the Schools Investment Needs Strategy.
Dewsbury Learning Quarter	2,363	(663)	Stage payments are made for this scheme as each phase of work completes and remaining works to complete early 2020/21.
Baseline			
Capital Maintenance	4,479	(876)	The majority of funds are contractually committed as part of the 2019-20 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.

Sustainable Economy

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
West Yorkshire plus Transport Schemes	3,768	(1,153)	Variance reflects re-phasing of balance of scheme costs into 2020/21
Town Centre Action Plans	7,591	(1,873)	Variance reflects part re-phasing of scheme costs into 2020/21

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
Highways	15,854	(1,494)	Variance reflects re-phasing of some works into 2020/21
Corporate Landlord Asset Investment	4,793	(1,869)	Includes £500k balance of Cremator implementation costs re-phased to 2020/21, and other scheme costs that will now complete in 2020/21
Vehicle Replacement Programme	2,505	(1,584)	Variance reflects contractually committed spend re-phased into following year

Well

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
Play Strategy	1,132	(745)	Slippage mainly on section 106 funded schemes

Efficient & Effective

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
One Off Projects			
Flexible Capital Receipts Strategy	823	1,822	Additional spend commitment as a result of the year end capitalisation exercise
Information Technology	100	1,305	Additional spend commitment as a result of the year end capitalisation exercise

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

Appendix 6

	£'000	£'000
QUARTER 3 CAPITAL BUDGET		91,635
Increase in Grants/Contributions		
Strategic Priorities		
West Yorkshire Transport Fund Schemes	1,332	
Pioneer House	277	
Homes England ACP	80	1,689
Baseline		
<i>Economic Resilience:</i>		
Fuel Poverty Boiler Support Grants addition of capital receipt	30	
Forest Trust Grant received for White Rose Forest Scheme	35	
grant claimed back on expenditure to cover costs of the Dewsbury THI scheme	115	
Forest Trust Grant received for White Rose Forest Scheme & Waterfront Development to cover additional cost	62	242
<i>Highways:</i>		
Developers Contributions (S106) for Liley Lane (Roads Connecting Communities)	68	
contribution to a scheme from Yorkshire Water at Lees Hall Road, Thornhill Lees	20	
S278 Developer fees received From Harron Homes for Owl Lane, Dewsbury	73	
S278 Developer fees received from Wade Hathaway £148k and S106 fees from Stirling Scotfield £82k	230	
Contribution for Blackpool Bridge - Structural work	2	
S278 Developer fees received for Gernhill Ave from Sulmans £188k and Harron Homes £4k	192	585
<i>Housing Regeneration:</i>		
£39k to Wakefield Road Demo & £47k to Cemetery Lodge	86	
DFG contributions to schemes over £30k from recipients	31	117
<i>Play Areas: Section 106 payments</i>		193
<i>Learning & Early Support: DFC Capital Funding for Schools</i>		110
	Total Additions	2,936
REVISED OUTTURN BUDGET		94,571

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.

	2018-19	2019-20	
	Actual	Strategy Estimate*	Actual
	£000s	£000s	£000s
Capital Expenditure			
General Fund	50,820	112,751	59,831
HRA	17,595	33,529	21,379
Sub-total (excl. PFI)	68,415	146,280	81,210
General Fund - PFI	1,554	2,000	2,014
HRA – PFI	300	250	220
Total	70,269	148,530	83,444
Financed by -			
Borrowing	17,229	58,572	29,764
PFI	1,854	2,250	2,234
Other	51,186	87,708	51,446
Total	70,269	148,530	83,444
CFR as at 31 March			
General Fund excl PFI	436,600	508,900	461,600
General Fund PFI	49,300	45,800	45,800
HRA excl PFI	175,300	170,700	175,300
HRA PFI	52,900	50,500	50,500
Total CFR	714,100	775,900	733,200
External debt as at 31 March			
Borrowing (excl interest accrued)	395,870	539,300	426,900
Other LT Liabilities	106,266	100,000	100,200
Total debt	502,136	639,300	527,100

*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.

	2018-19	2019-20	
	Actual (max)	Limits/ Boundary	Actual (max)
	£m	£m	£m
<u>Authorised limit for external debt</u>			
Borrowing	395.9	665.0	426.9
Other Long Term Liabilities	106.3	101.3	100.2
Total	502.2	766.3	527.1
<u>Operational boundary for external debt</u>			
Borrowing	395.9	665.0	426.9
Other Long Term Liabilities	106.3	101.3	100.2
Total	502.2	766.3	527.1

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 2020 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).

	2018-19	2019-20	
	Actual	Estimate	Actual
<u>Ratio of financing costs to net revenue stream</u>			
General Fund	5.93%	5.43%	5.98%
General Fund excl PFI	3.69%	3.15%	3.72%
HRA	29.63%	31.38%	32.12%
HRA excl PFI	31.53%	29.87%	30.47%

The actual for General Fund for 2019-20 was slightly larger than estimated due to an increase in financing costs and reduction in net revenue stream. 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

2020/21 – 2024/25 Capital Plan Expenditure Summary	Outturn	Revised Capital Plan		
	2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
General Fund:				
Achieve & Aspire	10,230	18,408	55,476	73,884
Best Start	5	748	9,250	9,998
Independent	664	1,855	22,606	24,461
Sustainable Economy	40,511	123,481	379,199	502,680
Well	1,506	14,617	15,964	30,581
Safe & Cohesive	8	185	0	185
Clean & Green	1,148	8,706	42,085	50,791
Efficiency & Effectiveness	5,758	2,955	7,685	10,640
General Fund Capital Plan	59,830	170,955	532,265	703,220
Housing Revenue Account:				
Independent - Strategic Priorities	3,215	13,448	72,523	85,971
Independent - Baseline	18,165	21,084	76,545	97,629
HRA Capital Plan	21,380	34,532	149,068	183,600
TOTAL EXPENDITURE	81,210	205,487	681,333	886,820

Capital Plan Funding Summary

Funding Summary	Outturn	Revised Capital Plan		
	2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>				
Capital Grants / Contributions applied	24,229	63,761	252,561	316,322
Earmarked Capital Receipts	1,567	5,837	46,979	52,816
Revenue Contributions (HRA)	7,691	16,738	44,385	61,123
Reserves -MRR (HRA)	12,593	11,493	59,778	71,271
Revenue Contributions (General Fund)	0	200	800	1,000
<i>Pooled Resources</i>				
Non Earmarked Capital Receipts	5,366	2,950	13,950	16,900
Corporate Prudential Borrowing	29,764	104,508	262,880	367,388
FUNDING	81,210	205,487	681,333	886,820

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
ASPIRE & ACHIEVE						
Strategic Priorities						
	Alternative Provision School	B	0	0	9,999	9,999
	Special School - SEMHD	B	0	100	14,900	15,000
	Autistic Spectrum Disorder (ASD) School	B	0	0	3,000	3,000
	<i>District Sufficiency - SEND</i>		0	100	27,899	27,999
	Brambles Primary Academy	G/ S106	432	2,684	5,563	8,247
	King James High School	B	0	5,250	0	5,250
	Almondbury Community School	B	0	275	0	275
	Netherhall Learning Campus	B	0	200	0	200
	Scissett Middle School	S106	0	210	0	210
	Birkby Junior Expansion	G	1195	200	0	200
	Beaumont Academy (Moorend)	G	79	30	0	30
	Reprovision of Special School - Lydgate	B	1	88	0	88
	Royds Hall	G	8	0	0	0
	Future Needs for Primary/Secondary places	G/B	76	865	373	1,238
	<i>New Pupil Places in Primary/Secondary Schools</i>		1,791	9,802	5,936	15,738
	Dewsbury Learning Quarter	B	1,699	664	0	664
	Libraries & Public Buildings	B	103	814	3,984	4,798
	Almondbury Library	B	45	55	0	55
	<i>Libraries & Public Buildings</i>		148	869	3,984	4,853
	Strategic Priorities Total		3,638	11,435	37,819	49,254
Baseline						
	Basic Need	G	633	500	2,000	2,500
	Capital Maintenance	G	3,603	4,263	11,800	16,063
	Capital Maintenance (Newsome High)	B	0	387	0	387
	Devolved Formula Capital	G	1,551	852	2,950	3,802
	Baseline Total		5,787	6,002	16,750	22,752

			Outturn	Revised Capital Plan		
GENERAL FUND CAPITAL PLAN		Funding	2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
	One Off Projects					
	SEND Provision	G	513	500	746	1,246
	Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs	B	24	350	161	511
	Healthy Pupils	G	280	80	0	80
	Completed Schemes	B	-12	41	0	41
	One Off Projects Total		805	971	907	1,878
	ACHIEVE & ASPIRE TOTAL		10,230	18,408	55,476	73,884
	BEST START					
	Strategic Priorities					
	Specialist Accommodation/Youth Services	B/G	5	742	9,250	9,992
	Strategic Priorities Total		5	742	9,250	9,992
	One Off Projects					
	DofE Cabin Contribution	B	0	6	0	6
	One Off Projects Total		0	6	0	6
	BEST START TOTAL		5	748	9,250	9,998

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
INDEPENDENT						
	Strategic Priorities					
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	19	50	6	56
	Cherry Trees	B	75	627	34	661
	Day Services Support for Vulnerable Adults	B	41	400	21,816	22,216
	Strategic Priorities Total		135	1,077	21,856	22,933
	One Off Projects					
	Adults Social Care Operation	G	512	165	700	865
	Adults Social Care Operation - AT IT Consultant	G	0	50	0	50
	Highfields	B	17	13	0	13
	Carefirst System Replacement	R	0	550	50	600
	One Off Projects Total		529	778	750	1,528
	INDEPENDENT TOTAL		664	1,855	22,606	24,461
SUSTAINABLE ECONOMY						
	Strategic Priorities					
	A62 & A644 Corridors & Cooper Bridge	G	533	817	67,300	68,117
	KC1 Dews Ring Road Multi node scoot	G	100	59	0	59
	KC2 A644 Ravens to Dews Streetworks	G	76	84	0	84
	KC3 A652 Dews to Batley Streetworks	G	18	102	0	102
	CCAG2 Bradley to Brighouse		66			
	Corridor Improvement Programme – A62 Smart Corridor	G	511	2,021	5,098	7,119
	Corridor Improvement Programme - Holmfirth Town Centre Access Plan	G	100	646	4,019	4,665
	Huddersfield Southern Corridors	G	253	3,941	3,725	7,666
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	84	2,176	10,018	12,194
	A629 Ainley Top to Huddersfield (Phase 5)	G	718	2,750	8,078	10,828
	Huddersfield Station Gateway Phase 1	G	89	1,335	3,640	4,975
	Huddersfield Station gateway Phase 2	G	26	5	4,991	4,996
	North Kirklees Orbital Route (NKOR)	G	60	10	0	10
	UTMC Urban Traffic Management	G	85	20	0	20
	Transforming Cities Fund	G	151	4,049	35,500	39,549
	WYTF Land Acquisition	B	-255	628	0	628
	<i>West Yorkshire plus Transport Schemes</i>		2,615	18,643	142,369	161,012

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
SUSTAINABLE ECONOMY						
	Aspirational Regeneration of Major Town Centres - Feasibility	B	241	241	0	241
	Regeneration of Strategic Town Centres - Dewsbury	B	616	7,295	7,400	14,695
	Regeneration of Strategic Town Centres - Huddersfield	B	4,861	5,422	19,406	24,828
	<i>Town Centre Action Plans</i>		5,718	12,958	26,806	39,764
	Regeneration and Greening of Smaller Towns and Villages	B	0	1,000	9,000	10,000
	Market Hall Multi-Storey Car Park	R	0	500	9,500	10,000
	Dewsbury Staff Move & Regeneration	B	0	50	8,450	8,500
	Soundspace	B/G	0	0	35,000	35,000
	<i>Additional Investment into Strategic Town Centres</i>		0	550	52,950	53,500
	Strategic Acquisition Fund	B	0	4,000	8,000	12,000
	Castle House	B*	0	0	2,450	2,450
	<i>Strategic Acquisition Fund</i>		0	4,000	10,450	14,450
	Dewsbury Riverside	B/G	0	12,000	21,000	33,000
	KSDL (HD One)	B	0	4,100	8,900	13,000
	Property Investment Fund	B**	807	17,693	6,327	24,020
	<i>Loans - Development Finance</i>		807	21,793	15,227	37,020
	Homes England - Accelerated Const Prog	G	65	15	0	15
	Site Development	G	0	6,000	0	6,000
	Public Realm Improvements	B	788	457		457
	Start Up & Retention Policy Capital Grants	RR	0	200	800	1,000
	Strategic Priorities Total		9,993	77,616	278,602	356,218

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
SUSTAINABLE ECONOMY						
Baseline						
	Housing (Private)	G/R	3,136	3,621	16,162	19,783
	Highways	G/B	16,534	25,232	46,985	72,217
	Corporate Landlord Asset Investment	B	2,924	5,752	17,200	22,952
	Corporate Landlord Compliance	B	1,141	1,153	4,000	5,153
	<i>Corporate Landlord</i>		4,065	6,905	21,200	28,105
	Corporate Landlord Suitability Programme	B	0	0	4,000	4,000
	Sustainability of Huddersfield Town Hall - Conditions	B	0	150	3,350	3,500
	<i>Corporate Landlord Asset Strategy Review</i>		0	150	7,350	7,500
	Bereavement	B	113	720	700	1,420
	Vehicle Replacement Programme	B	922	2,834	5,000	7,834
	School Catering	B	134	329	800	1,129
	Baseline Total		24,904	39,791	98,197	137,988
One-Off Projects						
	Housing (Regeneration)	G/R	359	540	0	540
	Economic Resilience	G/B/R	906	731	0	731
	Strategic Asset Utilisation	B	619	225	0	225
	Leeds City Region Revolving Fund	B	0	1,211	0	1,211
	Highways (Street Lighting)	B*	3,696	2,810	2,000	4,810
	School Catering - Compliance Essential Works	B*	17	463	400	863
	Ward Based Activity	B	17	94	0	94
	One-Off Projects Total		5,614	6,074	2,400	8,474
SUSTAINABLE ECONOMY TOTAL			40,511	123,481	379,199	502,680

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
WELL						
Strategic Priorities						
	Spenborough Valley Leisure Centre	B	885	7,407	7,521	14,928
	Huddersfield Leisure Centre	B	41	179	0	179
	Dewsbury Sports Centre Priorities	B	193	298	1,950	2,248
	Strategic Priorities Total		1,119	7,884	9,471	17,355
Baseline						
	KAL Self Finance Programme	B*	0	661	2,400	3,061
	Play Strategy	B/G	387	6,072	4,093	10,165
	Baseline Total		387	6,733	6,493	13,226
	WELL TOTAL		1,506	14,617	15,964	30,581
SAFE AND COHESIVE						
Strategic Priorities						
	Youth Offending Team	B	8	185	0	185
	Strategic Priorities Total		8	185	0	185
	SAFE AND COHESIVE TOTAL		8	185	0	185
CLEAN AND GREEN						
Strategic Priorities						
	Depot Works	B	16	460	25	485
	Garden Waste Containers and Vehicles		599	5,288	0	5,288
	Waste Management Plant/Infrastructure	B/B*/ /G	0	0	27,000	27,000
	Climate Emergency - Green Travel	B	0	2,000	0	2,000
	Air Quality	B	0	352	0	352
	Huddersfield Heat Network	G	0	0	14,660	14,660
	Strategic Priorities Total		615	8,100	41,685	49,785
Baseline						
	Environment & Strategic Waste	B	494	100	400	500
	Baseline Total		494	100	400	500
One Off Projects						
	Electric Vehicle Charge Points	G	39	506	0	506
	One Off Projects Total		39	506	0	506
	CLEAN AND GREEN TOTAL		1,148	8,706	42,085	50,791

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan		
			2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
EFFICIENCY AND EFFECTIVENESS						
Baseline						
	Information Technology	B*	905	900	3,600	4,500
	Flexible Capital Receipts	R	2,645			
	One Venue Development	B	21	282	800	1,082
	Sustainability of Major Town Halls - Service Development	B*	97	450	1,785	2,235
	Baseline Total		3,668	1,632	6,185	7,817
One Off Projects						
	Information Technology (Digital)	B	1,404	800	1,500	2,300
	Information Technology	B	208	384	0	384
	Occupational Health I.T.	B	29	0	0	0
	Internal Renovation works	B	449	139	0	139
	One Off Projects Total		2,090	1,323	1,500	2,823
EFFICIENCY AND EFFECTIVENESS TOTAL			5,758	2,955	7,685	10,640
GENERAL FUND CAPITAL PLAN TOTAL			59,830	170,955	532,265	703,220

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

		Outturn	Revised Capital Plan		
HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	2019-20 £'000	2020-21 £'000	2021 to 25 £'000	Total £'000
Strategic Priorities					
Housing Growth	H / R	3,162	5,948	17,456	23,404
New Build Phase 1 - Ashbrow Extra Care	H/G	0	1,500	5,567	7,067
Remodelling / High Rise	H	0	1,500	10,500	12,000
IT System (Universal Housing Replacement)	H	0	500	500	1,000
Council House Building	B/R/ H	0	4,000	38,500	42,500
Miscellaneous	H	53			
Strategic Priorities Total		3,215	13,448	72,523	85,971
Baseline					
Housing Capital Plan	H	14,994	9,995	43,518	53,513
Estate Improvements (Neighbourhood Investment)	H	617	1,624	4,535	6,159
Compliance	H	70	5,790	13,392	19,182
Fuel poverty	H / G	0	826	3,302	4,128
Adaptations	H	2,484	2,849	11,798	14,647
Baseline Total		18,165	21,084	76,545	97,629
TOTAL HRA CAPITAL PLAN		21,380	34,532	149,068	183,600

FUNDING KEY:

H = HRA revenue contribution/major repairs reserve

R = Capital receipts

G = Grant

B = Borrowing

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
ASSET MANAGEMENT					
1A - Principal Roads					
Principal Road Surfacing Dressing Programme	C.61131		790,000	550,000	1,340,000
Pre Surface dressing patching	C.61132		350,000	250,000	600,000
SCRIM deficient sites	C.62860		220,000		220,000
A62 Leeds Road Bradley to Cooper Bridge, Huddersfield (HM Challenge Fund)	C.64421		1,650,000		1,650,000
A62 Castlegate, Huddersfield	C.64551		750,000		750,000
A62 Queensgate, Huddersfield	C.65325			500,000	500,000
A62 Huddersfield Road, Birstall	C.65326		200,000		200,000
A653 Leeds Road, Shaw Cross	C.65442		200,000	400,000	600,000
A644 Huddersfield Road, Ravensthorpe	C.65441			370,000	370,000
A641 / A6107 Bradley Bar roundabout	C.64986		45,000		45,000
A616 Sheffield Road, New Mill			425,000	100,000	525,000
A6024 Woodhead Road Landslip (HM Challenge Fund)			1,010,000		1,010,000
Principal Roads - Schemes to be identified				80,000	80,000
Priority footway programme -Schemes to be identified			158,824	150,000	308,824
		B	0	0	0
		G	5,798,824	2,400,000	8,198,824
		T	5,798,824	2,400,000	8,198,824
1B - Roads Connecting Communities					
B & C Road Surface Dressing Programme	C.61178		210,000	210,000	420,000
Pre surface dressing patching	C.61179		250,000	250,000	500,000
B6432 Firth Street, Huddersfield	C.64091		55,000	227,000	282,000
Queen Street South, Huddersfield	C.65327			68,000	68,000
Mill Street East, Dewsbury	C.65328		410,000		410,000
Peel Street, Marsden including Station Road	C.65329		245,000		245,000
C557 Blackmoorfoot Road	C.65438		225,000		225,000
C566 Leys Lane/Park Lane Emley	C.65443			100,000	100,000
Gledholt Bank	C.65484		245,000		245,000
C565 Upper Lane Emley				150,000	150,000
Roads Connecting Communities - Schemes to be identified					0
Smithy Brook Lane flags to flex	C.65483		45,000		45,000
Hostingley Lane slurry seal	C.65482		25,000		25,000
Falledge Lane Upper Denby slurry seal	C.65481		25,000		25,000
Priority footway programme schemes to be identified			116,234	70,000	186,234

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
		B	0	0	0
		G	1,851,234	1,075,000	2,926,234
		T	1,851,234	1,075,000	2,926,234
1C - Unclassified Roads					
U Road Patching	C.64298		180,000	300,000	480,000
U Road Surface Dressing	C.64299		180,000	200,000	380,000
Leymoor Road, Golcar	C.64102		100,000	100,000	200,000
Bent Ley Road, Meltham	C.64383		120,000		120,000
Heys Lane Slaithwaite	C.65444		125,000		125,000
Hoyle House Fold, Linthwaite	C.65445		110,000		110,000
Cambridge Road / Clare Hill, Huddersfield	C.64893		120,000		120,000
Highlands Ave / Highcroft Cres, Almondbury	C.65447		150,000	200,000	350,000
St Paul's Road, Kirkheaton	C.64904			100,000	100,000
Upper Road Batley	C.65435			125,000	125,000
Market Place Slaithwaite	C.65430			20,000	20,000
Underbank Old Road Holmfirth	C.65434			105,000	105,000
Serpentine Road, Cleckheaton	C.64901			175,000	175,000
Robertown Lane	C.65432			140,000	140,000
Longlands Road/Royd Street/Hill Top Road Slaithwaite	C.65429		210,000		210,000
Bradley Mills Road	C.65449		190,000	200,000	390,000
Crossley Lane Mirfield	C.65489			120,000	120,000
Woodsome Estate, Batley				90,000	90,000
Dark Lane Batley				50,000	50,000
Eightlands Dewsbury	C.65491		88,000		88,000
Proprietary surface treatment schemes to be identified				100,000	100,000
Locality Based U Roads improvements (£10m)					
Programme supporting events			500,000		500,000
Hotspots Phase 1			1,300,000		1,300,000
White Gate Road, Cartworth Moor Retread	C.65437		152,000		152,000
Cote Lane/Greave Road Hade Edge Retread	C.65446		125,000		125,000
Cartworth Moor Road Retread	C.65448		95,000		95,000
Binn Lane Marsden Retread	C.65439		40,000		40,000
Reddisher Road Retread	C.65431		100,000		100,000
Back Lane Grange Moor Retread	C.65440		45,000		45,000
Nether Moor Road Crosland Moor Retread	C.65433		50,000		50,000
Cliff Road Holmfirth Retread	C.65436		145,000		145,000
Flush House Lane Holmbridge Retread			85,000		85,000
Fallhouse Lane/Fixby Lane Retread			150,000		150,000

Programme	Capital code	Fundin	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
Stony Gate Cartworth Moor - Overlay on retread sites	C.65504		20,000		20,000
Moorside Lane Slaithwaite - Overlay on retread sites	C.65500		82,000		82,000
Mellor Brook Slaithwaite - Overlay on retread sites	C.65499		20,000		20,000
High House Lane Linthwaite - Overlay on retread sites	C.65494		82,000		82,000
Highfield Road Slaithwaite - Overlay on retread sites	C.65495		70,000		70,000
Magdale Honley - Overlay on retread sites	C.65498		16,000		16,000
Hollin House Lane New Mill - Overlay on retread sites	C.65497		30,000		30,000
Localilty Based U Roads improvements - schemes to be identified			1,893,000	5,000,000	6,893,000
LHMG Pothole funding (£3,828,183)					
Carlinghow Hill	C.65485		230,000		230,000
Carr Green Lane incl Rawthorpe Lane	C.65486		800,000		800,000
Cemetery Lane	C.65488		150,000		150,000
Dirker Drive	C.65490		150,000		150,000
Forge Lane	C.65493		500,000		500,000
Longmoor Lane incl Coal Pit Lane and Burncliffe Hill	C.65497		170,000		170,000
Oxford Road Dewsbury	C.65501		230,000		230,000
Royd Street Milnsbridge	C.65502		130,000		130,000
Spring Lane New Mill	C.65503		150,000		150,000
Cawley Lane Heckmondwike	C.65487		270,000		270,000
DFT challenge fund top 10 scheme development	C.65251		30,000		30,000
LHMG Pothole funding - schemes to be identified			1,018,183		1,018,183
Wasp Nest Rd / Mead Street, Birkby - pavement repairs	C.64906		50,000		50,000
Fibre works - pavement repairs	C.65010		10,000		10,000
Cow Heys - pavement repairs	C.64895		65,000		65,000
Fairfields Upper Denby - pavement repairs	C.65492		100,000		100,000
Towngate Grove Mirfield - pavement repairs	C.65505		30,000		30,000
Acre Lane Meltham - pavement repairs	C.65480		70,000		70,000
Pavement repairs - schemes to identify				100,000	100,000
		B	6,530,000	6,530,000	13,060,000
		G	4,196,183	595,000	4,791,183
		T	10,726,183	7,125,000	17,851,183

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
1D - Structures					
Principal Inspections (80254)	C.61211		150,000	150,000	300,000
General Inspections (81837)	C.61212		50,000	50,000	100,000
Un-programmed Inspections (82424)	C.61218		10,000	10,000	20,000
Structures Interim Measures (80622)	C.61221		10,000	10,000	20,000
Structures Assessments (2319)	C.61222		80,000	50,000	130,000
Third Party Liaisons	C.61224		20,000	20,000	40,000
Abnormal Load Movements (83715)	C.61225		10,000	10,000	20,000
Asset Management	C.61227		75,000	150,000	225,000
Wall Surveys (80619)	C.64258		10,000	10,000	20,000
Retaining Walls Bulk (2438)	C.61216		300,000	100,000	400,000
Reactive Wall Maintenance (84608)	C.62307		100,000	138,000	238,000
Minor Structural Maintenance (1877)	C.61210		250,000	240,000	490,000
Bridge Strategy (8170)	C.61217		10,000	10,000	20,000
Future Design Works (80440)	C.61223		10,000	20,000	30,000
Haigh Culvert, Flockton - K1227	C.64988		44,000	0	44,000
Thick Hollins Dike Bridge- Meltham - K0033	C.62517		10,000	232,000	242,000
Mill Moor Road Culvert, Meltham- K1066	C.62518		100,000	0	100,000
Royd St Bridge, Milnsbridge -K0041	C.64676		220,000	0	220,000
Willow Lane Bridge, Birkby- K0088	C.64677		170,000	0	170,000
South View Culvert, Jackson Bridge - K1227	C.64999		60,000	0	60,000
Lower Clough Culvert, Linthwaite -K1051	C.65000		25,000	0	25,000
New Strengthening Schemes to be identified			415,607	0	415,607
		B	0	0	0
		G	2,129,607	1,200,000	3,329,607
		T	2,129,607	1,200,000	3,329,607
1F Street Lighting Replacement Strategy					
BUDGET HOLDING CODE	C.60911		34,807	50,000	84,807
HM81568 SLPROGDEVELO	C.60919		15,000	30,000	45,000
Almondbury 2016 - LED upgrade	C.63892		120,000	40,000	160,000
Ashbrow 2016 - LED upgrade	C.63893		120,000	40,000	160,000
Batley East 2016 - LED upgrade	C.63894		120,000	40,000	160,000
Batley West 2016 - LED upgrade	C.63895		120,000	40,000	160,000
Birstall & Birkenshaw 2016 - LED upgrad	C.63896		120,000	40,000	160,000
Cleckheaton 2016 - LED upgrade	C.63897		120,000	40,000	160,000
Colne Valley 2016 - LED upgrade	C.63898		120,000	40,000	160,000
Crosland Moor & Netherton 2016 - LED upg	C.63899		120,000	40,000	160,000
Dalton 2016 - LED upgrade	C.63900		120,000	40,000	160,000
Denby Dale 2016 - LED upgrade	C.63901		120,000	40,000	160,000
Dewsbury East 2016 - LED upgrade	C.63902		120,000	40,000	160,000
Dewsbury South 2016 - LED upgrade	C.63903		120,000	40,000	160,000
Dewsbury West 2016 - LED upgrade	C.63904		120,000	40,000	160,000

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
Golcar 2016 - LED upgrade	C.63905		120,000	40,000	160,000
Greenhead 2016 - LED upgrade	C.63906		120,000	40,000	160,000
Heckmondwike 2016 - LED upgrade	C.63907		120,000	40,000	160,000
Holme Valley North 2016 - LED upgrade	C.63908		120,000	40,000	160,000
Holme Valley South 2016 - LED upgrade	C.63909		120,000	40,000	160,000
Kirkburton 2016 - LED upgrade	C.63910		120,000	40,000	160,000
Lindley 2016 - LED upgrade	C.63911		120,000	40,000	160,000
Liversedge & Gomersal 2016 - LED upgrade	C.63912		120,000	40,000	160,000
Mirfield 2016 - LED upgrade	C.63913		120,000	40,000	160,000
Newsome 2016 - LED upgrade	C.63914		120,000	40,000	160,000
		B	2,809,807	1,000,000	3,809,807
		G	0	0	0
		T	2,809,807	1,000,000	3,809,807
1J - Unadopted Roads					
Schemes to identify		B	50,000	50,000	50
		G	0	0	0
		T	50,000	50,000	100,000
Maintenance Total		T	23,365,655	12,850,000	36,215,655
External Funding		T	13,975,848	5,270,000	19,245,848
Net Maintenance Total		T	9,389,807	7,580,000	16,969,807

INTEGRATED TRANSPORT					
2A - Integrated Public Transport					
General Scheme Development	C.61008		46,000	48,000	94,000
Bus Hotspots	C.63363		253,072	120,000	373,072
Schemes to identify			50,612	0	50,612
Air Quality Management Scheme	C.64025		125,000	115,000	240,000
		B			0
		G	474,684	283,000	757,684
		T	474,684	283,000	757,684
2B - Network Management					
Replacement of Obsolete Poles	C.62523		190,774	0	190,774
Southgate / Sainsbury's	C.65392		86,000	0	86,000
Gelder Road / Oakwell Way	C.65394		30,000	0	30,000
Bradford Road / Rouse Mill Lane	C.65395		85,000	0	85,000
Denby Dale Crossings Remote Monitoring	C.65397		60,000	0	60,000

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
Area Wide Crossing Refurbishments - schemes to identify			100,000	831,000	931,000
WYCA schemes			340,000	0	340,000
		B	100,000	100,000	200,000
		G	791,774	731,000	1,522,774
		T	891,774	831,000	1,722,774
2C - Cycling and Walking					
Programme Development	C.60905	B/G	67,000	70,000	137,000
Disabled Crossing Facilities	C.60983		10,000	10,000	20,000
Neighbourhood Path Imps	C.60984		10,000	10,000	20,000
Urban Path Improvements	C.60985		10,000	10,000	20,000
Schemes to be identified			35,971	20,000	55,971
		B	20,000	20,000	40,000
		G	112,971	100,000	212,971
		T	132,971	120,000	252,971
2E - Safer Roads					
Streets for People	C.663341	G	548,000	450,000	998,000
Moving Speed Indicator Devices	C.664444	B	70,000		70,000
Speed Limit Review	C.664283	G	85,000		85,000
Springwood Road Car Park	C.662847	B	150,000		150,000
A649 Walton Lane - roundabouts	C.64639	G	120,000		120,000
Huddersfield Town Centre Casualty Reduction	C.65095	G	70,000		70,000
Forge Lane, Thornhill Lees	C.65094	G	60,000		60,000
Mill Street East, Dewsbury	C.65097	G	95,000		95,000
Shelley college crossing	C.65276	G	87,000		87,000
VAS refurb	C.63850	G	20,000		20,000
Acre Street Lindley - surfacing signal approach	C.64641	G	10,000		10,000
B6432 Firth Street - zebra to pelican	C.65090	G	50,000		50,000
Penistone Road / Fenay Bridge Road	C.65092	G	50,000		50,000
Meltham Town Centre	C.64291	G	10,000		10,000
Sovereign - YE works	C.64318	G	20,000		20,000
Skid Reduction remedial works	C.64282	G	10,000		10,000
VAS refurb	C.63850	G	20,000		20,000
zebra lighting upgrades		G	38,000		38,000
Heaton Road		B	30,000		30,000
Headlands Road		G	25,000		25,000
Cowrakes Road j/w Crosland Road		G	20,000		20,000
Honley zebra upgrade		G	17,000		17,000

Programme	Capital code	Funding	2020-21 Budget £	2021-22 Budget £	2 Yr Total £
Hostingley Lane		G	10,000		10,000
20/21 Casualty Reduction small scale schemes		G	46,772		46,772
2021/2022 schemes to be identified				1,011,000	1,011,000
		B	250,000	250,000	500,000
		G	1,411,722	1,211,000	2,622,722
		T	1,661,722	1,461,000	3,122,722
2K - Flood Management and Drainage Improvements					
Minor Drainage Works	C.60999	B	250,000	250,000	500,000
Flood Management schemes	C.62530	B	200,000	200,000	400,000
Environmental Health (EH) schemes to identify		G	282,204		282,204
EH - Kirklees Culvert Programme	C.63012	G	245,000	230,000	475,000
EH - North Mirfield Flood Risk Study	C.65260	G	10,000		10,000
EH - Priority Clusters #4		G	14,000		14,000
EH - Priority Clusters #5		G	14,000		14,000
EH - Priority Clusters #6		G	20,000		20,000
EH - Priority Clusters #7		G	20,000		20,000
Drainage Challenge Fund - scheme to identify	C.64422	G	14,409		14,409
NPIF - scheme to identify	C.64398	G	13,249		13,249
		B	450,000	450,000	900,000
		G	632,862	230,000	862,862
		T	1,082,862	680,000	1,762,862
2L - Developer Funded Schemes		B			0
		G	432,085	0	432,085
		T	432,085	0	432,085
IT Total		T	4,676,098	3,375,000	8,051,098
External Funding		T	3,856,098	2,555,000	6,411,098
Net IT Total		T	820,000	820,000	1,640,000
Gross Programme Total			28,041,752	16,225,000	44,266,752
External Funding			17,831,945	7,825,000	25,656,945
Net Programme Total			10,209,807	8,400,000	18,609,807

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;*




Qualifying expenditure in 2019-20



£2.3m 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.


£0.3m 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 2 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;
 - iii) the affordability of borrowing to fund the capital plan in-year, where current funding assumptions include use of in-year capital receipts to part fund the Councils annual general fund capital plan.
6. The proposals set out in 3. above are 'in principle' and allow officers the 'flexibility' to consider a range of funding options in-year that meet the intended objectives set out in the Council's budget strategy update.
7. It is intended that officers will update members as part of the annual budget report to full Council each February, and finalised proposals for the flexible use of capital receipts to be incorporated into an annual early closedown review report for Cabinet consideration early April.



Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend
	Emergency & Immediate Risk			
0	The current national emergency as result of the Covid 19 coronavirus has huge implications on the Kirklees community, and the Council.	There are additional risks and impacts on the council (and community) in the short and medium term, which relate to community, operational and financial impact This is an ever-changing position, which requires regular reconsideration until the current crisis is declared under control/has passed, with a substantial number of areas of uncertainty.	L	↑
	Community Impacts & Risks	The current national emergency has a serious and significant risk to the community citizens and services users, with particular concerns about the impact on specific user groups.		
1	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. This risk may have worsened as a result of the full and partial coronavirus lockdown, with reduced referrals, an unwillingness of third parties to make referrals and a reduced ability to investigate. the basic controls described above remain valid	<ul style="list-style-type: none"> • 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 	H	↑


		<ul style="list-style-type: none"> • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as “corporate parent” • Children’s Improvement Board to assist governance and quality improvement • Ensure effective record keeping <p><i>Responsible for this risk – R Parry and M Meggs (owners several)</i></p>		4X5=20
2	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.	<ul style="list-style-type: none"> • 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 • Ensure effective record keeping <p><i>Responsible for this risk –M Meggs</i></p>	LM	 4x4=16
3	Failure to address matters of violent extremism and related safer stronger community factors, including criminal exploitation, create significant community tension, (and with the potential of safeguarding consequences for vulnerable individuals).	<ul style="list-style-type: none"> • Prevent Partnership Action Plan. • Community cohesion work programme • Local intelligence sharing and networks. • 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. • Awareness that campaigns such as black lives matter may give cause to action and reaction. <p><i>Responsible for this risk – R Parry and M Meggs(owners C Gilchrist)</i></p>	M	 4x5=20
4	Significant environmental events such as severe weather impact on the Council’s ability to continue to deliver services.	<ul style="list-style-type: none"> • Effective business continuity and emergency planning (including mutual aid) investment in flood management, gritting deployment plans. • Winter maintenance budgets are supported by a bad weather contingency. • Operational plans and response plans designed to minimise impacts (e.g. gully cleansing for those areas which are prone to flooding.) <p><i>Responsible for this risk – K Battersby (owners S Procter, W Acornley)</i></p>	M	 3x5=15



5	<p>Risk of infection with a high consequence infectious disease (HCIDs airborne) with the consequent impacts of pressure on services through demand, and a reduced ability to deliver services resultant from staff absences and similar.</p> <p>International transmission of HCIDs issues can also affect supply chains with the consequence of availability of products</p>	<ul style="list-style-type: none"> • National mitigation actions controlled through UK Government and devolved administrations. • Advice/instruction to/from, Chief Medical Officer, PHE, Health and Social care system. and schools (from DfE). • More local mitigations controlled through Public Health, Health protection. • Local lockdown processes in line with statutory positions • Business continuity planning and arrangements invoked. • Preparations for risk of recurrence • Understanding supply change and alternatives, and mitigations to retain essential existing suppliers where appropriate • Appropriate advice and Information cascaded to Kirklees citizens and staff <p><i>Responsible for this risk –Rachel Spencer Henshall & all of ET</i></p>	L	 5x5=25
The UK exiting the EU				
6	<p>The process of the UK exiting the EU lead to the following consequences and impact:</p> <ul style="list-style-type: none"> • 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 (e.g. the cost of raw materials). Interest rate volatility impacting on the cost of financing the council’s debt. 	<p>These risks are largely addressed elsewhere in the Matrix, but there is a shortening timescale, and local businesses may consider that coronavirus related risk is a more severe threat now.</p> <ul style="list-style-type: none"> • Monitor government proposals and legislation, and their impact on council, partner services and local businesses • Working with the WY Combined Authority, and other WY local authorities and partners • Continue to lobby, through appropriate mechanisms, for additional resources and flexibilities in the use of existing funding streams to e.g. Local Government Association (LGA) • Be aware of underlying issues through effective communication with partners, service providers and suppliers and other businesses 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. 	LM	




	<ul style="list-style-type: none"> • 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 reported hate crimes 	<ul style="list-style-type: none"> • Community cohesion work programme • Continue to work with local employer representative bodies e.g. FSB, MYCCI to make best use of existing resources and lobby for additional resources to support businesses pre/post EU Exit • 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. <p><i>Responsible for this risk –all ET (owner D Bundy, N Parkar)</i></p>		4x4=16
	The finances of the Council	The current national emergency has a serious and significant risk to the councils financial position-		
7	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	<ul style="list-style-type: none"> • 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 <p><i>Responsible for this risk - E Croston & ET (owner J Anderson)</i></p>	H	 4x5=20



8	<p>Coronavirus has added significant income risks and imposed additional costs (some of which have been met by government funding) which have a current year and likely medium-term continuing impact.</p> <p>The whole horizon risks also remain in relation to a 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;</p> <ul style="list-style-type: none"> • Complex Adult Care services • Children’s Care Services • Educational high needs <p>& Rent Collection impact of Universal Credit rollout (H R A)</p> <p>And in the longer term, the costs of waste disposal.</p>	<ul style="list-style-type: none"> • Monitor short term loss of income • Monitor additional costs (& be sure they are all captured) • Recognise in budget plans • Scenario plan for reduced level of demand, post current crisis • Scenario plan for recurrences of coronavirus or similar • Scenario plan for default by debtors- council tax and rents (individual citizens), business rates and commercial rents (businesses), sundry debtors (both) • Consider impacts from rent deferrals • Seek to recover additional costs where budgets held by other parties or partners • Significant service pressures recognised as part of resource allocation • 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 <p style="text-align: center;"><i>Responsible for this risk - E Croston & ET(owner J Anderson)</i></p>	H	 5x5=25
9	<p>Above inflation cost increases, 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.</p>	<ul style="list-style-type: none"> • Monitor quality and performance of contracts. • 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 <p style="text-align: center;"><i>Responsible for this risk - E Croston & R Parry (owner several)</i></p>	M	 4x4=16
10	<p>Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.</p>	<ul style="list-style-type: none"> • Effective due diligence prior to granting loans and careful monitoring of investment decisions. 	MH	

		<ul style="list-style-type: none"> Effective challenge to treasury management proposals by both officers and members (Corporate Governance & Audit Committee) taking account of external advice <p style="text-align: center;"><i>Responsible for this risk - E Croston (owner R Firth)</i></p>		2x5=10
11	Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances.	<ul style="list-style-type: none"> 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) <p style="text-align: center;"><i>Responsible for this risk - E Croston & J Muscroft(owner K Turner)</i></p>	H	 4x4=16
12	<p>The 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.</p> <p>This relates to the essential dependence on initial and medium-term financial support from government as a consequence of impact on the councils finances from coronavirus.</p>	<p>The current crisis has resulted in some changes to national finance proposals- but major and fundamental changes to national government funding of crisis costs and implications (e.g. loss of tax and trading revenues) impact more heavily. The government has promised continuing resource to meet coronavirus consequence, but it is unclear if this will be adequate, if the government will seek to risk share, and the financial consequence in the medium term. In the longer- term risks remain.</p> <ul style="list-style-type: none"> 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. <p style="text-align: center;"><i>Responsible for this risk - E Croston & ET (owner J Anderson)</i></p>	L	 5x5=25
	Other Resource & Partnership Risks	The current national emergency has a serious and significant risk to the councils position with regard to commercial and community suppliers, information management /technology/cyber, health and safety- addressed in more detail in the special report		
13	Council supplier and market relationships, including contractor	<ul style="list-style-type: none"> Avoid, where possible, over dependence on single suppliers 	MH	

	<p>failure leads to;</p> <ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 <p><i>Responsible for this risk – J Muscroft (owner J Lockwood)</i></p>		 <p>5x4=20</p>
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14	<p>Management of information from loss or inappropriate destruction or retention and the risk of failure to comply with the Council's obligations in relation to Data Protection, Freedom of Information legislation and the General Data Protection Regulations (GDPR) leading to reputational damage, rectification costs and fines. Cyber related threats affecting data integrity and system functionality.</p>	<ul style="list-style-type: none"> • Thorough, understandable information security policies and practices that are clearly communicated to workforce and councillors • Effective management of data, retention and recording. • Raised awareness and staff and councillor training • Compliance with IT security policy. • Compliance with retention schedules. • Compliance with information governance policy. • Business continuity procedures. • Recognition of increased risk from homeworking (e.g. destruction of paper records) • 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 <p><i>Responsible for this risk – J Muscroft (owner K Deacon) & A Simcox (owner T Hudson)</i></p>	<p>H (INFO) M (CYBER)</p>	<p></p> <p>4x5=20</p>
15	<p>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,)</p>	<ul style="list-style-type: none"> • Ensuring appropriate H&S responses re Coronavirus (appropriately balancing statutory obligations, desirable positions and commerciality/business risk) • 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. Improved employee work practices • Approval of additional resources to improve corporate monitoring regime. <p><i>Responsible for this risk – R Spencer Henshall (owner S Westerby)</i></p>	<p>H</p>	<p></p> <p>3x5=15</p>

16	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, with reputational and financial implications.	<ul style="list-style-type: none"> • Active site management • Routine servicing and cleansing regimes (including coronavirus compliance in both operational and managed tenanted commercial property) • Work practices to address risks from noxious substances • Property disposal strategy linked to service and budget strategy • 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 <p style="text-align: right;"><i>Responsible for this risk – K Battersby (owner D Martin)</i></p>	H	 4x4=16
17	A funding shortfall in partner agencies) leads to increased pressure on community services with unforeseen costs.	<ul style="list-style-type: none"> • Engagement in 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. • Assess dependency on voluntary organising, and impacts that coronavirus has on their sustainability, and consider actions. <p style="text-align: right;"><i>Responsible for this risk – R Parry & all ET (owner Various)</i></p>	L	 4x4=16
18	The risk of retaining a sustainable, diverse, workforce, including <ul style="list-style-type: none"> • 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 is broadly content, without whom the council is unable to deliver its service obligations. 	<ul style="list-style-type: none"> • 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 • Ensuring awareness to ensure employees safety and health (including stress) 	H	

		<ul style="list-style-type: none"> Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues <p style="text-align: right;"><i>Responsible for this risk – R Spencer Henshall (owner D Lucas)</i></p>		4x4=16
19	National legislative or policy changes have unforeseen consequences with the consequence of affecting resource utilisation or budgets.	<ul style="list-style-type: none"> Reprioritise activities Deploy additional resources Use of agency staff or contractors where necessary Development of horizon scanning service <p style="text-align: right;"><i>Responsible for this risk – all ET (owner Various)</i></p>	L	 5x4=20
20	Compliance with the councils own climate change commitments, and or statutory climate change obligations fails to achieve objectives and ambitions, and or causes unanticipated costs or operational consequences	<ul style="list-style-type: none"> Reconsideration of priorities and potential achievability within timescales Monitoring of achievements Effective project planning and costing Awareness of local consequences Awareness of local consequences of national commitments and obligations Lobbying for financial and other government support in relation to the costs of meeting obligations <p style="text-align: right;"><i>Responsible for this risk – K Battersby (owner Various)</i></p>	M	 4x4=16

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
20200714




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

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



Name of meeting: Corporate Governance and Audit Committee

Date: 22 July 2020

Title of report: Annual Report on Treasury Management 2019-20

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	Eamonn Croston 10 July 2020
Is it also signed off by the Service Director for Finance, IT and Transactional Services?	As above
Is it also signed off by the Service Director for Governance and Commissioning Support?	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

1. Summary

- 1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 13 February 2019. Investments averaged £32.7 million, were largely deposited in instant access accounts and earned an average interest rate of 0.73%. Total external borrowing at 31st March 2020 increased by £31.0 million to

£426.9 million (£395.9 million as at 31st March 2019). The increase is mainly due to the borrowing requirements in the capital plan. Temporary borrowing increased for the year by £39.5 million to £40.9 million (£1.4 million 31st March 2019). The majority of borrowing is on fixed rate terms and the average long term borrowing rate for 2019-20 was 4.67%.

- 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 2018-19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP 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 calculation estimated for the Treasury Management Strategy was £13.5m. The actual MRP calculation for 2019-20 and hence the maximum unwind allowable is £13.7m. In the 2019-20 the unwind has therefore been increased by a further £200k.
- 1.5 Treasury management costs incurred in the year include £10.8 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

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 2019-20 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 13 February 2019.

2.2 Borrowing and Investment Strategy 2019-20

- 2.2.1 The Council's overall Treasury Management Strategy prioritises security, liquidity and risk management which was adhered to in 2019-20. 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.

2.2.2 Although it only affected the last couple of weeks of the 2019-20 financial year, COVID-19 had a significant impact on treasury management. . In an operational sense, this resulted in a shortage of options for short-term borrowing within the market as a whole, with a resultant increase in rates. Due to the cyclical nature of local government cashflows and the uncertainty around the implications for future cashflows, various central government mitigations were implemented to ease sectoral concerns about short-term access to funds and market liquidity. For the Council, this position was eased with the receipt in advance of several tranches of Central Government funding for 2020-21. Further specific details are provided in the subsequent paragraphs within this report.

2.3 The Economy and Interest Rates

Below paragraphs 2.3.1-2.3.6 are a commentary from our external treasury management advisors, Arlingclose.

2.3.1 The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019-20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December 2019 General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

2.3.2 The headline rate of UK Consumer Price Inflation fell to 1.7% year on year in February, below the Bank of England's target of 2%. Labour market data remained positive. The International Labour Organisation (ILO) unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

2.3.3 Gross Domestic Product (GDP) growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

2.3.4 Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

2.3.5 In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

2.3.6 The Bank of England, which had held policy rates steady at 0.75% through most of 2019-20, moved in March 2020 to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.10%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses

and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

2.4 Investment Activity

- 2.4.1 The Council's treasury management investments totalled £52.0 million as at 31 March 2020 (£39.1 million 31 March 2019). The Council invested an average balance of £32.7 million externally during the year (£45.2 million 2018-19). Interest income of £0.204 million was generated through these investments (£0.313 million 2018-19) and £0.183 million dividend income from the CCLA Property Fund. Appendix 1 shows where investments were held at the beginning of April 2019, the end of September 2019 and the end of March 2020, by counterparty, by sector and by country. The Council's average lending rate for the year was 0.73% (0.67% 2018-19).
- 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. The Council invested £10 million during the year in the CCLA Property Fund as part of the 2019-20 Treasury Management Strategy.

2.5 Borrowing Update

- 2.5.1 On 9th October 2019 the Public Works Loan Board (PWLB) raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing remains available and although rates have reduced, (a 30 year maturity loan on 6th July was 2.68%) it is still 1% higher than it would otherwise have been. Market alternatives are available and new products have been developed; however, the financial strength of individual authorities is subject to increased scrutiny by investors and commercial lenders for any market alternative.
- 2.5.2 The Chancellor's March 2020 Budget statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans, the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB, available from 12th March 2020.
- 2.5.3 The consultation proposals allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation closes on 31st July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021-22.

2.6 Borrowing Requirement and Debt Management

- 2.6.1 In terms of borrowing, long-term loans at the end of the year totalled £373.7 million and short-term loans (excluding interest accrued) £53.2 million (£384.1 million and £11.8 million 31 March 2019), an overall increase of £31.0 million. There was no new long term borrowing in 2019-20. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2020.
- 2.6.2 Fixed rate loans account for 83.53% 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.

- 2.6.3 The primary source of the Council's borrowing is from the Government i.e. Public Works Loan Board (PWLB). See also, 2.5 above.
- 2.6.4 The Council held a £10.0 million range Lender Option Borrower Option (LOBO) with Barclays at the beginning of the year paying interest of 4.1%. LOBO loans are when the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. As previously reported (to Corporate Governance and Audit Committee on 15th November 2019), Barclays approached the Council with a view to converting this to a fixed rate loan. This was subsequently agreed in July 2019 and converted to a fixed rate maturity loan with an interest rate of 3.75%. This brings the total of LOBO loans down to £61.6 million which represents 16% of total external borrowing.
- 2.6.5 The table below sets out the actual external borrowing requirement against estimated requirements;

	2018-19 £m actual	2019-20 £m forecast	2019-20 £m actual
General Fund CFR - Non PFI	436.6	480.2	461.6
PFI	49.3	45.8	45.8
HRA CFR - Non PFI	175.3	172.7	175.3
PFI	52.9	50.5	50.5
Total CFR	714.1	749.2	733.2
Less: PFI debt liabilities	102.2	96.3	96.3
Borrowing CFR	611.9	652.9	636.9
Other deferred liabilities	3.9	3.8	3.9
Internal borrowing	212.1	219.0	206.1
External borrowing:			
PWLB Loans	278.6	274.4	273.3
LOBOs	76.6	65.0	61.6
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other Loans (Fixed Rate)	32.3	38.4	44.1
Temporary borrowing	1.4	45.3	40.9
Total External borrowing	395.9	430.1	426.9
Total Funding	611.9	652.9	636.9
Investments	39.1	30.0	52.0

- 2.6.6 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. Its first bond was issued in February 2020 and has announced three further pooled bond issues to follow. Officers will continue to monitor developments of this potential new funding source.

2.6.7 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 2019-20.

2.6.8 The average long term borrowing rate for 2019-20 for the Council's long-term loans outstanding was 4.67% (4.83% 2018-19).

2.7 Trends in treasury management activity

2.7.1 Appendix 4 shows the Council's borrowing and investment trends over the last 6 years. The trend has been to re-pay long term debt at maturity and where required borrow over the short term. Going forward the need to borrow long term will be reviewed using the liability benchmark and also the result of the PWLB consultation

2.8 Risk and Compliance Issues_

2.8.1 The Council has complied with its prudential indicators for 2019-20, 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.

2.8.2 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 £1.6m. 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.

2.8.3 In line with Council Treasury Management Strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.

2.8.4 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.

2.8.5 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 2019-20. Training was provided to Members on the 15th November 2019.

Looking ahead – Treasury Management developments in 2020-21

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

2.9.1 As outlined within the Council approved Treasury Management Strategy 2020-21, 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.

2.9.2 In light of a number of lenders currently reviewing their holding of LOBO loans, there may be further opportunities to convert or re-finance existing LOBOs. With 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. Should any opportunities arise in the future then these would be investigated and reported back to members.

2.9.3 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.

2.10 Loan Funding Sources

2.10.1 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 Service Director Finance (Section 151 Officer) will look to maximise the use of source funds when it is preferential to do so.

2.10.2 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 £6.8m interest free loan to part fund the £11m approved street lighting replacement scheme in the Council's approved capital plan.

2.11 Investment Opportunities

2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2020-21 continues to place emphasis on the security of the Council's balances.

2.11.2 Average current cashflow balances from April 2020 is £92.2 million, significantly higher than the ideal balances of £30m normally required for 'business as usual' day to day cashflow requirements. Business grants of £113.6m and Covid-19 related grants of £23.9m received in March 2020 have overstated this current cash flow figure so far this year. The receipt of these grants in March 2020 was a result of concerns about short-term access to funds for local authorities and market liquidity. Government addressed these issues early by providing, in advance, funding normally allocated in instalments in-year. As a result, liquidity risks within the sector to be able to manage daily cashflow requirements efficiently and effectively, are currently minimal but will remain under regular review through the remainder of the year. A high level financial impact of COVID-19 report on 21 May highlighted potential financial impacts on the Council, including ongoing cashflow volatility (see below):

[COVID-19 - Impact upon Council Finances \(Agenda Item 7\)](#)

2.11.3 In order to increase investment returns and following member approval to add the Local Authorities Pooled Investment Fund (LAPF) as an approved Council investment in the 2019-20 Treasury Management Strategy, the Council invested £10 million into the fund during the year.

2.11.4 The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2020 there are assets under management of £1,206m. 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.

2.11.5 The fund returned a gross dividend yield of 4.4% in 2019-20 (4.2% 2018-19), which compares with average 0.73% on other short-term investments (see paragraph 2.4.1 above). Net income of £0.183 million was received by the Council in 2019-20. This reflects a part-year effect as the £10m was invested in two £5m tranches (in May 2019 and February 2020).

- 2.11.6 Arlingclose commented that: *In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.*
- 2.11.7 The falls in the capital values of the underlying assets of the Local Authorities Property Fund (LAPF) were reflected in the 31st March fund valuations with the fund registering negative capital returns over 12 months to March 2020.
- 2.11.8 These unrealised capital losses of £0.9m in 2019-20 will not have an impact on the General Fund as the Council is utilising a Government dispensation for LAPF financial investment capital losses/gains at each year end to be notionally adjusted for within the Council's annual accounts, rather than it being a charge to the General Fund. It should be noted, that the current dispensation ends in 2023-24.
- 2.11.9 The investment in the fund is part of a longer term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.
- 2.11.10 As a result of the receipt in advance in March 2020, of a tranche of central government funding for 2020-21 (as noted in paragraph 2.11.2); the Council has taken up an opportunity to prepay it's superannuation contributions to the West Yorkshire Pension Fund for 2020-21. This is expected to result in a saving to the Council of approximately £600k.

2.12 New Borrowing

- 2.12.1 Following the 1% increase in PWLB borrowing rates in October 2019, Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 12 months previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. The Council's current approach is to continue to borrow short term, but this will be subject to ongoing review in consultation with Arlingclose, as to when it may be more appropriate to borrow longer term. It will also be considered in light of the timing of PWLB rates potentially coming down from current levels, depending what Government implements following the PWLB Future Lending Terms consultation. As noted earlier in the report (paragraph 2.11.2) in light of COVID, cashflow remains relatively volatile (compared to business as usual) but measures introduced by Government have actually resulted in a lot of short term funds being currently available at low rates.

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 Climate Change and Air Quality** – 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

5.1 Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet in July and Council in September 2020 as part of the overall financial outturn and rollover report 2019-20.

6. Officer recommendations and reasons

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

6.1 note treasury management performance in 2019-20 as set out in this report;

7. Cabinet portfolio holder's recommendations

To follow

8. Contact officer

James Anderson Head of Accountancy
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 19-20 Strategy Report approved by Council on 13 February 2019.

COVID-19 - Impact upon Council Finances Report approved by Cabinet on 21 May 2020.

10. Service Director responsible

Eamonn Croston

01484 221000

APPENDIX 1

Kirklees Council Investments 2019/20											
Counterparty	Credit Rating Mar 2020*	1 April 2019				30 September 2019			31 March 2020		
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
Specified Investments											
Santander	Bank	F1/A+	2.0	0.85%	35 Day Notice	0.0	0.85%	35 Day Notice	0.0	0.85%	35 Day Notice
Aberdeen Standard	MMF**	AAAmmf	9.9	0.79%	Instant Access	10.0	0.74%	Instant Access	10.0	0.48%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.79%	Instant Access	7.2	0.72%	Instant Access	6.6	0.45%	Instant Access
Deutsche	MMF**	AAAmmf	0.0	0.71%	Instant Access	10.0	0.72%	Instant Access	2.9	0.41%	Instant Access
Goldman Sachs	MMF**	AAAmmf	7.2	0.72%	Instant Access	0.0	0.67%	Instant Access	7.5	0.28%	Instant Access
Thurrock Council	Local Authority		5.0	0.94%	Local Authority	0.0	N/A	Local Authority	10.0	2.50%	Local Authority
Suffolk County Council	Local Authority		5.0	0.95%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Surrey County Council	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	5.0	1.25%	Local Authority
CCLA	Property Fund		0.0	N/A	Property Fund	5.0	N/A	Property Fund	10.0	N/A	Property Fund
			39.1			32.2			52.0		
Sector Analysis											
			£m	%age		£m	%age		£m	%age	
Bank			2.0	5%		0.0	0%		0.0	0%	
MMF**			27.1	69%		27.2	84%		27.0	52%	
Local Authorities/Cent Govt			10.0	26%		0.0	0%		15.0	29%	
Property Fund			0.0	0%		5.0	16%		10.0	19%	
			39.1	100%		32.2	100%		52.0	100%	
Country analysis											
			£m	%age		£m	%age		£m	%age	
UK			12.0	31%		5.0	16%		25.0	48%	
MMF**			27.1	69%		27.2	84%		27.0	52%	
			39.1	100%		32.2	100%		52.0	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	F1+
		AA+	
	Very Strong	AA	
		AA-	
	Strong	A+	F1
		A	
		A-	
	Adequate	BBB+	F2
		BBB	F3
BBB-			
Speculative Grade	Speculative	BB+	B
		BB	
		BB-	
	Very Speculative	B+	
		B	
		B-	
	Vulnerable	CCC+	C
		CCC	
		CCC-	
CC			
C			
Defaulting	D	D	

Appendix 2

Long-term loans repaid and short-term loans outstanding 31 March 2020

Long-term loans repaid during 2019-20

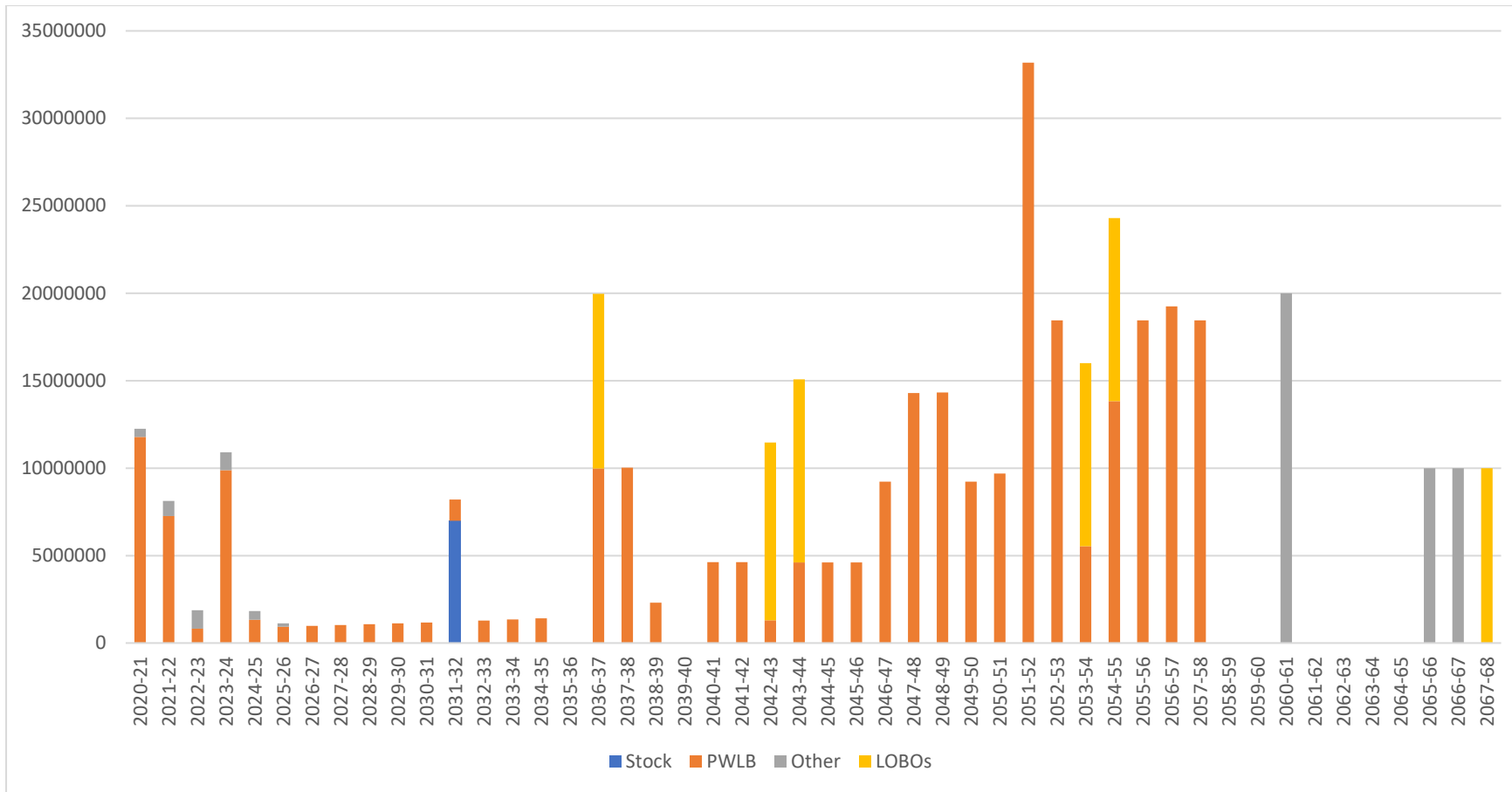
	Amount £000s	Rate %	Date repaid
Repayments on maturity			
PWLB (476012)	4,613	8.50	10 Jun 19
Repayments on annuity loans			
PWLB (496956)	353	4.58	30 Sep 19
PWLB (496956)	361	4.58	30 Mar 20
Total	5,327		

Short-term loans outstanding 31 March 2020

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
Rugby Borough Council	5,000	0.83	139
Staffordshire County Council	5,000	0.85	90
Hampshire County Council	5,000	0.72	42
Blackburn & Darwen Borough Council	5,000	0.75	50
South Lanarkshire Council	5,000	0.75	43
Ribble Valley Borough Council	1,500	0.80	46
Warrington Borough Council	10,000	1.00	35
Mansfield Building Society	1,000	1.00	33
West Lindsey District Council	2,000	0.75	28
Local lenders/Trust Funds	1,431		
Total Temporary borrowing	40,931		
Long-term loans due to mature in the next twelve months	12,277		
Total	53,208		

Kirklees Council Loan Maturity Profile (All Debt)

Appendix 3



Appendix 4

Kirklees Council - Borrowing and Investment Trends

At 31 March	2020	2019	2018	2017	2016	2015
<u>Investments</u>	52.0m	39.1m	36.1m	31.3m	38.3m	38.7m
ST Borrowing (excl interest accrued)	53.2m	11.8m	20.8m	37.7m	16.0m	21.1m
LT Borrowing	373.7m	384.1m	392.4m	400.5m	408.4m	422.6m
Total Borrowing	426.9m	395.9m	413.2m	438.2m	424.4m	443.7m
Deferred liabilities (non PFI)	3.7m	3.9m	4.1m	4.1m	4.3m	4.4m
Net debt position	378.6m	360.7m	381.2m	411.0m	390.4m	409.4m
<u>Capital Financing Requirement (excl PFI)</u>						
General Fund	461.5m	436.6m	420.3m	412.8m	411.3m	422.2m
HRA	175.4m	175.3m	182.8m	186.2m	192.4m	196.6m
Total CFR	636.9m	611.9m	603.2m	599.0m	603.7m	618.8m
Balances "internally invested"	206.1m	212.1m	185.9m	156.7m	175.0m	170.7m
Ave Kirklees' investment rate for financial year	0.7%	0.7%	0.3%	0.4%	0.5%	0.4%
Ave Base rate (Bank of England)	0.7%	0.7%	0.3%	0.3%	0.5%	0.5%
Ave LT Borrowing rate (1)	2.4%	2.5%	2.5%	2.5%	3.2%	3.7%

(1) Based on average PWLB rate throughout the year on a 25 to 30 year loan (less 0.2% PWLB certainty rate) 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 2019-20	Actual 2019-20
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

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 2019-20	Actual Levels 2019-20
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	2%
2 years to 5 years	0% - 60%	4%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	88%

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

