

Name of meeting: Cabinet
Date: 20 October 2020

Title of report: Council budget strategy update; 2021/22 and future years

Purpose of the report

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

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|---|--|
| Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | Yes |
| Key decision - is it in the Council's Forward Plan (key decisions and private reports)? | Key decision - Yes |
| The Decision - Is it eligible for “call in” by Scrutiny? | No |
| Date signed off by Strategic Director & name | Rachel Spencer-Henshall, 12 October 2020 |
| Is it also signed off by the Service Director for Finance | Eamonn Croston, 12 October 2020 |
| Is it also signed off by the Service Director – Legal, Governance & Commissioning ? | Julie Muscroft, 12 October 2020 |
| Cabinet member portfolio - Corporate | Cllr Graham Turner |

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

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

RESTRICTIONS ON VOTING

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

- (a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months, and

- (b) any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

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

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

1. Summary

1.1 Introduction

- 1.1.1 These are unprecedented times globally, nationally and locally in the midst of the continuing impact of the COVID-19 pandemic. This report provides broad consideration of the significant challenges and uncertainties brought about by COVID-19, and as such provides relevant context to the financial planning framework set out in this report.
- 1.1.2 Complimentary to this report on the same Cabinet agenda is 'Our Council Plan', which updates and re-freshes the Corporate Plan 2018-20 for a further year. The Plan sets out how the Council will deliver against its shared outcomes in the coming years. This includes re-affirmation of the Administration's commitment to the priority outcomes outlined in last year's approved budget; outstanding children's services, tackling climate change, and investing in our place, as well as the Council's regeneration ambition over the next 10 years and beyond, underpinned as well by the Council's capital ambition.
- 1.1.3 Our Council Plan also provides relevant context regarding COVID-19 impact and future Council focus on inclusive investment.
- 1.1.4 The Cabinet is required under Financial Procedure Rules to submit to Council a provisional budget strategy update no later than October, each year, for endorsement. This year's update is presented in unprecedented circumstances.
- 1.1.5 The provisional budget strategy in this report provides a budget planning framework to consider subsequent budget proposals that will deliver a balanced revenue budget for the following financial year 2021/22 and indicative funding and spending forecasts for the following 4 years. This report also provides a framework for an updated multi-year capital plan.
- 1.1.6 Cabinet has already commenced work with the Executive Team to develop the budget for 2021/22 and beyond, and while being acutely mindful of the unprecedented context as set out in this report, the Cabinet will be looking to develop proposals that continue to build on their ambition for investment that supports Council priorities.

1.2 National Context

Background

- 1.2.1 This time last year, a one-year Spending Round (SR2019) had been announced on 4 September 2019. Government noted that the announcement at the time had been ‘fast tracked’ ahead of official Office of Budget Responsibility (OBR) independent fiscal forecasts which inform the Autumn Budget statement “...so Departments can focus on delivering Brexit”.
- 1.2.2 Government also noted its intention to deliver a multi-year Spending Review in 2020 which “...which would take into account the nature of Brexit and set out further plans for long-term reform” (HM Treasury Spending Round 2019). The current national timetable for the UK’s withdrawal from the European Customs Union and Single Market is 1 January 2021.
- 1.2.3 SR2019 reflected a change in national Government policy from the previous decade when the Chancellor at the time announced the “end of austerity”, Overall, there was an increase in £13.8 billion across Government departments for day to day spending, and £1.7 billion added to capital spending, in 2020/21.
- 1.2.4 Funding uplifts for local government included £1.5 billion for social care in 2020/21 (£500m of this from a 2% Council Tax precept), and £700m to support children with special educational needs in 2020/21. Subsequent to SR2019, Government also committed to a national ‘levelling up’ agenda.
- 1.2.5 The Government Budget announcement on 11 March 2020 included a “minded-to” Devolution Deal for West Yorkshire, unlocking an expected £1.8 billion in investment for the area. A subsequent report was presented to Council on 9 September setting out next steps to completing statutory processes which would ultimately lead to establishing a mayoral combined authority for West Yorkshire with additional functions, including a Mayoral election in May 2021. The link to this report is referenced below:

[Agenda for Cabinet on Tuesday 1st September 2020, 2.00 pm | Kirklees Council \(Item 8\)](#)

- 1.2.6 The West Yorkshire deal is intended to unlock significant long-term funding and give the region greater freedom to decide how best to meet local needs and create new opportunity for the people who live and work there. This agreement is the first step in a process of further devolution. The Government will continue to work with West Yorkshire on important areas of public service reform and infrastructure investment, to support inclusive economic growth in towns, cities and rural areas whilst tackling the climate emergency. A Government white paper on proposals for further devolution across Councils in England has been delayed to next year.
- 1.2.7 While SR2019 was welcomed by the Sector, the Local Government Association (LGA) analysis reported in March 2020 that Council local services still faced an underlying national funding gap of almost £6.5 billion by 2025, with a relevant link below for reference:

[Local services face almost £6.5 billion funding gap by 2025: New LGA analysis | Local Government Association](#)

- 1.2.8 LGA noted that a combination of rising cost pressures and unprecedented demand for services; in particular Adults and Children's Social Care, and Homelessness Support, were significant contributing factors.

Covid-19 Impact

- 1.2.9 A report to Cabinet on 21 May 2020 set out the chronology of the emergent COVID-19 virus outbreak globally, and early Government responses. For reference, the link to this report is included below:

[Agenda for Cabinet on Thursday 21st May 2020, 3.00 pm | Kirklees Council \(Item 162\)](#)

- 1.2.10 The Government Budget announcement on 11 March 2020 included measures intended to offer an unparalleled range of financial support to individuals and businesses in light of the emerging global and UK economic impact being felt from the pandemic crisis. Subsequent to this, further financial support measures were announced on 20 March, including the furloughing scheme, and by 23 March the country was under a nationwide lockdown.
- 1.2.11 This was then followed by legislation passed on 25 March 2020 by Parliament through the Emergency Coronavirus Act to give UK Government unprecedented powers to curb the coronavirus pandemic. The legislation lasts for 2 years and was recently re-affirmed in Parliament following a 6 monthly review.
- 1.2.12 COVID-19 impact on Council finances has been extensively reported nationally. Government has implemented a range of measures to mitigate the impact of COVID-19, including a clear directive to Councils to spend whatever it takes in priority areas, and to fully compensate Councils accordingly.
- 1.2.13 Councils nationally, and Kirklees Council locally, have responded swiftly and effectively to Government's call to action and national directive, ensuring the continued provision of local essential services, including support and protection to more vulnerable residents and households, alongside Sectoral commitment to support the national effort to protect the NHS and support businesses. Sectoral measures have been undertaken in collaboration with key Partners, including health, education, 3rd sector leaders, local communities, key providers and suppliers.
- 1.2.14 To date, Government has allocated £3.7 billion COVID-19 funding to Councils nationally to help offset additional spend pressures. SIGOMA is a body which represents the interests of the 36 metropolitan authorities (including Kirklees), and 4 Unitary Authorities, and their most recent July analysis indicates a remaining forecast unfunded spend pressure of £698m across this group of authorities, once the Government funding to date has been factored in.
- 1.2.15 Government has also acknowledged the impact on in-year Council Tax and Business Rates income from the impact of COVID-19 on local tax revenues. Councils nationally are estimating significant deficits on their Collection Fund accounts as a result, which will roll forward into 2021/22. Again, the same July SIGOMA analysis suggests a forecast in-year tax income shortfall of £656m across its 40 member authorities.

- 1.2.16 Government has indicated its intention to allow Councils to spread any Collection Fund deficits rolled forward into 2021/22, across years for financial planning purposes. This is a departure from existing practice where Collection Fund surpluses or deficits rolled forward would have to be 'corrected' in the following financial year.
- 1.2.17 All Councils nationally are also submitting monthly returns to Government which identify, at an individual Council level, COVID-19 related financial pressures to date, and forecast pressures for the year.
- 1.2.18 In August 2020 Government announced a service income loss support scheme for 2020/21 only, intended to compensate Councils for up to 75% of in-year 'irrecoverable' service income losses across a range of sales, fees and charges. Councils submitted their first claims for the period April to July 2020, in early October. At this stage it is too early to know the extent to which this scheme will narrow any remaining unfunded COVID-19 pressures for the remainder of 2020/21 across all Councils.
- 1.2.19 COVID-19 financial impact forecasts Sector wide will continue to be updated monthly to Government, and at this time remain very fluid.
- 1.2.20 The global and national context to the forthcoming Spending Review (SR) 2020 has fundamentally changed in light of COVID-19 impact and is explored in more detail in the following section.

Spending Review (SR) 2020

- 1.2.21 The scale of the current challenges facing Governments at both a global and national level are immense. Nationally, the combined impact of tax revenues being significantly hit by the global economic downturn, and the cost of a range of measures to protect the NHS, the most vulnerable, businesses and jobs, have contributed to an unprecedented £2 trillion current national deficit, as at September 2020. Alongside this, national unemployment rates are currently at 4.1% as at August 2020, up from 3.9% in March 2020.
- 1.2.22 Current national economic forecasts suggest the employment rate could at least double from the current rate by the end of March 2021, notwithstanding the potential mitigating impacts of the Government furlough scheme and successor Job Support Scheme.
- 1.2.23 Other national measures of current and forecast economic performance are equally stark and volatile. For example, the KPMG UK Economic Outlook report for September 2020 includes a summary table, replicated below, which includes a relatively optimistic modelled scenario where a vaccine is approved in January 2021 and the UK agrees a deal with the EU:

Table 1: KPMG forecasts

(Scenario assumes a vaccine is approved in Jan 2021 and the UK agrees a deal with the EU)

| | 2019 | 2020 | 2021 |
|--------------------|-------------|-------------|-------------|
| GDP | 1.5 | -10.3 | 8.4 |
| Consumer spending | 1.0 | -12.9 | 8.4 |
| Investment | 0.7 | -15.7 | 7.8 |
| Unemployment rate | 3.8 | 5.9 | 8.2 |
| Inflation | 1.8 | 1.0 | 1.1 |
| Base interest rate | 0.75 | 0.1 | 0.1 |

The link to the full report is reference below:

[UK Economic Outlook – September 2020: KPMG Report](#)

- 1.2.24 The KPMG Table illustrates one overriding point, even given the context of a relatively more optimistic modelled scenario ;namely the protracted timescale for any economic recovery to revert to pre-COVID-19 levels, and a minimum 3 year recovery period is not an uncommon forecast amount national commentators.
- 1.2.25 The Chancellor announced on 23 September 2020 that the planned Autumn Budget 2020 has now been put on hold until next year, given the current economic uncertainty, to enable Government to deal with the ‘here and now’ COVID-19 crisis. Alongside this challenge, Government is also continuing to make preparations for UK’s withdrawal from the EU Customs Union and Single Market on 1 January 2021.
- 1.2.26 There will still be a Spending Review (SR) 2020 as Government has to set departmental spending allocations in advance of 2021/22 financial year. The SR2020 announcement is anticipated sometime in November 2020. Current indications are that this will be a one-year funding settlement only, in light of the Chancellor’s Autumn Budget cancellation.
- 1.2.27 Government had also previously confirmed a ‘pause’ in planned local government funding reforms which had in scope the implementation of a national Council 75% Business Rates Retention Scheme and re-basing of Council funding through a National Fair Funding Review. The proposed green paper on adult social care funding has also been put on hold for now.
- 1.2.28 Government also committed, as part of the March 2020 Budget, to a more fundamental review of Business Rates, and launched a two-tranche consultation. See link below for reference:

[Business Rates Review](#)

- 1.2.29 Tranche one consultation deadline was 18 September 2020, which was of a more technical nature, including questions on Business Rates reliefs and the inflation indices or multiplier. The LGA submission to tranche 1 included a more fundamental point that:

“...the changing nature of business alongside the nature of demand pressures on councils means that we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system...”

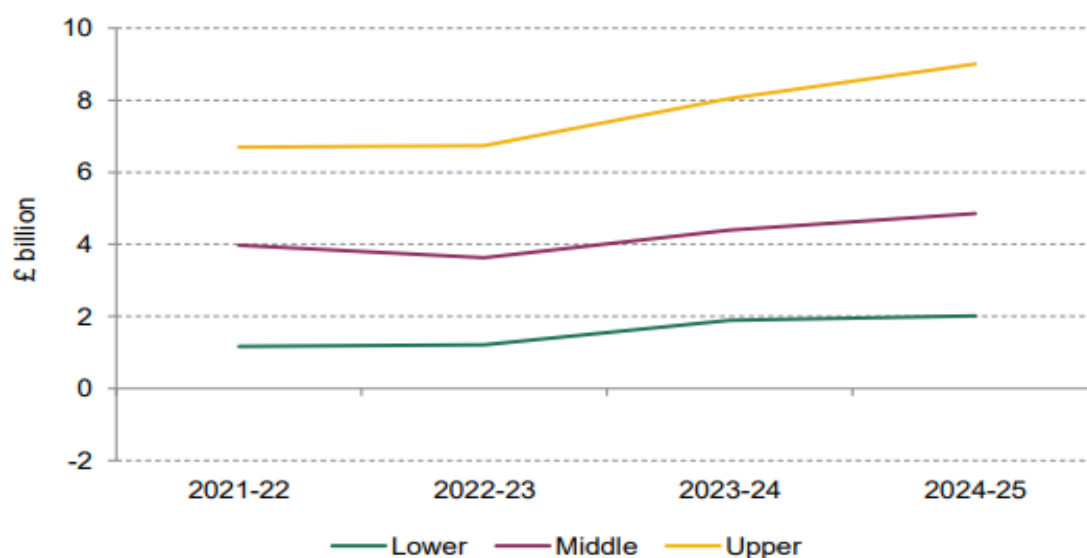
Tranche 2 consultation closing date is 31 October and includes consideration of valuation, administration of Business Rates and alternatives to Business Rates.

- 1.2.30 The deadline for stakeholders to submit their representations to Government’s 2020 Spending Review was 24 September. The LGA submission to SR2020 consultation was heavily influenced by independent analysis commissioned by the LGA from the Institute of Financial Studies (IFS), which was published on 27 September 2020. The relevant link to the IFS report is shown below for reference.

[Institute for Fiscal Studies about the future outlook for council finances](#)

- 1.2.31 Below is a summary extract from the IFS report which looks at a range of multi-year scenarios, for illustration. All three scenarios predict an underlying local government funding shortfall just to ‘standstill’, by 2024/25, of anywhere between £2 billion and £9 billion, with a mid-range scenario at £5 billion.

Figure 3.3. The projected gap between revenues and spending needs under our three scenarios, including pre-existing adult social care ‘underfunding’



- 1.2.32 The IFS scenarios also exclude any longer term impact of the COVID-19 crisis on service demand, or the impact of the crisis on future employer pension contribution costs; both of which could add further £ billions to the projected gap across all three scenarios.
- 1.2.33 Following on from SR2020, the detail of the provisional financial settlement for local government for 2021/22 is anticipated to be published in mid-December.
- 1.2.34 At the time of writing this report, there is no indication what the likely funding outcome of the forthcoming SR2020 announcement will mean for local government

for 2021/22, other than noting Government's currently stated national policy intent not to return to austerity, and to commit to a 'levelling up' agenda.

1.3 Local Context

Background

1.3.1 The most recent two annual Council budget rounds reflected a more fundamental shift away from the previous decade of austerity, with significant targeted revenue and capital investment within overall affordable budget plans. This investment reflected the ambition set out in the pre-existing 2018-20 Corporate Plan, which set out a vision:

"a district which combines a strong, sustainable economy with a great quality of life – leading to thriving communities, growing businesses, high prosperity and low inequality where people enjoy better health throughout their lives."

1.3.2 The 2018-20 Corporate Plan also made reference to Councillors' changing roles, and that in representing and serving the people and places of Kirklees, Councillors' roles were growing – as community leaders at the heart of democratically elected local government.

1.3.3 To deliver this vision, the Council focus has been on achieving outcomes by working with people rather than doing to them, working with Partners, and recognising the importance of local identity and how needs differ in different places.

1.3.4 Approved budget plans over the last 2 years, whilst acknowledging the continuing financial challenges facing the Council, also included significant new revenue and capital investment; in particular in children services, adults, regeneration and corporate capacity.

1.3.5 Last year's budget round also included targeted investment to support the Administration's key priorities; outstanding children's services, tackling climate change and Investing in our places.

1.3.6 The budget plans for 2020-23 were approved by Budget Council on 12 February 2020. The link to the annual Budget Report is referenced below:

[Agenda for Council on Wednesday 12th February 2020, 5.30 pm | Kirklees Council \(Item 5\)](#)

1.3.7 Approved Council budget plans for 2020/21 delivered a balanced general fund and HRA budget, and revenue and capital investment to support the Council's ambitions and priorities. It was also underpinned by a level of revenue reserves deemed adequate to meet potential budget risks and provide sufficient organisational financial resilience and flexibility over the short to medium term.

1.3.8 They also included planned savings of £3.0m over the next 3 years, reflecting the Council's continuing commitment to deliver efficiencies in forward plans. Indicative spend and funding forecasts for the following 2 years reflected a general fund revenue budget gap of £12m in 2021/22, increasing to £22m by 2022/23.

- 1.3.9 The future year forecast budget gaps were expected to reduce in part through Government commitment to a more sustainable funding solution for social care. The forward plans also included a longer term modelled HRA 30 year business plan that was financially sustainable.
- 1.3.10 The approved budget plans also included consideration of a longer term financial planning framework for future budget rounds; 5 year revenue and 5 years plus for capital, as more relevant to the scale of ambition and longevity of the Council's forward plans and priority outcomes.

Covid-19 Impact

- 1.3.11 The local impact of COVID-19 has been reported extensively to Cabinet; initially to Cabinet on 21 May 2020 (see also para 1.2.9 earlier). The report set out both Government and Kirklees Council's responses to the emerging global COVID-19 pandemic to date.
- 1.3.12 The Council's Quarter 1 financial monitoring report 2020/21 was reported to Cabinet on 1 September 2020, and at that time indicated an overall forecast general fund budget pressure of £7.7m against a net general fund revenue budget of £305.4m (equivalent to 2.5% variance). Of this, £4.6m was COVID-19 related, and £3.1m other pressures. The link to this report is referenced below:

[Agenda for Cabinet on Tuesday 1st September 2020, 2.00 pm | Kirklees Council \(Item 13\)](#)

- 1.3.13 The £4.6m COVID-19 pressures were net of the Council's £28.3m COVID-19 funding allocation received to date from Government. The Quarter 1 forecast also factored in an assumed £6.3m contribution from Government for COVID-19 related irrecoverable service income losses in-year.
- 1.3.14 Other pressures included in the Quarter 1 forecast included the unfunded element of the 2020/21 national pay award. The Council had budgeted for a 2% uplift in 2020/21. The nationally agreed uplift was 2.75%, resulting in an additional £1.4m in-year pressure. Underlying unfunded pressures on home to school transport totalled £1.7m. This pressure is on top of the additional £2.5m base budget uplift for schools transport over successive budget rounds over the past 2 years.
- 1.3.15 There are continuing pressures on High Needs spend funded from the Dedicated Schools Grant (DSG), with projected in-year spend in excess of grant available at over £7m. This will roll forward into 2021/22 on the Council balance sheet as a reserves offset, in addition to the £14.8m DSG deficit rolled forward from 2019/20; the vast majority of the 2019/20 deficit roll forward is also high needs funding shortfall related.
- 1.3.16 The Housing Revenue Account was forecasting an in-year deficit of £0.6m against an annual turnover of £91.5m (equivalent to 0.6%).
- 1.3.17 In-year tax income losses were forecast at £7.6m for Council Tax, against an income target of £190.0m (equivalent to 4%), and £2.6m in-year Business Rates losses against target income of £51.5m (equivalent to 5%). The forecast tax losses reflect the emerging economic impact of COVID-19 on businesses and households.

- 1.3.18 Subsequent to the Quarter 1 financial monitoring report, current indications as at month 5 are an overall reduction in the general fund revenue overspend forecast, by £1.7m, to £6m; mainly relating to incremental changes across a range of Directorate Portfolio activities. Overall COVID-19 pressures are largely consistent with Quarter 1 monitoring.
- 1.3.19 The Council will continue to submit monthly returns to Government on the emerging COVID-19 impact on Council finances, and the sector will continue to lobby Government to ensure it honours its commitment to fund Councils for unfunded COVID-19 pressures.
- 1.3.20 Appendix I attached sets out two high level scenarios in an update report presented by the Council's auditors, Grant Thornton, to Corporate Governance & Audit Committee on 23 September 2020. The link to the report is included below for reference :

[Agenda for Corporate Governance and Audit Committee on Wednesday 23rd September 2020, 11.00 am | Kirklees Council \(Item 9\)](#)

- 1.3.21 While the scenarios are for illustrative purposes, they encapsulate the challenges facing this and other Councils managing the 'here and now' whilst at the same time trying to second guess the scale and length of COVID-19 impacts on multi-year forward plans.

Local Economic Recovery Plan

- 1.3.22 Subsequent to the initial COVID-19 impact on Council finances report, a further report went to Cabinet on 13 July 2020, setting out the Council's Economic Recovery Plan (ERP) covering the period 2020-23, in response to the emerging impacts of the COVID-19 pandemic. The link to this report is referenced below:

[Agenda for Cabinet on Monday 13th July 2020, 3.00 pm | Kirklees Council \(Item 225\)](#)

- 1.3.23 The local Economic Recovery Plan (ERP) detailed how the Council and its key public, private and voluntary sector partners could support the economic recovery. The Kirklees ERP was developed in parallel with, and was intended to inform, the development of the West Yorkshire Recovery Plan, and involves a wider programme of consultation with the public, businesses and other key stakeholders.
- 1.3.24 The proposed Economic Recovery Fund to support the above would re-purpose existing funding allocated in the capital programme including the Property Investment Fund; Start Up and Retention Fund and reprioritisation of other capital programme commitments to support the economic recovery.
- 1.3.25 The report also identified scope to align the transfer of the Council's unspent Apprenticeship Levy funding to support private sector Apprenticeships and use of Business Rates Pool funding tied to the Employment Hub project to support recovery projects. Further, the report noted that individual interventions would need to draw on existing resource allocations, new funding streams that become available as the Government announces its plan for recovery and in the medium term through devolution.

UK Exit From EU

- 1.3.26 An update report was presented to Corporate Scrutiny Panel on 10 September 2020; “Leaving the EU - Preparations Update”, which sets out a range of national, regional and local contexts and issues. The link to this report is included below for reference:

[Agenda for Corporate Scrutiny Panel on Thursday 10th September 2020, 10.00 am | Kirklees Council \(Item 10\)](#)

- 1.3.27 The overriding context to the report was to note that Yorkshire & Humberside trades predominantly with the EU and that the scenario of ending transition without a UK/EU Free Trade Agreement represents a significant risk to the region’s trade. Other issues include the impact of COVID-19 on business confidence and preparedness, and implications for the social care market.
- 1.3.28 The next section sets out a number of key principles for the Council’s financial planning framework this budget round, taking account of the overarching and unprecedented context set out in the preceding sections above.

1.4 Financial Planning Framework for 2021/22- Key Principles

- 1.4.1 The starting point for the Council’s updated Medium Term Financial Plan (MTFP) are the existing revenue budget plans 2020 to 2023, approved at Budget Council on 12 February 2020, and updated 5 year capital plans 2020 to 2025, approved by Council on 1 September 2020 as part of the 2019/20 Financial Outturn & Rollover report.
- 1.4.2 As set out earlier at paragraph 1.3.10, the financial planning framework extends the current 3 year medium term financial plan to 5 years, and a 5 years plus capital plan.
- 1.4.3 The overarching context of COVID-19 has been set out in the preceding sections of this report. The sheer scale of the global, national and local challenges and impacts are continuing and significant, and will have structural implications for many years to come. Given the broader economic and societal uncertainties, this brings even greater ‘corridors of uncertainty’ and sensitivities with regard to spend and funding assumptions over the medium term. This creates significant challenges for any effective and meaningful financial planning over the period.
- 1.4.4 In light of the above, the financial planning framework set out here is intended to ‘buy’ the Council time, and ensure some degree of short-term stability and resilience over the next 18 months, until we get more clarity through the other side of the current COVID-19 crisis.
- 1.4.5 This approach will require the maximisation of technical accounting flexibilities available to the Council over the short to medium term. The most significant of these involves forward programming and maximising Minimum Revenue Provision (MRP) flexibilities from later years to support the MTFP over the 2020-22 period. This report also proposes to re-implement the Council’s flexible capital receipts policy to fund allowable revenue costs e.g. transformation activity, over the 2020-22 period.

- 1.4.6 In conjunction with the above, officers will continue to work with Cabinet to bring the forecast revenue overspend in 2020/21 to a break-even position by year end, as far as possible. There is however an expectation here of further COVID-19 funding from Government to support Councils unfunded COVID-19 pressures through the remainder of the current year.
- 1.4.7 The measures set out above would go a long way to enabling the Council to roll forward its existing £37m financial resilience risk reserves, £11.7m demand risk reserves and £10m general balances, into 2021/22. This will be critical to supporting the Council Chief Finance (& s151) Officer judgement on the adequacy of reserves going forward to underwrite the potential range of unbudgeted risks captured in the Council's most current corporate risk register (see also, Appendix E).
- 1.4.8 This report also makes reference to 'Our Council Plan' which is on the same Cabinet agenda. The Council Plan updates and re-freshes the existing 2018-20 Corporate Plan. It rolls forward the Administration's three key priorities from last year's budget round, and also makes reference to COVID-19 impacts; in particular with regard to inequalities, the economy, and increased focus on inclusive investment. It also provides important Council policy framework context for consideration of emerging budget proposals through the remainder of the current budget round.

Baseline Funding and Spend changes 2021/22 and future years

- 1.4.9 Existing budget plans have been reviewed, including a high level review of funding and spend assumptions. This has then been factored into re-freshed multi-year baseline funding and spend assumptions, compared to current; in particular with regard both to the continuing financial impact of COVID-19 on the Council forward plans, and current in-year intelligence regarding structural demand issues, and other technical adjustments where deemed appropriate at this stage.
- 1.4.10 These provide the basis of updated baseline target spending control totals for Cabinet to then formulate and recommend draft budget proposals for 2021/22 to deliver a balanced budget, and updated budget forecasts for future years. Cabinet recommendations will be considered at Budget Council on 10 February 2021, in accordance with the corporate budget timetable.
- 1.4.11 Subsequent to this report, funding and spend assumptions informing spending control totals will continue to be reviewed through the remainder of this budget round, in light of any further emerging local and national intelligence, and incorporated into finalised budget plans as appropriate.
- 1.4.12 Updated baseline general fund revenue budget spending plans are summarised at Table 1 below:

Table 1 – Summary General Fund - Baseline funding & spend adjustments 2021/22 and following 4 years

| | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
|--|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m |
| Budget Gap (MTFP 20-23) | 12.1 | 22.0 | 22.0 | 22.0 | 22.0 |
| Funding Changes | 10.8 | 10.8 | 1.5 | (11.8) | (20.0) |
| Spending Changes | 12.3 | 16.0 | 36.1 | 51.3 | 67.6 |
| Updated Budget Gap before MRP flexibility | 35.2 | 48.8 | 61.6 | 63.5 | 71.6 |
| Apply MRP Flexibility to Offset Budget Gap | (22.3) | (13.7) | - | - | - |
| Updated Budget Gap (MTFP 21-26) | 12.9 | 35.1 | 61.6 | 63.5 | 71.6 |
| Presumed Gov't funding for Adults growth pressures | (11.0) | (22.0) | (33.0) | (44.0) | (55.0) |
| Expected Budget gap (MTFP 21-26) | 1.9 | 13.1 | 28.6 | 19.5 | 16.6 |

- 1.4.13 The adjustments set out at Table 1 above indicate an updated budget gap of £12.9m in 2021/22, rising to £71.6m by 2025/26. These estimates have then been reduced through the application of an assumed £11m per annum increase in Adult Social Care funding resulting in an expected budget gap of £1.9m in 2021/22. The pattern of expected budget gaps in future years is largely a reflection of the anticipated longer term COVID-19 financial impact over the 2021-24 period
- 1.4.14 Whilst any uplift in Adult Social Care funding for growth pressures is expected to be announced as part of the Spending Review in November, the above assumption is considered reasonable at this stage based on successive annual Government Social Care funding uplifts over the past 5 years.
- 1.4.15 The inclusion of sensitivity analysis in this report (see also Section 2.16) reflects illustratively, the current challenges in budget forecasting in light of the issues set out in the earlier Sections of this report.
- 1.4.16 A detailed breakdown of Funding and Spending Plan adjustments to inform refreshed spending control totals is set out at Appendix A attached.

1.5 Housing Revenue Account (HRA)

- 1.5.1 HRA budget plans support the delivery of a high quality landlord service to 22,000 Council tenancies and 1,030 leaseholders alongside supporting the Council's strategic HRA capital investment ambitions, within a self-financed 30 year HRA business plan. The Council works closely with Kirklees Neighbourhood Housing (KNH), its partner arms length management organisation, to regularly review and update the HRA business plan (see also Section 2.18).
- 1.5.2 There is another report on this Cabinet agenda regarding the proposed transfer of KNH to the Council from 2021/22 onwards. The updated spend and funding assumptions for HRA summarised at Appendix C assume the financial impact of the proposed transfer will be broadly neutral overall.

1.6 Capital Investment

- 1.6.1 The Financial Outturn Report presented to Council on 1 September 2020 updated the capital plan budget for 2020-21 at £205.5m; subsequently re-phased and adjusted post approval to £199.1m as at Quarter 1 Financial Monitoring Report to Cabinet also on 1 September.
- 1.6.2 Officers have continued to review and re-profile the existing multi-year capital plan. This includes a further re-profiling of £59.8m (£42.6m General Fund, £17.2m HRA) from 2020/21 into future years. The table below summarises the impact of the further re-profiling exercise across years:

Table 2 – Summary of Changes

| | 20/21 | 21/22 | 22/23 | 23/24 | Later years | Total |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Approved Budget | 199.1 | 247.9 | 228.2 | 154.5 | 83.6 | 913.3 |
| General Fund Re-profile | (42.6) | (23.8) | (6.1) | (21.7) | 94.2 | - |
| HRA Re-profile | (17.2) | (7.0) | (3.1) | (3.3) | 30.6 | - |
| Grant Assumptions | (5.0) | - | - | - | 5.6 | 0.6 |
| Refreshed Capital Plan | 134.3 | 217.1 | 219.0 | 129.5 | 214.0 | 913.9 |

- 1.6.3 The re-profiled plan for 2020/21 includes the proposed re-direct of £3.15m slippage elsewhere in the capital plan as additional Council investment in the Huddersfield Southern Corridors scheme within the West Yorkshire plus Transport capital plan.
- 1.6.4 The updated Council multi-year capital plans are detailed in Appendix D and summarised in table 3 below:

Table 3 – Updated Multi-Year Capital Plans

| | 20/21 | 21/22 | 22/23 | 23/24 | later years | Total |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| General Fund: | | | | | | |
| Achieve & Aspire | 12.8 | 20.3 | 14.8 | 13.8 | 11.9 | 73.6 |
| Best Start | 0.7 | 2.7 | 6.1 | 0.5 | 0.0 | 10.0 |
| Independent | 2.4 | 6.4 | 6.8 | 10.2 | 0.2 | 26.0 |
| Sustainable Economy | 83.8 | 136.1 | 141.2 | 38.5 | 128.4 | 528.0 |
| Well | 10.7 | 8.3 | 4.3 | 3.7 | 3.6 | 30.6 |
| Safe & Cohesive | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Clean & Green | 3.9 | 7.5 | 8.3 | 26.1 | 5.4 | 51.2 |
| Efficient & Effective | 2.4 | 2.1 | 2.2 | 1.6 | 2.4 | 10.7 |
| General Fund | 116.9 | 183.4 | 183.7 | 94.4 | 151.9 | 730.3 |
| Housing Revenue Account: | | | | | | |
| Strategic Priorities | 3.7 | 13.1 | 14.3 | 14.4 | 40.4 | 85.9 |
| Baseline | 13.7 | 20.6 | 21.0 | 20.7 | 21.7 | 97.7 |
| Housing Revenue Account | 17.4 | 33.7 | 35.3 | 35.1 | 62.1 | 183.6 |
| Overall Total | 134.3 | 217.1 | 219.0 | 129.5 | 214.0 | 913.9 |

- 1.6.5 Existing Council capital plans include significant strategic priority spend on West Yorkshire plus Transport Schemes, investment in regeneration activity in Town Centres, Waste Management Plant and Infrastructure, Day Services Support for Vulnerable Adults and investment in Special Education Needs Schools.
- 1.6.6 The updated Council multi-year capital plans set out in this report will continue to be reviewed and re-freshed on an ongoing basis through the corporate annual reporting cycle. This will include consideration of further re-phasing and prioritisation of schemes within existing plans and any emerging new capital proposals, affordability considerations and external funding opportunities.
- 1.6.7 As an example of the latter, there are a number of current external funding bids that have been submitted by Council officers to Government/West Yorkshire Combined Authority (WYCA), for which officers are awaiting decisions on funding. This includes £11m bid to the Future High Street Fund Town Deal and £750k bid to the Town Fund for Dewsbury Town Centre.
- 1.6.8 Depending on the timing of any new capital proposals, these may feature as emerging budget proposals through the remainder of this budget round. Future capital plan updates will also consider longer term capital planning beyond the existing 5 year planning framework, although at this stage this remains a work in progress review.

2. Information required to take a decision

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

Appendices

| | |
|---|---|
| A | Summary general fund funding and spend control total changes 2021 to 2026 |
| B | General Fund Reserves |
| C | Summary Housing Revenue Account (including reserves) 2021 to 2026 |
| D | Summary Updated Capital Investment Plan 2020 and future years |
| E | Corporate Risk Register |
| F | Corporate Budget Timetable |
| G | Sensitivity analysis – key assumptions |
| H | Flexible Capital receipts |
| I | Grant Thornton – COVID-19 expenditure and income scenarios |

2.2 General Fund

- 2.2.1 Appendix A represents a high level re-fresh of funding and spend control totals over the 2021 to 2026 period, informed by a range of current national, regional and local intelligence.
- 2.2.2 The following sections of this report set out in more detail the underpinning assumptions informing the updated forecasts.

Funding Assumptions

2.3 BUSINESS RATES

Business Rates Retention Scheme

- 2.3.1 In light of the current economic uncertainty, Government has confirmed a further 'pause' in the implementation of the proposed 75% national Business Rates retention scheme that was due to be implemented in April 2021, including the planned re-basing of Council funding through a National Fair Funding Review. At this stage there is no certainty as to when the 75% national scheme will be implemented and, as such, updated budget plans assume a continuation of the 50% scheme across all years.
- 2.3.2 Government has expanded existing reliefs in 2020/21 in light of the specific economic and national and local lockdown impacts of COVID-19 on specific business sectors. This includes the expansion of 100% business rate reliefs for all businesses with a rateable value of up to £51k, and for specific businesses in retail, hospitality and leisure above £51k rateable value.
- 2.3.3 For Kirklees, this equates to approximately £50m of eligible reliefs compared to only £2.5m under the original retail relief scheme. The Council's 50% share of these reliefs will be funded via s31 grant payments. It is unclear at this stage whether any of these expanded reliefs will continue and as such, updated plans assume that they will be in place for 2020/21 only.
- 2.3.4 In addition to extended reliefs as above, Government also implemented a range of targeted in-year measures to support businesses, including furloughing, and its successor Job Support Scheme. Kirklees Council also paid out in excess of £100m in COVID-19 grants over the April to September 2020 period to over 9,000 eligible business across the borough.
- 2.3.5 The underlying impact of the economic downturn will become more visible if the expanded reliefs fall out next year and businesses are no longer eligible for the additional support. It is anticipated also that the ongoing impact on local tax revenues will continue for a number of years while global, national and local economies recover. Updated budget plans assume a reduction in local share of Business Rates income of 5% in 2021/22, equating to a £3m loss in income, gradually recovering to pre-COVID-19 levels by 2024/25.
- 2.3.6 Likewise, updated budget plans include an assumed reduction in the Business Rates collection rate. At this stage it is assumed that the collection rate for 2021/22 will be 95.6%; recovering to pre-COVID-19 levels of 98.6% by 2024/25. The budgetary impact of this is £1.5m in 2021/22, reducing to £1.0m in 2022/23 and £0.5m in 2023/24.
- 2.3.7 At this stage, it is not clear what the likely national funding position will be for the local government sector from 2021/22 onwards, however it is considered reasonable that any funding settlement will recognise the unprecedented extreme financial pressures facing authorities at this time and, as a minimum, include an inflationary uplift to the overall quantum of funding available to authorities. As such, updated budget plans include a Settlement Funding Assessment uplift of 1.5% per annum for the duration of the MTFP. Actual uplifts will be confirmed after Spending Review 2020 in November.

2.4 North & West Yorkshire Business Rates Pool

- 2.4.1 Kirklees is part of the North and West Yorkshire Business Rates Pool in 2020-21. The levy gain to the Pool in 2020/21 is 50%; the remaining 50% is returned to Government. The financial model underpinning the Pool estimated a potential overall gain to the Pool in the region of £10.7m in-year. This has subsequently been adjusted downwards to £9.7m and will continue to be reviewed in light of ongoing COVID impacts on local economies impacting on member authority levy payments into the Pool.
- 2.4.2 Pool members agreed at the time of the application that any levy income would be allocated to member authorities using the approach previously used for the two predecessor pools (The Leeds City Region Pool and the North Yorkshire Pool). Kirklees share would therefore be in the region of £660k but as noted above, overall Pool levy projections remain fluid for the remainder of 2020/21.
- 2.4.3 The wider economic effects on the regional economies of the pool members presents a risk to pool funding. Government's pooling prospectus notes that the nature of the pooling arrangement is to provide a safety net at 92.5% for authorities who see significant reductions in their income from the rates reduction scheme. The Memorandum of Understanding for the Pool therefore reflects that if an authority falls into safety net the loss of income should be met by the retained levies from the other authorities.
- 2.4.4 If there is not enough in retained levies, the net loss will be shared amongst all members of the Pool (including those in safety net). Whilst monitoring will be ongoing throughout the year, the final unaudited position for the Pool will not be known until Spring 2021, when authorities will be able to finalise their own positions for the year. Current monitoring shows that all members are above their safety net positions, but given the prevailing uncertainty the position will be closely monitored.
- 2.4.5 Government has confirmed that Pool arrangements, including any new applications, for 2021/22 will have the same benefits and risks as the current 2020/21 Pools.
- 2.4.6 If the intention of existing members of the North & West Yorkshire Business Rates Pool is to either continue the current Pool into 2021/22, or cease the existing Pool, Government needs to be notified by 23 October of the Pool's intention. If existing Pool members decide alternative Pool arrangements for 2021/22, a new Pool application would need to be made to Government, also by 23 October.
- 2.4.7 The options available at this stage include i) continue as is, ii) cease the Pool, iii) revert to a Leeds City Region Pool (West Yorkshire Councils plus Harrogate & York), or iv) a West Yorkshire Pool Council Pool only.
- 2.4.8 Pool members are currently reviewing options for 2021/22 to meet the Government deadline of 23 October. It is proposed at this stage that Cabinet endorse the decision on Kirklees preferred option to be delegated to the Chief Executive and Service Director – Finance, in consultation with the Leader and Corporate Portfolio holder.

2.5 Council Tax

Referendum Principles 2021-22

- 2.5.1 Updated budget plans continue to assume an annual Council Tax uplift of 1.99% per annum over 2021/22 and subsequent years, with an assumed continuation of the referendum limit for Councils at 2% in 2021/22. It is at the discretion of Councils to decide whether or not to uplift Council Tax in 2021/22 up to 2%, without triggering a referendum. An annual Council Tax uplift of 1.99% in 2021/22 is equivalent to £3.6m.
- 2.5.2 Referendum principles do not currently apply to Parish Councils, but this area is being kept under active review by Government.
- 2.5.3 SR2019 allowed Councils with adult social care responsibilities an option to raise upto a further 2% through the Adult Social Care (ASC) Precept. It is unclear whether SR2020 will confirm the continuation of this. At this stage, officers have not incorporated this into updated baseline funding assumptions.
- 2.5.4 At Band 'A' level, an overall 1.99% uplift in 2021/22, would be equivalent to an annual uplift of £20.83; (equivalent to £0.40 per week) from £1,046.55 in 2020/21 to £1,067.38 in 2021/22 (before fire, police and parish council precepts).
- 2.5.5 At Band 'D' level, a 1.99% uplift in 2021/22 would be equivalent to an annual uplift of £31.24; (equivalent to £0.60 per week) from £1,569.82 in 2020/21 to £1,601.06 in 2021/22.

Council Tax Base

- 2.5.6 Existing budget plans assumed Council Tax Base (CTB) growth of 1,100 Band D equivalents per annum. This was largely in line with the local plan (2013 to 2031) which proposes an additional 31,000 properties over the 18 years of the plan, equating to an average of 1,730 properties each year. Based on historical trends, 1,730 properties converts to a Band D equivalent of about 1,100 for tax base purposes, due to adjustments such as Single Person Discounts, Student Exemptions and the Council Tax Reduction Scheme, noting that 81% of Kirklees domestic properties (hereditaments) are actually banded at below Band D.
- 2.5.7 Given the wider economic uncertainty at present, housing growth projections have been dampened down in the updated budget plans. Zero growth is now assumed in 2021/22; in part a re-base to reflect assumed growth slowdown in 2020/21 as well. This is then forecast to be followed by a growth of 500 Band D equivalents in 2022/23 and 1,000 Band D equivalents per annum thereafter.
- 2.5.8 COVID-19 impact has resulted in more residents experiencing a reduction in disposable income. Existing budget plans assumed approximately 23,000 working age Local Council Tax Support (LCTS) claimants in the baseline calculations, however figures at Quarter 1 showed a significant increase in claimants to 26,000; equivalent to a 13% rise. These numbers are anticipated to rise further over time as Government support for businesses reduces and unemployment rates continue to increase over the short to medium term.

- 2.5.9 Reflecting the above, updated budget plans assume 27,000 working age LCTS claimants in 2021/22 (an increase of 4,000 compared to existing plans), reducing by 1,000 per annum thereafter, and returning to the original 23,000 baseline by 2025/26. It should be noted that for every additional 1,000 LCTS claimants, there is an estimated reduction in tax base of 480 Band D equivalents; equal to approximately £750k Council Tax income loss.
- 2.5.10 Council Tax funding assumptions will continue to be reviewed through the remainder of the current budget round based on the most up to date national and local intelligence. Any further revisions will be factored in as appropriate, but noting, as with Business Rates, the relative high level of volatility and sensitivity regarding forward plan forecasts (see also section 2.16 – sensitivity analysis).

2.6 Un-ringfenced Grants

- 2.6.1 While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. Future year budget forecasts largely reflect existing budget plan allocations for 2021/22.
- 2.6.2 Housing & Council Tax Administration Grant allocations are forecast to reduce year on year by about £150k. This reflects the assumed pace of Universal Credit rollout across the borough, and consequential impact on reduced grant required due to reduced volumes of Housing Benefit directly administered by the Council over the period.
- 2.6.3 The New Homes Bonus (NHB) assumption is that it will remain at the current level of £3.4m for 2021/22. There is uncertainty about what will happen to this grant in future years. At this stage, it is assumed that any reduction in NHB may be added back into the national funding pot and re-distributed back to local authorities based on need as per the refreshed formulae derived out of the eventual Fair Funding Review.
- 2.6.4 In the absence of any further intelligence, the current assumption is that the net impact of this will be neutral for Kirklees and so the 2021/22 NHB estimate has similarly been applied over future years.

2.7 Schools Funding (Dedicated Schools Grant or DSG)

- 2.7.1 The Department for Education has recently issued illustrative figures for the 2021/22 school funding round. The settlement will include funds for a minimum increase of 2% per pupil in comparison to 2020/21 individual school funding levels per pupil. The National Funding Formula (NFF) factors for 2021/22 will show an average rise of 3%.
- 2.7.2 The increasing number of local schools already fully funded by the NFF will see the full 3% average increase. Many local schools are still in receipt of cash protection via the Government's Minimum Funding Guarantee mechanism – they will see their share of the NFF increase by the average 3% but their cash protection will reduce as a consequence such that the worst overall outcome for them would be the 2% minimum increase per pupil.

- 2.7.3 Kirklees' Schools Block funding allocation for 2020/21 is £304m, The High Needs Block is £43.1m, the Early Years Block £29m and the Central Schools Services Block £2.25m. The Government has published indicative figures for 2021/22 (the final allocation figures will be confirmed in December 2020). The Schools Block is illustrated to increase by nearly £23m, although £13.6m of that is due to the Teachers' Pay Grant and Teachers Employers Contributions Grant being moved into the DSG from 2021/22.
- 2.7.4 The High Needs Block allocation will rise to £49m, £0.65m of which also reflects the transfer in of Pay and Pension grant responsibilities to the DSG. The Central Schools Services Block will be similar to its 2020-21 level. No illustrative amount has yet been provided for the 2021/22 Early Years Block of funding.
- 2.7.5 The prospects for schools funding beyond 2021/22 have yet to be announced other than the Government signalling its intention to have every school in every local authority funded by the National Funding Formula from 2022/23. Kirklees already funds schools in accordance with the NFF.

2.8 High Needs Funding Pressures

- 2.8.1 The 2020/21 Dedicated Schools Grant (DSG) High Needs funding allocation for Kirklees is £43.1m. As reported in the Corporate Financial Monitoring Report, Quarter 1 report to Cabinet on 1 September 2020, the forecast in-year pressure on High Needs spend in excess of the DSG funding allocation is £7.6m (equivalent to 17.63%). As per the updated Government guidance, this spending pressure will be transferred to Kirklees' balance sheet at year end, thereby increasing the DSG Deficit to an estimated £19.8m by 31 March 2021.
- 2.8.2 The Indicative DSG High Needs Block funding allocation for 2021/22 is £48.7m; an increase of £5.6m on the 2020/21 figure. Final allocations will be confirmed in December and will include any relevant adjustments for pupil numbers. The indicative allocation also include a revised High Needs Block National Funding Formula outcome for Kirklees of £55.2m beyond 2021/22; a further potential gain of £6.5m. It is assumed that the £6.5m increase will apply to 2022/23 (year 3 of the original CSR2019 three year settlement announcement for schools), although this has not yet been confirmed by Government.
- 2.8.3 High Needs remains an area of significant and growing pressure on Council budgets nationally and locally, and officers will continue to review and update current and future year forecasts informed by national and local intelligence. 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.
- 2.8.4 It is the Council's intention to engage early with the DfE, Schools Forum and other key stakeholders, using the framework of the updated operational guidance on schools funding 2020/21, to consider options to manage down the accumulated DSG deficit over time.

Spending Plan Assumptions - Base Budget Adjustments

2.9 Children's Services

- 2.9.1 Base budget adjustments include £550k per annum for continued social care inflationary pressures in years 3 to 5. This reflects a continuation of the levels of uplift built into existing budgets as part of the 2020-23 MTFP.
- 2.9.2 A further £300k base adjustment is included for Post 16 Home to School Transport in light of continuing pressures as highlighted in Quarter 1 financial monitoring report.

2.10 Adults

- 2.10.1 Existing budget plans include additional base budget resources of about £11m per annum over the 2020 to 2023 period for volume/complexity of need pressures, and provider cost pressures; the latter relating to social care external provider costs impacted on by an assumed continuation of annual national living wage uplifts in the region of 4.6% over the period. Updated budget plans include a continuation of these growth assumptions into years 3 to 5.
- 2.10.2 The above assumptions will be subject to detailed service review and challenge through the remainder of the budget round; in particular with regard to updated business intelligence informing modelled service demand scenarios, and potential mitigating service actions.

2.11 Social Care Specific Grant Funding

- 2.11.1 Updated budget plans continue to assume that a number of current specific adult social care grants will roll forward into 2021/22 baseline. These include the existing Social Care grant at £11m and the Improved Better Care Fund (iBCF) totalling £15.4m. There is also funding allocated through the Better Care Fund (BCF) pooled with Health, with the Council share about £19.5m. This (along with the iBCF) has national reporting conditions and joint health sign off agreements.
- 2.11.2 In addition to the above, updated budget plans also include further incremental increases in social care funding of £11.0m per annum over the duration of the MTFP to offset continuing and growing pressures in Adult Social Care. As noted in section 1.4 earlier, any uplift in Adult Social Care funding for growth pressures is expected to be announced as part of SR2020, however the funding assumption is considered a reasonable estimate at this stage.
- 2.11.3 Updated budget plans also assume future year inflationary uplifts on Better Care Fund of £600k per annum, consistent with 2020/21 actual funding allocations.

2.12 Economy & Infrastructure

- 2.12.1 Current year monitoring includes a continuing pressure within Environment of £1.2m relating to school's transport; in the main linked to special educational needs demand. An additional £550k was built into existing budgets in the 2020-23 MTFP

to address the ongoing pressure in this area however, as these pressures continue to rise in 2020/21, updated plans include a further £1.2m base budget adjustment.

- 2.12.2 The Council's current Private Finance Initiative (PFI) Waste Contract ends in 2022/23, and work is ongoing to review options for 2023/24 onwards. The associated fall out of the Waste PFI credit is included in updated budget plans with an additional budget requirement of £3.2m from 2023/24 onwards.
- 2.12.3 Updated budget plans include additional base budget of £600k from 2021/22 for winter maintenance, recognising the ongoing impact of climate change on this activity, where previously 'extreme weather' events were considered much less regular. It is proposed that the current Seasonal Weather reserve at £2.4m is re-directed to the COVID-19 Risk Reserve to mitigate against any specific unbudgeted cost or income pressures continuing into 2021/22 not otherwise funded by Government. Any future really severe or extreme weather events would instead be covered by the financial risk reserve.
- 2.12.4 An additional base budget of £3m has been included for 2021/22 at this stage to reflect the likelihood of continued income loss from sales, fees and charges and commercial rents as a result of COVID-19, over the medium term. This budget reduces to £2m and £1m in 2022/23 and 2023/24 respectively, in anticipation of the recovery of the local economy. As with other assumptions in this report, they are difficult to forward plan with any degree of certainty and will continue to be reviewed and updated accordingly throughout the remainder of the budget round.

2.13 Corporate Strategy, Commissioning and Public Health

- 2.13.1 Approved budget plans for 2020-23 included investment in corporate capacity; also a key recommendation of last year's LGA peer challenge report, to redress the impact of austerity on the ability of the organisation to deliver its ambition. The base budget includes a further £1m targeted investment in key areas including employee healthcare support for staff health & wellbeing, and the further strengthening of the Council's executive governance and support functions.

2.14 Central budgets

- 2.14.1 Additional base budget provision has been made for IT software application inflation at £200k, and the unfunded element of the 2020/21 pay award, at £1.4m. Future year pay awards remain at the current 2% assumption, and National Living Wage annual uplifts across social care provider contracted services of 4.6% to 2024.
- 2.14.2 Elsewhere, cash limited budgets remain for non-pay inflation, with the expectation that services manage efficiently and effectively within these inflationary constraints; in particular with regard to procurement activity.
- 2.14.3 Existing budget plans assume income inflation across fees and charges at 2% per annum, other than car parking and markets income, which assume zero uplift. Baseline income inflation assumptions have been adjusted to include 1.5% income inflation, with the exception of the exclusions above, reflecting the likely ongoing pressure on council income as result of the COVID-19 emergency. This is equivalent to an additional budget requirement of £450k per annum.

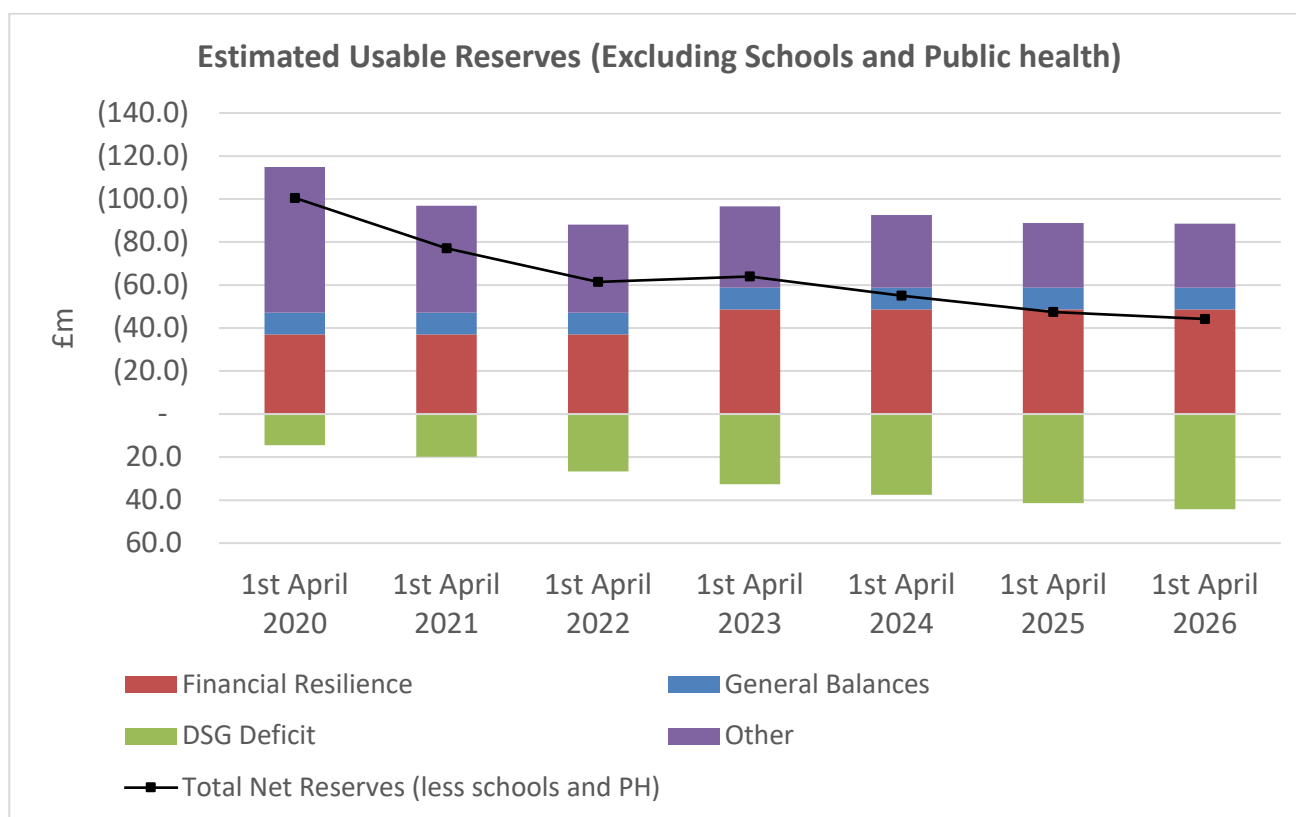
- 2.14.4 Updated budget plans also include an estimated 1% increase in employer contributions, equivalent to £1.6m, to the West Yorkshire Pension Fund for the next tri-ennial review period 2023-2026.
- 2.14.5 Existing Treasury Management budgets include provision for historic and future debt requirements, and cashflow management. Future debt requirements align to Council multi-year approved capital plan prudential borrowing requirements. In conjunction with the ongoing review of capital investment requirements (see also section 1.6), and also predicted borrowing costs over the short, medium and longer term, treasury budget forecasts will continue to be reviewed through the remainder of the current budget round. This will also take into consideration current CIPFA Prudential Borrowing Code and Government Treasury Management guidance.

Minimum Revenue Provision (MRP) flexibility

- 2.14.6 Council treasury management policy relating to minimum revenue provision (annual revenue resources set aside for repayment of debt, also known as MRP), was revised from 2017/18 onwards. This resulted in a reduced ongoing MRP requirement over the 2017 to 2027 period, effectively 'releasing' £9.1m annual base budget, intended to support organisational flexibility and financial resilience over the medium to longer term.
- 2.14.7 A revision to this re-profiling was approved at Budget Council on 13 February 2019 that increased the unwinding for 2018/19 and 2019/20 to the maximum allowable level of £13.5m. The revenue resources released from the additional unwind was prudently transferred to financial resilience reserves in both years.
- 2.14.8 Existing budget plans assumed the release of £9.1m MRP flexibility base budget per annum from 2020/21, with the majority being earmarked for transfer to a range of reserves. Given the scale of the short term and largely unprecedented financial pressures impacting on the Council for all the reasons set out in this report, updated budget plans propose that the current profile of MRP unwinding in later years is brought forward and increased to the maximum allowable level of £13.7m in 2020/21, 2021/22 and 2022/23, and £13.6m in 2023/24.
- 2.14.9 Together with the reversal of previously assumed transfers to earmarked reserves, this will release a total of £22.3m that can be applied to reduce the overall budget gap in 2021/22. This includes an additional revenue resources released in 2020/21 of £8.6m which it is proposed transfers at year end into an MTFP Support Reserve to be applied in 2021/22. The remaining £13.7m reflects the full release of the available 2021/22 MRP flexibility. Likewise, updated budget plans also assume the entire £13.7m unwind will be used in 2022/23 to support the budget position.
- 2.14.10 Based on the proposed revision to the MRP re-profiling, 2023/24 will be the final year of the MRP unwind. The updated budget plans assume that the full amount is released and used to re-plenish earmarked reserves in 2023/24, with £2m transferring to the Strategic Investment Reserve and the remainder to Financial Resilience Reserves.

2.15 General Fund Revenue Reserves

2.15.1 Updated forecast general fund revenue reserves over the 2020 to 2026 period are shown graphically below. These reserves are set out in more detail at Appendix B together with a summary explanation of each reserve held.



2.15.2 Usable reserves (excluding Schools and Public Health) on 1 April 2020 at £104.6m, equates to 35% of the 2020/21 net annual revenue budget of £302.3m; equivalent to just over 18 weeks in-year spend. For comparator purposes, the median percentage across the 36 metropolitan authorities on this particular indicator was 35% as at 31 March 2019.

2.15.3 The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators 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.

2.15.4 Useable Reserves are forecast to reduce to £43.9m by year end 2025/26, which equates to 15% or 8 weeks spend, based on current budgets. This is largely due to planned drawn down over the period of set aside earmarked reserves to support key strategic Council developments, including capital plan and broader regeneration delivery and Waste Management Strategy.

2.15.5 The reserves level is also impacted on by the accumulated DSG deficit which is now accounted for as a negative reserve on the Council balance sheet; illustratively forecast to be £44.3m by 1 April 2026, based on current trends forward projected.

Clearly any enhanced future year Government high needs funding would reduce the deficit over time as well.

2.15.6 Under Section 25 of the Local Government act (2003), in setting annual budgets the statutory s151 officer is required to give positive assurance statements in relation to the robustness of budget estimates and the adequacy of reserves and balances. There is no prescriptive guidance on the latter. Most recent sectoral guidance comes from a joint CIPFA/Local Authority Accounting Panel paper in 2014, which states:

- i) when reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves;*
- ii) authorities should make their own judgements on such matters taking into account all the relevant local circumstances; and*
- iii) in assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.*

2.15.7 The updated reserves position set out in this section of the report takes into account the above guidance, but also acknowledges the heightened volatility and unpredictability in the budget risk environment within which the Council is operating both currently and over the medium term .

2.15.8 This Council faces continuing and significant financial challenges and service pressures over the medium term. At this stage, the national funding landscape beyond 2020/21 is uncertain, not least due to the broader economic uncertainty impact of COVID-19, and there is increased volatility in terms of impact from a range of risks recorded on the Council's updated corporate risk register, including the UK's withdrawal from the EU Customs Union and Single Market on 1 January 2021 (see Appendix E).

2.15.9 The Council has also set out its ambition to invest, transform and change. Financial resilience reserves remain a key element of the Council's budget strategy in terms of Council financial resilience to manage unbudgeted risks and pressures over the 2021 to 2026 period.

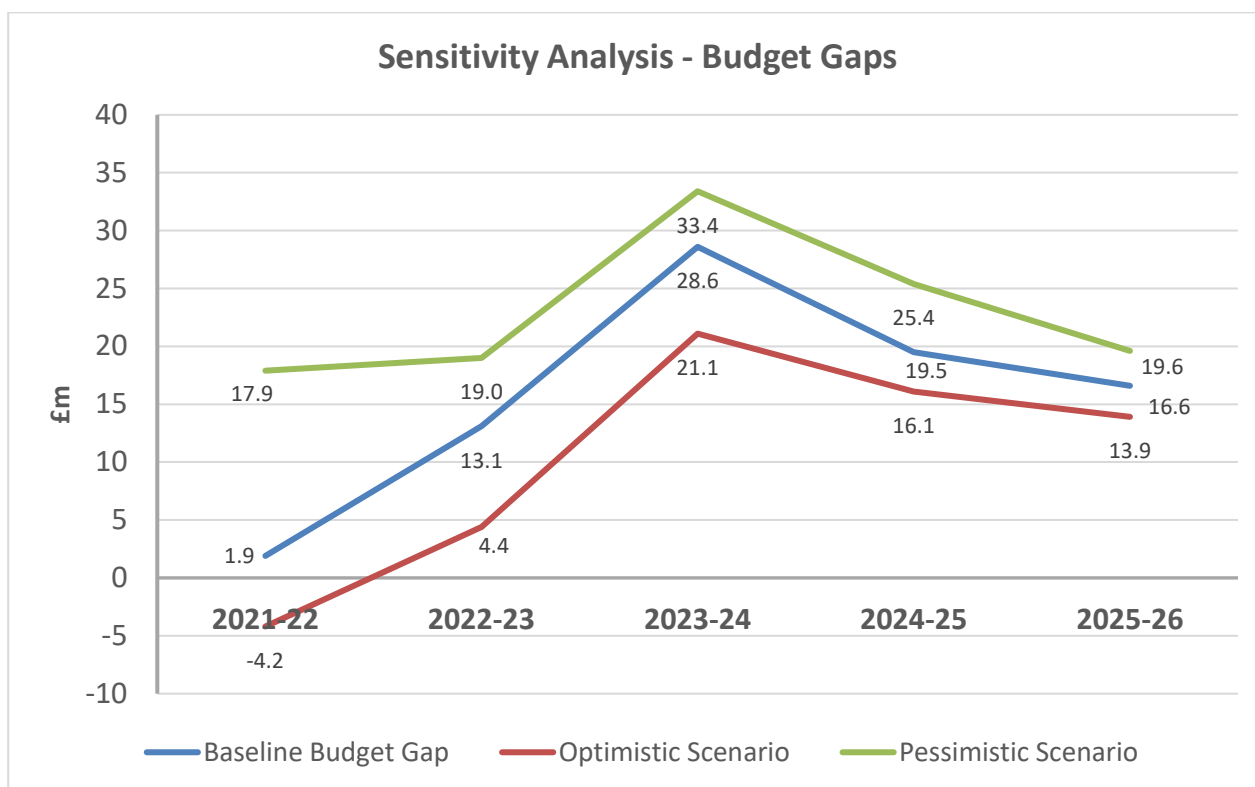
2.15.10 The following section includes some sensitivity analysis regarding updated baseline budget forecasts included in this report. The range of sensitivities reflect marginal changes to a number of key assumptions but show the extent of volatility of budget forecasts due to the potential short, medium and longer term economic implications of the COVID-19 pandemic.

2.16 Budget Forecasts – Sensitivity Analysis

2.16.1 Included at Appendix G are a range of potential sensitivities relative to baseline budget forecast assumptions as set out in this report. While these sensitivities are illustrative, and there can be different combinations, in broad terms they represent relatively minor changes to a number of key baseline budget forecast assumptions

in respect to the ongoing impact of COVID-19, and the cumulative effect of these over time.

2.16.2 The impact of these budget forecast sensitivities are summarised in the graph below.



2.16.3 Illustratively here, the forecast budget gap in 2021/22 could span a range of £22.1m; from a £4.2m surplus up to a £17.9m deficit. This reflects the uncertainty surrounding the short term effects of COVID-19 on the Council's bottom line, both in terms of Council Tax and Business Rates income and also the potential ongoing cost and income pressures within the general fund, relative to baseline assumptions.

2.16.4 The chart illustrates that the potential range of COVID-19 impacts is expected to lessen over the course of the MTFP, with the more optimistic and pessimistic scenarios returning closer to baseline over time. It should be noted however that there remains a significant number of other variables that could impact the Council's bottom line over the medium to longer term, in addition to the ones reflected above.

2.17 Flexible Capital Receipts Strategy

2.17.1 The Current flexible capital receipts strategy guidance is set out by the Ministry of Housing, Communities and Local Government (MHCLG), and applies over the 2016-22 period. The web link to current Government guidance is shown below:

[Final Guidance on flexible use of capital receipts](#)

2.17.2 MHCLG guidelines state that the flexible use of in-year capital receipts must be approved by full Council annually. The Council's current flexible capital receipts strategy is incorporated into this report, at Appendix H.

2.17.3 The proposed strategy included at Appendix H incorporates the following qualifying 'capitalisable' revenue expenditure:

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

2.17.4 Appendix H sets out the Council's flexible capital receipts strategy framework. This strategy had previously been applied by the Council over the 2016-20 period. It is proposed to extend the strategy over the 2020-22 period. This will enable officers to explore opportunities to release additional revenue resources over the period that could be utilised to support the MTFP/reserves.

2.18 Housing Revenue Account (HRA)

2.18.1 The overarching context for the financial planning framework for the HRA is a sustainable, self-financed 30 year HRA business plan, which delivers the following key objectives:

- i) annual servicing of HRA debt
- ii) capital improvements and maintenance of all Council housing stock to a minimum decency standard ,
- iii) delivery of high quality and cost effective housing management and repair service, and
- iv) inclusion of funding for a number of HRA strategic capital priorities and scope to consider further investment opportunities

2.18.2 Existing HRA budget plans include significant investment in priority areas, including regulatory compliance post-Grenfell, and piloting sustainable tenancies for some of the Council's most vulnerable tenants. The overall resourcing potential for the HRA and any associated further proposals will continue to be reviewed through the remainder of this budget round.

2.18.3 Current Government policy allows for annual HRA rent uplifts over the 2020 to 2025 period up to a maximum of CPI+1%. The CPI figure is based on the September CPI rate, which will be confirmed on 21 October 2020 by the Office of National Statistics (ONS).

2.18.4 Updated baseline HRA spending and income control totals are summarised at Appendix C and at this stage assume a rent uplift of 1.5% in 2021/22 (assumed CPI at 0.5%+1%), thereafter increasing to 2%, 2.5% and 3% thereafter. The 2021/22 rent uplift assumption will be revised in light of the ONS September CPI update. For illustration, every 1% rent uplift raises about £800k additional rental income.

2.18.5 Other assumptions include Right to Buys over the 2021 to 2026 period continuing at about 200 per annum based on current trends, void level targets reducing from 1.2% to 1.1%, and annual rent and service charge bad debt provision requirement at 1.24%.

- 2.18.6 HRA revenue reserves commitments include a set aside of £4m for business risks; in particular, with regard to proposed welfare reform changes. The balance of commitments includes £1.5m working balance, and the planned build up (sinking fund) of reserves to support longer term HRA business plan capital investment requirements.
- 2.18.7 As noted earlier in this report at paragraph 1.5.2, there is another report on this Cabinet agenda regarding the proposed transfer of KNH to the Council from 2021/22 onwards. The updated spend and funding assumptions for HRA summarised at Appendix C assume the financial impact of the proposed transfer will be broadly neutral overall.

3. Implications for the Council

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

Financial, Legal & Other Implications

- 3.2 A robust Medium Term Financial Plan and budget strategy is a key element of financial and service planning. This will be updated in detail by Budget Council on 10 February 2021. This report sets a framework for development of draft plans by officers and Cabinet, for consideration by all Members in due course.
- 3.3 Key funding and spend assumptions factored into the MTFP update will be subject to further review, informed by most current local and national intelligence, including the outcome of SR2020 and the provisional government 2021/22 financial settlement.
- 3.4 Any further material changes to funding and spend assumptions will be considered for incorporation into the finalised annual budget report as appropriate.

RISK ASSESSMENT

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

Financial Planning Framework

- 3.6 The updated budget plans set out in this report provide the planning framework for officers to bring forward proposals to Cabinet and members through the remainder of the current budget round, in order to deliver a balanced budget for 2021/22, indicative forward plan budget forecasts, and updated multi-year capital plans and associated funding.

- 3.7 The key budget timetable milestones for the remainder of this budget round are set out at Appendix F.

Budget Consultation

- 3.8 The Council's overall financial planning framework includes consideration of wider engagement and timetabling on stakeholder views on high level priorities in resource allocation. This will be timetabled for a 6 week period between November-December. Stakeholder views on emerging HRA budget proposals will be considered through the relevant Council Tenant stakeholder forums.
- 3.9 In addition, there may be a requirement for more detailed service consultations, led by the relevant services, on specific service budget proposals. These will engage service users as early as possible and target the groups most likely to be affected.
- 3.10 There is also on-going engagement with the business and voluntary and community sectors.
- 3.11 The Council has a duty, under section 149 of the Equalities Act 2010, to comply with the Public Sector Equality duty when developing budget proposals. Key decisions include accompanying evidence available to members; namely officer led integrated impact assessments, which are reviewed and updated as appropriate, including key budget proposals. Integrated impact assessments are also made available on the Council's website, in a timely manner. This purpose of the assessments is to ensure that decision makers have due regard to the Council's equalities duties on key decisions.

4. Consultees and their opinions

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

5. Next Steps

- 5.1 The Council's Chief Finance Officer (& Service Director, Finance) will co-ordinate the development of draft budget proposals and options and supporting budget documentation within the budget framework and planning totals.
- 5.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at Budget Council on 10 February 2021.

6. Cabinet portfolio-holders recommendations

As with all budget updates there has to be a certain amount of assumptions made, and that is certainly the case this year. However the assumptions we have made are based on the best intelligence we have and the experience we have gained over the recent months of the current pandemic.

Of course things can and probably will change as we learn to adapt and live with the COVID-19 virus, but I have every confidence that we have the right people with the

right skills and experience to see us through the budget process, which will ensure that we continue to have a solid and sound financial strategy that enables us to continue to deliver high quality services for our residents in these unprecedented times.

We have seen that the main driving force in the fight against the virus has been local government, and I just hope that this is reflected in the financial settlement whenever it comes, we need the support of government along with sufficient finances if we are to continue to lead the fight against this pandemic.

7. Officer recommendations and reasons

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

- 7.1 note the funding and spend assumptions informing the updated budget forecasts as set out in section 2.3 to 2.15 of this report;
- 7.2 note current and forecast earmarked reserves and general balances as set out at Appendix B;
- 7.3 approve the revised Minimum Revenue Provision Policy as set out in Section 2.14 of this report;
- 7.4 approve the decision on preferred option for Business Rates Pool arrangements for 2021/22 to be delegated to the Chief Executive and Service Director – Finance, in consultation with the Leader and Corporate Portfolio holder, as per Section 2.4 of this report;
- 7.5 approve the updated multi-year capital budget plans as set out at Appendix D;
- 7.6 approve the flexible capital receipts strategy set out in Section 2.17 of this report;
- 7.7 approve the financial planning framework set out in Section 1.4 of this report;
- 7.8 note the corporate budget timetable and approach set out at Appendix F; and
- 7.9 approve the budget consultation approach and timetable set out in Section 3 of this report

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

8. Contact Officer

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Sarah Hill, Finance Manager, Finance

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9. Background papers and History of Decisions

Government Spending round 2019

Government Financial Settlement 2020/21

Government Budget Announcement March 2020

Annual budget report 2020 to 2023; Budget Council 12 February 2020

COVID-19 impact on Council Finances Report to Cabinet 21 May 2020

Local Economic Recovery Plan report to Cabinet 13 July 2020

Annual Financial Outturn and Rollover Report 2019/20 to Council 1 September 2020

Financial monitoring report 2020/21; Quarter 1 to Cabinet 1 September 2020

Council Plan 2020-22 update to Cabinet 20 October 2020

UK exit from EU Corporate Scrutiny Panel update 10 September 2020

Grant Thornton Sector Update report to Corporate Governance & Audit Committee 23 September 2020

Institute of Fiscal Studies report on future outlook for Council finances, published 27 September 2020

10. Service Director responsible

Eamonn Croston, Service Director, Finance

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APPENDIX A

| GENERAL FUND SUMMARY - BASELINE | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| FUNDING AND SPEND CHANGES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| | £K | £K | £K | £K | £K |
| FUNDING | | | | | |
| STARTING POINT (2020-23 MTFP) | (308,506) | (313,945) | (313,945) | (313,945) | (313,945) |
| CHANGES | | | | | |
| COUNCIL TAX | | | | | |
| 1.99% Basic Council Tax Increase | 0 | 0 | (3,944) | (8,063) | (12,362) |
| Impact on taxbase - housing supply | 1,729 | 2,712 | 1,079 | (554) | (2,187) |
| Impact on taxbase - increase in CTR Claimants | 3,046 | 2,331 | 1,555 | 779 | 3 |
| Council Tax Collection Rate Changes; down 0.5% yrs 1 and 2 | 966 | 993 | 0 | 0 | 0 |
| | 5,741 | 6,036 | (1,310) | (7,838) | (14,546) |
| BUSINESS RATES RETENTION | | | | | |
| Continuation of 50% retention scheme all years | 2,082 | 2,118 | 2,151 | 2,186 | 2,222 |
| Reduction in Local Share - economic impact | 3,040 | 1,615 | 1,642 | 105 | 106 |
| NNDR Collection Rate - economic impact | 1,518 | 1,055 | 536 | 0 | 0 |
| Settlement Funding Assessment Uplift at 1.5% p.a. | (1,585) | (3,264) | (4,906) | (6,576) | (8,271) |
| | 5,055 | 1,524 | (577) | (4,285) | (5,943) |
| UNRINGFENCED GRANTS | | | | | |
| Housing Benefit Admin Grant | 0 | 0 | 150 | 300 | 450 |
| Unringfenced Grant rolled forwards | (11,800) | (7,800) | (7,800) | 0 | 0 |
| | (11,800) | (7,800) | (7,650) | 300 | 450 |
| COLLECTION FUND | | | | | |
| Collection fund repayment | 11,800 | 11,000 | 11,000 | 0 | 0 |
| TOTAL FUNDING CHANGES | 10,796 | 10,760 | 1,463 | (11,823) | (20,039) |
| REVISED BASELINE 2021-26 | (297,710) | (303,185) | (312,482) | (325,768) | (333,984) |
| SPENDING | | | | | |
| 2020/21 NET BUDGET | 320,558 | 335,951 | 337,951 | 337,951 | 337,951 |
| CHANGES | | | | | |
| CHILDREN | | | | | |
| Social Care - Inflationary Pressures | 0 | 0 | 550 | 1,100 | 1,650 |
| Schools Transport Pressure | 300 | 300 | 300 | 300 | 300 |
| CHILDREN TOTAL | 300 | 300 | 850 | 1,400 | 1,950 |

| GENERAL FUND SUMMARY - BASELINE | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| FUNDING AND SPEND CHANGES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| | £K | £K | £K | £K | £K |
| ADULTS | | | | | |
| Demand - Costs | 0 | 0 | 6,986 | 14,176 | 21,366 |
| Demand - Volumes | 0 | 0 | 4,164 | 8,324 | 12,484 |
| Better Care Fund Inflation Uplift | 0 | 0 | (600) | (1,200) | (1,800) |
| Reverse previous Social Care funding assumptions | 3,791 | 7,806 | 7,806 | 7,806 | 7,806 |
| ADULTS TOTAL | 3,791 | 7,806 | 18,356 | 29,106 | 39,856 |
| ECONOMY AND INFRASTRUCTURE | | | | | |
| Seasonal Weather base budget | 600 | 600 | 600 | 600 | 600 |
| Regeneration Capacity (baseline) | 0 | 0 | 250 | 250 | 250 |
| Waste PFI credit fall out | 0 | 0 | 3,200 | 3,200 | 3,200 |
| Schools Transport Pressure | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Fees and charges, sales and commercial rents | 3,000 | 2,000 | 1,000 | 0 | 0 |
| ECONOMY AND INFRASTRUCTURE TOTAL | 4,800 | 3,800 | 6,250 | 5,250 | 5,250 |
| CORPORATE STRATEGY, COMMISSIONING AND PUBLIC HEALTH | | | | | |
| Residual snagging issues | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| TOTAL CORPORATE STRATEGY, COMMISSIONING AND PUBLIC HEALTH | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| CENTRAL BUDGETS | | | | | |
| Review of Employers Superannuation Rate | 0 | 0 | 1,600 | 1,600 | 1,600 |
| Pay award (unfunded element of 20/21 award) | 1,400 | 1,400 | 1,400 | 1,400 | 1,400 |
| Income Inflation reduced to 1.5% | 450 | 900 | 900 | 900 | 900 |
| Inflation requirement yrs 3 to 5 | 0 | 0 | 4,550 | 9,100 | 13,650 |
| IT Inflation - mobile and agile | 230 | 0 | 0 | 0 | 0 |
| Joint Committees Levy Uplifts | 400 | 800 | 1,200 | 1,600 | 2,000 |
| TOTAL CENTRAL | 2,480 | 3,100 | 9,650 | 14,600 | 19,550 |
| TOTAL NET BUDGET CHANGES | 12,371 | 16,006 | 36,106 | 51,356 | 67,606 |
| UPDATED NET BUDGET | 332,929 | 351,957 | 374,057 | 389,307 | 405,557 |
| BUDGET GAP BEFORE MRP FLEXIBILITY | 35,219 | 48,772 | 61,575 | 63,539 | 71,573 |
| Use of MRP Flexibility to Offset Budget Gap | (22,300) | (13,700) | 0 | 0 | 0 |
| UPDATED BUDGET GAP 2021-26 MTFP | 12,919 | 35,072 | 61,575 | 63,539 | 71,573 |
| Assumed Adult Social Care funding uplift | (11,000) | (22,000) | (33,000) | (44,000) | (55,000) |
| EXPECTED BUDGET GAP 2021-26 MTFP | 1,919 | 13,072 | 28,575 | 19,539 | 16,573 |

GLOSSARY OF RESERVES

| RESERVE | DESCRIPTION |
|-------------------------------------|---|
| School Reserves / DSG | Statutory reserves relating to both individual school balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure; surpluses/deficits carried forward). |
| Demand Reserve | Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity. |
| Financial Resilience | Covers a range of potential costs highlighted in the Council's corporate risk assessment, including budget risks as set out in the sensitivity analysis within this report. |
| Rollover | To fund deferred spend commitments against approved rollover. |
| Revenue Grants | Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred. |
| 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 a range of social care expenditure commitments as agreed at Cabinet, August 2018. |
| Mental Health | 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. |

| RESERVE | DESCRIPTION |
|--------------------------------|--|
| 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. |
| Place Partnership Theme | To encourage Place specific local initiatives. |
| COVID 19 Risk Reserve | Specific reserve set aside to cover the costs of the Council's COVID-19 response. |
| Other | A range of smaller reserves earmarked for specific purposes, each less than £0.6m. |
| General Balances | General reserve set at £10m to support general working capital and cashflow requirements. |

GENERAL FUND RESERVES

APPENDIX B

| General Fund Reserves | Reserves at 1 April 2020 £000 | Estimated Balance 1 April 2021 £000 | Estimated Balance 1 April 2022 £000 | Estimated Balance 1 April 2023 £000 | Estimated Balance 1 April 2024 £000 | Estimated Balance 1 April 2025 £000 | Estimated Balance 1 April 2026 £000 |
|---|-------------------------------------|--|--|--|--|--|--|
| <i>Schools Reserves</i> | (9,967) | (9,967) | (9,967) | (9,967) | (9,967) | (9,967) | (9,967) |
| <i>DSG</i> | 14,396 | 19,812 | 26,712 | 32,612 | 37,512 | 41,412 | 44,312 |
| <u>Earmarked Reserves</u> | | | | | | | |
| Demand Reserve | (15,706) | (11,706) | (11,706) | (11,706) | (11,706) | (11,706) | (11,706) |
| Financial Resilience | (37,146) | (37,146) | (37,146) | (48,746) | (48,746) | (48,746) | (48,746) |
| Rollover | (656) | (320) | - | - | - | - | - |
| Revenue Grants | (9,095) | (7,616) | (5,616) | (3,616) | (1,616) | - | - |
| Public Health | (1,150) | (323) | (323) | (323) | (323) | (323) | (323) |
| Stronger Families | (1,011) | (1,011) | (511) | - | - | - | - |
| Insurance | (1,900) | (1,900) | (1,900) | (1,900) | (1,900) | (1,900) | (1,900) |
| Ward Based Activity | (1,199) | (1,167) | (917) | (667) | (417) | (167) | - |
| Property and Other Loans | (3,000) | (3,000) | (3,000) | (3,000) | (3,000) | (3,000) | (3,000) |
| Adverse Weather | (2,432) | - | - | - | - | - | - |
| Strategic Investment Support | (4,229) | (3,392) | (1,392) | (2,000) | (1,000) | - | - |
| Social Care | (2,196) | (2,135) | (1,635) | (1,135) | (635) | (135) | - |
| Mental Health | (1,400) | (1,385) | (685) | (685) | (685) | (685) | (685) |
| Business Rates | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) |
| Elections | (404) | (404) | (254) | - | - | - | - |
| Waste Management | (5,684) | (3,684) | (1,684) | (1,684) | (1,684) | (1,684) | (1,684) |
| Commercialisation | (500) | (500) | (500) | (500) | (500) | (500) | (500) |
| Place Partnership Theme | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) |
| COVID 19 Risk Reserve | (11,099) | (2,387) | (2,387) | (2,387) | (2,387) | (2,387) | (2,387) |
| Other | (7,316) | (5,113) | (4,813) | (4,513) | (4,213) | (3,913) | (3,613) |
| | (110,123) | (87,189) | (78,469) | (86,862) | (82,812) | (79,146) | (78,544) |
| General Balances | (9,998) | (9,998) | (9,998) | (9,998) | (9,998) | (9,998) | (9,998) |
| | | | | | | | |
| Grand Total | (115,692) | (87,342) | (71,722) | (74,215) | (65,265) | (57,699) | (54,197) |
| Reserves excluding schools and public health | (104,575) | (77,052) | (61,432) | (63,925) | (54,975) | (47,409) | (43,907) |
| % of 2021 net revenue budget | 35% | 25% | 20% | 21% | 18% | 16% | 15% |

Housing Revenue Account (HRA) Baseline Spend and Funding assumptions 2021-26

| | 21-22 | 22-23 | 23-24 | 24-25 | 25-26 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| <u>Repair & Maintenance</u> | | | | | |
| KNH Fee | 27,016 | 26,895 | 27,170 | 27,580 | 24,659 |
| <u>Housing Management</u> | | | | | |
| KNH Fee | 19,892 | 20,091 | 19,799 | 20,195 | 20,599 |
| Other | 17,439 | 16,838 | 16,361 | 16,665 | 16,979 |
| Sub-total | 37,331 | 36,929 | 36,160 | 36,860 | 37,578 |
| <u>Other Expenditure</u> | | | | | |
| Depreciation charge | 16,456 | 16,536 | 16,718 | 16,997 | 17,277 |
| Interest on capital debt | 7,673 | 7,511 | 7,374 | 7,367 | 7,367 |
| Bad Debt Provision | 1,007 | 1,018 | 1,033 | 1,073 | 1,066 |
| Other | 291 | 288 | 287 | 293 | 298 |
| Sub-total | 25,427 | 25,353 | 25,412 | 25,730 | 26,008 |
| Total Expenditure | 89,774 | 89,177 | 88,742 | 90,170 | 88,245 |
| Dwelling rent income | (80,585) | (81,978) | (83,751) | (87,583) | (87,700) |
| Government Grant | (7,912) | (7,912) | (7,912) | (7,912) | (7,912) |
| Other | (3,633) | (3,659) | (3,659) | (3,732) | (3,807) |
| Total Income | (92,130) | (93,549) | (95,322) | (99,227) | (99,419) |
| Net Operating Expenditure | (2,356) | (4,372) | (6,580) | (9,057) | (11,174) |
| Planned funding support to Capital | 2,356 | 4,372 | 6,580 | 9,057 | 11,174 |
| Balanced Budget | - | - | - | - | - |

HRA Reserves Forecast

| | 21-22 | 22-23 | 23-24 | 24-25 | 25-26 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| As at 1 April | (60,162) | (45,191) | (35,900) | (25,028) | (20,883) |
| Interest | (172) | (138) | (108) | (85) | (54) |
| In-year capital funding | 9,643 | 9,429 | 10,980 | 4,230 | 16,480 |
| Earmarked - business risk | 4,000 | | | | |
| Earmarked – working balance | 1,500 | | | | |
| As at 31 March (capital sinking fund rolled forward) | (45,191) | (35,900) | (25,028) | (20,883) | (4,457) |

Capital Plan Expenditure Summary

| Capital Plan Expenditure Summary | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|------------------------------------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| General Fund: | | | | | | |
| Aspire & Achieve | 12,839 | 20,278 | 14,817 | 13,850 | 11,850 | 73,634 |
| Best Start | 748 | 2,700 | 6,100 | 450 | 0 | 9,998 |
| Independent | 2,370 | 6,371 | 6,762 | 10,230 | 260 | 25,993 |
| Sustainable Economy | 83,780 | 136,068 | 141,199 | 38,490 | 128,484 | 528,021 |
| Well | 10,648 | 8,347 | 4,344 | 3,647 | 3,595 | 30,581 |
| Safe & Cohesive | 185 | 0 | 0 | 0 | 0 | 185 |
| Clean & Green | 3,937 | 7,520 | 8,282 | 26,139 | 5,374 | 51,252 |
| Efficient & Effective | 2,440 | 2,075 | 2,170 | 1,555 | 2,400 | 10,640 |
| General Fund Capital Plan | 116,947 | 183,359 | 183,674 | 94,361 | 151,963 | 730,304 |
| | | | | | | |
| Housing Revenue Account: | | | | | | |
| Independent - Strategic Priorities | 3,735 | 13,129 | 14,331 | 14,387 | 40,389 | 85,971 |
| Independent - Baseline | 13,654 | 20,627 | 20,991 | 20,700 | 21,657 | 97,629 |
| HRA Capital Plan | 17,389 | 33,756 | 35,322 | 35,087 | 62,046 | 183,600 |
| | | | | | | |
| TOTAL EXPENDITURE | 134,336 | 217,115 | 218,996 | 129,448 | 214,009 | 913,904 |

Capital Plan Funding Summary

| Funding Summary | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|---|------------------|------------------|------------------|------------------|-------------------------|----------------|
| <i>Direct / Earmarked Contributions to Schemes</i> | | | | | | |
| Capital Grants / Contributions | 47,199 | 76,682 | 77,573 | 35,719 | 106,611 | 343,784 |
| Earmarked Capital Receipts | 3,854 | 6,916 | 11,899 | 11,166 | 18,076 | 51,911 |
| Revenue Contributions (HRA) | 2,911 | 10,566 | 8,914 | 11,320 | 7,069 | 40,780 |
| Reserves -MRR (HRA) | 11,493 | 13,579 | 16,500 | 12,532 | 31,787 | 85,891 |
| Revenue Contributions (GF) | 200 | 200 | 200 | 200 | 200 | 1,000 |
| HRA Borrowing | 0 | 2,833 | 3,000 | 3,333 | 5,000 | 14,166 |
| <i>Pooled Resources</i> | | | | | | |
| Non-Earmarked Capital Receipts | 2,950 | 3,450 | 3,500 | 3,500 | 3,500 | 16,900 |
| Corporate Prudential Borrowing | 65,729 | 102,889 | 97,410 | 51,678 | 41,766 | 359,472 |
| FUNDING | 134,336 | 217,115 | 218,996 | 129,448 | 214,009 | 913,904 |

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|---------------------|--------------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| ASPIRE & ACHIEVE | | | | | | | | |
| Strategic Priorities | | | | | | | | |
| Alternative Provision School | B | 0 | 350 | 5,149 | 4,250 | 250 | 9,999 | |
| Special School - SEMHD | B | 0 | 550 | 1,350 | 5,250 | 7,850 | 15,000 | |
| Autistic Spectrum Disorder (ASD) School | B | 0 | 100 | 2,550 | 350 | 0 | 3,000 | |
| <i>District Sufficiency - SEND</i> | | 0 | 1,000 | 9,049 | 9,850 | 8,100 | 27,999 | |
| Brambles Primary Academy | G/ B S1 06 | 2,684 | 6,460 | 328 | 0 | 0 | 9,472 | |
| King James High School | B | 1,000 | 4,200 | 50 | 0 | 0 | 5,250 | |
| Almondbury Community School | B | 260 | 15 | 0 | 0 | 0 | 275 | |
| Netherhall Learning Campus | B | 190 | 10 | 0 | 0 | 0 | 200 | |
| Scissett Middle School | S1 06 | 30 | 180 | 0 | 0 | 0 | 210 | |
| Birkby Junior Expansion | G | 200 | 0 | 0 | 0 | 0 | 200 | |
| Beaumont Academy | G | 30 | 0 | 0 | 0 | 0 | 30 | |
| Reprovision of Special School - Lydgate | B | 88 | 0 | 0 | 0 | 0 | 88 | |
| Future Needs for Primary/Secondary places | B | 0 | 13 | 0 | 0 | 0 | 13 | |
| <i>New Pupil Places in Primary/Secondary Schools</i> | | 4,482 | 10,878 | 378 | 0 | 0 | 15,738 | |
| Dewsbury Learning Quarter | B | 664 | 0 | 0 | 0 | 0 | 664 | |
| Libraries & Public Buildings | B | 294 | 2,606 | 1,140 | 0 | 0 | 4,040 | |
| Almondbury Library | B | 55 | 0 | 0 | 0 | 0 | 55 | |
| Birkby Library | B | 758 | 0 | 0 | 0 | 0 | 758 | |
| <i>Libraries & Public Buildings</i> | | 1,107 | 2,606 | 1,140 | 0 | 0 | 4,853 | |
| Strategic Priorities Total | | 6,253 | 14,484 | 10,567 | 9,850 | 8,100 | 49,254 | |
| Baseline | | | | | | | | |
| Basic Need | G | 508 | 500 | 500 | 500 | 500 | 2,508 | |
| Capital Maintenance | G | 4,263 | 3,200 | 3,000 | 2,800 | 2,600 | 15,863 | |
| Capital Maintenance (Newsome High) | B | 0 | 387 | 0 | 0 | 0 | 387 | |
| Devolved Formula Capital | G | 844 | 800 | 750 | 700 | 650 | 3,744 | |
| Baseline Total | | 5,615 | 4,887 | 4,250 | 4,000 | 3,750 | 22,502 | |

Multi-Year Capital Plan

Appendix D

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|-----------------------------------|---|---------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| One Off Projects | | | | | | | | |
| | SEND Provision | G | 500 | 746 | 0 | 0 | 0 | 1,246 |
| | Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs | B | 350 | 161 | 0 | 0 | 0 | 511 |
| | Healthy Pupils | G | 80 | 0 | 0 | 0 | 0 | 80 |
| | Completed Schemes | B | 41 | 0 | 0 | 0 | 0 | 41 |
| | One Off Projects Total | | 971 | 907 | 0 | 0 | 0 | 1,878 |
| ASPIRE & ACHIEVE TOTAL | | | 12,839 | 20,278 | 14,817 | 13,850 | 11,850 | 73,634 |
| BEST START | | | | | | | | |
| Strategic Priorities | | | | | | | | |
| | Residential Children's Units | B | 692 | 500 | 600 | 200 | 0 | 1,992 |
| | Specialist Accommodation/Youth Services | B/ G | 50 | 2,200 | 5,500 | 250 | 0 | 8,000 |
| | Strategic Priorities Total | | 742 | 2,700 | 6,100 | 450 | 0 | 9,992 |
| One Off Projects | | | | | | | | |
| | DofE Cabin Contribution | B | 6 | 0 | 0 | 0 | 0 | 6 |
| | One Off Projects Total | | 6 | 0 | 0 | 0 | 0 | 6 |
| | BEST START TOTAL | | 748 | 2,700 | 6,100 | 450 | 0 | 9,998 |
| INDEPENDENT | | | | | | | | |
| Strategic Priorities | | | | | | | | |
| | Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy | B | 10 | 10 | 10 | 10 | 10 | 50 |
| | Cherry Trees | B | 689 | 36 | 0 | 0 | 0 | 725 |
| | Day Services Support for Vulnerable Adults | B | 434 | 4,782 | 6,472 | 10,220 | 250 | 22,158 |
| | Strategic Priorities Total | | 1,133 | 4,828 | 6,482 | 10,230 | 260 | 22,933 |
| One Off Projects | | | | | | | | |
| | Adults Social Care Operation | G | 165 | 380 | 250 | 0 | 0 | 795 |
| | Adults Social Care Operation - AT IT Consultant | G | 30 | 60 | 30 | 0 | 0 | 120 |
| | Highfields | B | 13 | 0 | 0 | 0 | 0 | 13 |
| | Wellbeing Pods - IPC funding | G | 92 | 0 | 0 | 0 | 0 | 92 |
| | Carefirst System Replacement | B/ R | 937 | 1,103 | 0 | 0 | 0 | 2,040 |
| | One Off Projects Total | | 1,237 | 1,543 | 280 | 0 | 0 | 3,060 |
| | INDEPENDENT TOTAL | | 2,370 | 6,371 | 6,762 | 10,230 | 260 | 25,993 |

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|-----------------------------|--|---------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| SUSTAINABLE ECONOMY | | | | | | | | |
| Strategic Priorities | | | | | | | | |
| | Market Hall Multi-Storey Car Park | R | 500 | 1,000 | 5,500 | 3,000 | 0 | 10,000 |
| | Dewsbury Staff Move & Regeneration | B | 10 | 250 | 750 | 3,500 | 3,990 | 8,500 |
| | Soundspace | B/G | 200 | 500 | 1,000 | 1,500 | 31,800 | 35,000 |
| | <i>Additional Investment into Strategic Town Centres</i> | | 710 | 1,750 | 7,250 | 8,000 | 35,790 | 53,500 |
| | Strategic Acquisition Fund | B | 4,000 | 4,000 | 4,000 | 0 | 0 | 12,000 |
| | Castle House | B* | 0 | 2,450 | 0 | 0 | 0 | 2,450 |
| | <i>Strategic Acquisition Fund</i> | | 4,000 | 6,450 | 4,000 | 0 | 0 | 14,450 |
| | KSDL (HD One) | B | 4,100 | 4,900 | 4,000 | 0 | 0 | 13,000 |
| | Property Investment Fund | B** | 7,000 | 13,272 | 3,748 | 0 | 0 | 24,020 |
| | <i>Loans - Development Finance</i> | | 11,100 | 18,172 | 7,748 | 0 | 0 | 37,020 |
| | Dewsbury Riverside | B/G | 2,635 | 6,200 | 15,975 | 0 | 0 | 24,810 |
| | Homes England - Accelerated Construction Programme | G | 15 | 0 | 0 | 0 | 0 | 15 |
| | Site Development | G | 3,279 | 1,311 | 0 | 0 | 0 | 4,590 |
| | Public Realm Improvements | B | 457 | 0 | 0 | 0 | 0 | 457 |
| | Start Up & Retention Policy Capital Grants | R | 200 | 200 | 200 | 200 | 200 | 1,000 |
| | Strategic Priorities Total | | 39,029 | 103,993 | 115,362 | 16,236 | 107,480 | 382,100 |
| Baseline | | | | | | | | |
| | Housing (Private) | G/R | 3,621 | 5,410 | 3,584 | 3,584 | 3,584 | 19,783 |
| | Highways | G/B | 25,232 | 15,225 | 13,920 | 8,920 | 8,920 | 72,217 |
| | Corporate Landlord Asset Investment | B | 5,752 | 6,467 | 2,133 | 4,300 | 4,300 | 22,952 |
| | Corporate Landlord Compliance | B | 1,153 | 1,000 | 1,000 | 1,000 | 1,000 | 5,153 |
| | <i>Corporate Landlord</i> | | 6,905 | 7,467 | 3,133 | 5,300 | 5,300 | 28,105 |
| | Corporate Landlord Suitability Programme | B | 80 | 920 | 1,000 | 1,000 | 1,000 | 4,000 |
| | Sustainability of Huddersfield Town Hall - Conditions | B | 0 | 150 | 1,500 | 1,750 | 100 | 3,500 |
| | <i>Corporate Landlord Asset Strategy Review</i> | | 80 | 1,070 | 2,500 | 2,750 | 1,100 | 7,500 |

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|-----------------------------|---|--------------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| SUSTAINABLE ECONOMY | | | | | | | | |
| Baseline | | | | | | | | |
| | Bereavement | B | 570 | 250 | 100 | 100 | 400 | 1,420 |
| | Vehicle Replacement Programme | B | 2,834 | 1,250 | 1,250 | 1,250 | 1,250 | 7,834 |
| | School Catering | B | 329 | 200 | 200 | 200 | 200 | 1,129 |
| | Baseline Total | | 39,571 | 30,872 | 24,687 | 22,104 | 20,754 | 137,988 |
| One-Off Projects | | | | | | | | |
| | Housing (Regeneration) | G/R | 540 | 0 | 0 | 0 | 0 | 540 |
| | Economic Resilience | G/R | 190 | 0 | 0 | 0 | 0 | 190 |
| | Strategic Asset Utilisation | B | 225 | 0 | 0 | 0 | 0 | 225 |
| | Leeds City Region Revolving Fund | B | 1,211 | 0 | 0 | 0 | 0 | 1,211 |
| | Highways (Street Lighting) | B* | 2,810 | 1,000 | 1,000 | 0 | 0 | 4,810 |
| | School Catering - Compliance Essential Works | B* | 163 | 150 | 150 | 150 | 250 | 863 |
| | Ward Based Activity | B | 41 | 53 | 0 | 0 | 0 | 94 |
| | One-Off Projects Total | | 5,180 | 1,203 | 1,150 | 150 | 250 | 7,933 |
| | SUSTAINABLE ECONOMY TOTAL | | 83,780 | 136,068 | 141,199 | 38,490 | 128,484 | 528,021 |
| WELL | | | | | | | | |
| Strategic Priorities | | | | | | | | |
| | Spensborough Valley Leisure Centre | B | 9,000 | 5,567 | 361 | 0 | 0 | 14,928 |
| | Huddersfield Leisure Centre | B | 179 | 0 | 0 | 0 | 0 | 179 |
| | Dewsbury Sports Centre Priorities | B | 348 | 250 | 300 | 1,150 | 200 | 2,248 |
| | Strategic Priorities Total | | 9,527 | 5,817 | 661 | 1,150 | 200 | 17,355 |
| Baseline | | | | | | | | |
| | KAL Self Finance Programme | B* | 480 | 191 | 1,790 | 400 | 200 | 3,061 |
| | Play Strategy | B/G/ S106 | 641 | 2,339 | 1,893 | 2,097 | 3,195 | 10,165 |
| | Baseline Total | | 1,121 | 2,530 | 3,683 | 2,497 | 3,395 | 13,226 |
| | WELL TOTAL | | 10,648 | 8,347 | 4,344 | 3,647 | 3,595 | 30,581 |

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|---------------------------|---------------------------------------|---------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| | | | | | | | | |
| SAFE AND COHESIVE | | | | | | | | |
| | Strategic Priorities | | | | | | | |
| | Youth Offending Team | B | 185 | 0 | 0 | 0 | 0 | 185 |
| | Strategic Priorities Total | | 185 | 0 | 0 | 0 | 0 | 185 |
| | | | | | | | | |
| | SAFE AND COHESIVE TOTAL | | 185 | 0 | 0 | 0 | 0 | 185 |
| | | | | | | | | |
| CLEAN AND GREEN | | | | | | | | |
| | Strategic Priorities | | | | | | | |
| | Depot Works | B | 460 | 25 | 0 | 0 | 0 | 485 |
| | Garden Waste Containers and Vehicles | B | 1,288 | 991 | 3,009 | 0 | 0 | 5,288 |
| | Waste Management Plant/Infrastructure | B/B*/G | 0 | 5,174 | 5,173 | 12,173 | 4,480 | 27,000 |
| | Climate Emergency - Green Travel | B | 1,000 | 1,000 | 0 | 0 | 0 | 2,000 |
| | Air Quality | B | 352 | 0 | 0 | 0 | 0 | 352 |
| | Huddersfield Heat Network | G/B | 231 | 230 | 0 | 13,866 | 794 | 15,121 |
| | Strategic Priorities Total | | 3,331 | 7,420 | 8,182 | 26,039 | 5,274 | 50,246 |
| | | | | | | | | |
| | Baseline | | | | | | | |
| | Environment & Strategic Waste | B | 100 | 100 | 100 | 100 | 100 | 500 |
| | Baseline Total | | 100 | 100 | 100 | 100 | 100 | 500 |
| | One Off Projects | | | | | | | |
| | Electric Vehicle Charge Points | G | 506 | 0 | 0 | 0 | 0 | 506 |
| | One Off Projects Total | | 506 | 0 | 0 | 0 | 0 | 506 |
| | | | | | | | | |
| | CLEAN AND GREEN TOTAL | | 3,937 | 7,520 | 8,282 | 26,139 | 5,374 | 51,252 |

| GENERAL FUND CAPITAL PLAN | | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|---|---------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| | | | | | | | | |
| EFFICIENCY AND EFFECTIVENESS | | | | | | | | |
| Baseline | | | | | | | | |
| | Information Technology | B | 900 | 900 | 900 | 900 | 900 | 4,500 |
| | One Venue Development | B | 282 | 300 | 300 | 100 | 100 | 1,082 |
| | Sustainability of Major Town Halls - Service Development | B* | 535 | 425 | 520 | 105 | 650 | 2,235 |
| | Baseline Total | | 1,717 | 1,625 | 1,720 | 1,105 | 1,650 | 7,817 |
| One Off Projects | | | | | | | | |
| | Information Technology (Digital) | B | 200 | 450 | 450 | 450 | 750 | 2,300 |
| | Information Technology | B | 384 | 0 | 0 | 0 | 0 | 384 |
| | Internal Renovation works | B | 139 | 0 | 0 | 0 | 0 | 139 |
| | One Off Projects Total | | 723 | 450 | 450 | 450 | 750 | 2,823 |
| | | | | | | | | |
| | EFFICIENCY AND EFFECTIVENESS TOTAL | | 2,440 | 2,075 | 2,170 | 1,555 | 2,400 | 10,640 |
| | | | | | | | | |
| GENERAL FUND CAPITAL PLAN TOTAL | | | 116,947 | 183,359 | 183,674 | 94,361 | 151,963 | 730,304 |

FUNDING KEY:

B = Borrowing

B* = Service funded Borrowing

B** = Borrowing for provision of loans for development projects, covered by repayments

G = Grant

R = Capital receipts

Multi-Year Capital Plan

Appendix D

| HOUSING REVENUE ACCOUNT CAPITAL PLAN | Funding | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|-----------|------------------|------------------|------------------|------------------|-------------------------|----------------|
| Strategic Priorities | | | | | | | |
| Housing Growth | H/R | 2,160 | 2,520 | 2,880 | 2,880 | 12,964 | 23,404 |
| New Build Phase 1 - Ashbrow Extra Care | H/G | 500 | 2,859 | 3,001 | 707 | 0 | 7,067 |
| Remodelling / High Rise | H | 25 | 250 | 750 | 1,000 | 9,975 | 12,000 |
| IT System (Universal Housing Replacement) | H | 500 | 500 | 0 | 0 | 0 | 1,000 |
| Council House Building | B/R/ H | 550 | 7,000 | 7,700 | 9,800 | 17,450 | 42,500 |
| Strategic Priorities Total | | 3,735 | 13,129 | 14,331 | 14,387 | 40,389 | 85,971 |
| Baseline | | | | | | | |
| Housing Capital Plan | H | 8,954 | 11,346 | 10,960 | 10,606 | 11,647 | 53,513 |
| Estate Improvements (Neighbourhood Investment) | H | 400 | 600 | 700 | 800 | 3,659 | 6,159 |
| Compliance | H | 1,600 | 4,400 | 5,505 | 5,505 | 2,172 | 19,182 |
| Fuel poverty | H/ G | 400 | 826 | 826 | 825 | 1,251 | 4,128 |
| Adaptations | H | 2,300 | 3,455 | 3,000 | 2,964 | 2,928 | 14,647 |
| Baseline Total | | 13,654 | 20,627 | 20,991 | 20,700 | 21,657 | 97,629 |
| HRA CAPITAL PLAN TOTAL | | 17,389 | 33,756 | 35,322 | 35,087 | 62,046 | 183,600 |



FUNDING KEY:




H = HRA revenue contribution/major repairs reserve


R = Capital receipts



G = Grant


B = Borrowing



| 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 | <p>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.</p> <p>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</p> | <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 | H |  |




| | | | | |
|---|--|--|----|---|
| | | <ul style="list-style-type: none"> • Take effective action after Serious Case Reviews • Effective listening to messages about threats from other parts of the council and partner agencies • Proactive recognition of Members role as “corporate parent” • Childrens Improvement Board to assist governance and quality improvement • Ensure effective record keeping <p><i>Responsible for this risk – R Parry and M Meggs</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</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 (now C Parr)</i></p> | M |  3x5=15 |



| | | | | |
|----------|--|--|----------|---|
| | <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"> • Prevent partnership action plan. • 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</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</i></p> | H |  4x5=20 |

| | | | | |
|----|--|--|---|---|
| | | <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</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</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</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 | | |

| | | | | |
|------------------|---|--|------------------|---|
| <p>13</p> | <p>Council supplier and market relationships, including contractor 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"> • Avoid, where possible, over dependence on single suppliers • More thorough financial assessment when a potential supplier failure could have a wide impact on the council’s operations but take a more open approach where risks are few or have only limited impact. • Recognise that supplier failure is always a potential risk; those firms that derive large proportions of their business from the public sector are a particular risk. • Need to balance between only using suppliers who are financially sound but may be expensive and enabling lower cost or new entrants to the supplier market. • Consideration of social value, local markets and funds recirculating within the borough • Understanding supply chains and how this might impact on the availability of goods and services • Be realistic about expectation about what the market can deliver, taking into account matter such as national living wage, recruitment and retention issues etc. • Develop and publish in place market position statement and undertake regular dialogue with market. • Effective consultation with suppliers about proposals to deal with significant major external changes • Early consultation with existing suppliers about arrangements to be followed at the end of existing contractual arrangements • Realign budgets to reflect real costs • Commission effectively • Ensuring adequate cash flow for smaller contractors <p><i>Responsible for this risk – J Muscroft</i></p> | <p>MH</p> | <p style="text-align: center;"></p> <p style="text-align: right;">5x4=20</p> |
|------------------|---|--|------------------|---|

| | | | | |
|----|--|--|---|--|
| 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. (Volume of working from home may increase risks or change their perspective)</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), and whether there is a need for additional security, training or other matters • 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</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</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 (now C Parr/D Shepherd)</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</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, | <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 | H |  |

| | | | | |
|----|---|---|---|---|
| | without whom the council is unable to deliver its service obligations. | <ul style="list-style-type: none"> Ensuring awareness to ensure employees safety and health (including stress) Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues <p><i>Responsible for this risk – R Spencer Henshall</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><i>Responsible for this risk – all ET</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><i>Responsible for this risk – K Battersby (now D Shepherd)</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

20200923

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

Corporate Budget Timetable

| Year | Date | Forum | Milestone activity |
|-------------|-----------------|----------------------------|--|
| 2020 | 20 Oct/ 21 Oct | Cabinet & Council | Budget Strategy Update report |
| | Start of Nov | Budget engagement exercise | 6 weeks consultation period |
| | Nov | Central Gov't | Comprehensive Spending Review 2020 announcement |
| | Mid-Dec | Central Gov't | Provisional Financial Settlement 2021/22 |
| 2021 | Mid Jan | Cabinet/Council | Update to members on the outcome of the provisional 2021/22 financial settlement Council Tax Base report 2021/22 HRA rent & service charge setting report Schools funding reports |
| | Mid to late Jan | Central Gov't | Finalised Financial Settlement 2021/22 |
| | 27 Jan / 10 Feb | Cabinet & Council | Council annual budget report |

SENSITIVITY ANALYSIS

| <u>OPTIMISTIC SCENARIO</u> | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Baseline Scenario – Budget Gap | 1.9 | 13.1 | 28.6 | 19.5 | 16.6 |
| <u>Changes from baseline</u> | | | | | |
| Council Tax Housing Growth - 1k p.a. | (1.6) | (2.5) | (2.5) | (2.5) | (2.6) |
| CTR Claimant Numbers – 3000 increase year 1 | (0.8) | (0.8) | (0.8) | (0.8) | 0.0 |
| Council Tax Collection Rate - 98.6% all years | (1.0) | (1.0) | 0.0 | 0.0 | 0.0 |
| Net Impact on Council Tax Base | (3.4) | (4.3) | (3.3) | (3.3) | (2.6) |
| Economic Impact on Council Share of Business Rates - 3% reduction year 1, recover by year 2 | (1.2) | (2.4) | (2.4) | (0.1) | (0.1) |
| Business Rates Collection Rate - 96% year 1, recover by year 3 | (0.5) | (1.0) | (0.8) | 0.0 | 0.0 |
| Net Impact on Business Rates | (1.7) | (3.4) | (3.2) | (0.1) | (0.1) |
| Service Income Reduction | (1.0) | (1.0) | (1.0) | 0.0 | 0.0 |
| COVID pressures not funded by Government | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Changes from Baseline | (6.1) | (8.7) | (7.5) | (3.4) | (2.7) |
| Optimistic Scenario – Updated Budget Gap | (4.2) | 4.4 | 21.1 | 16.1 | 13.9 |

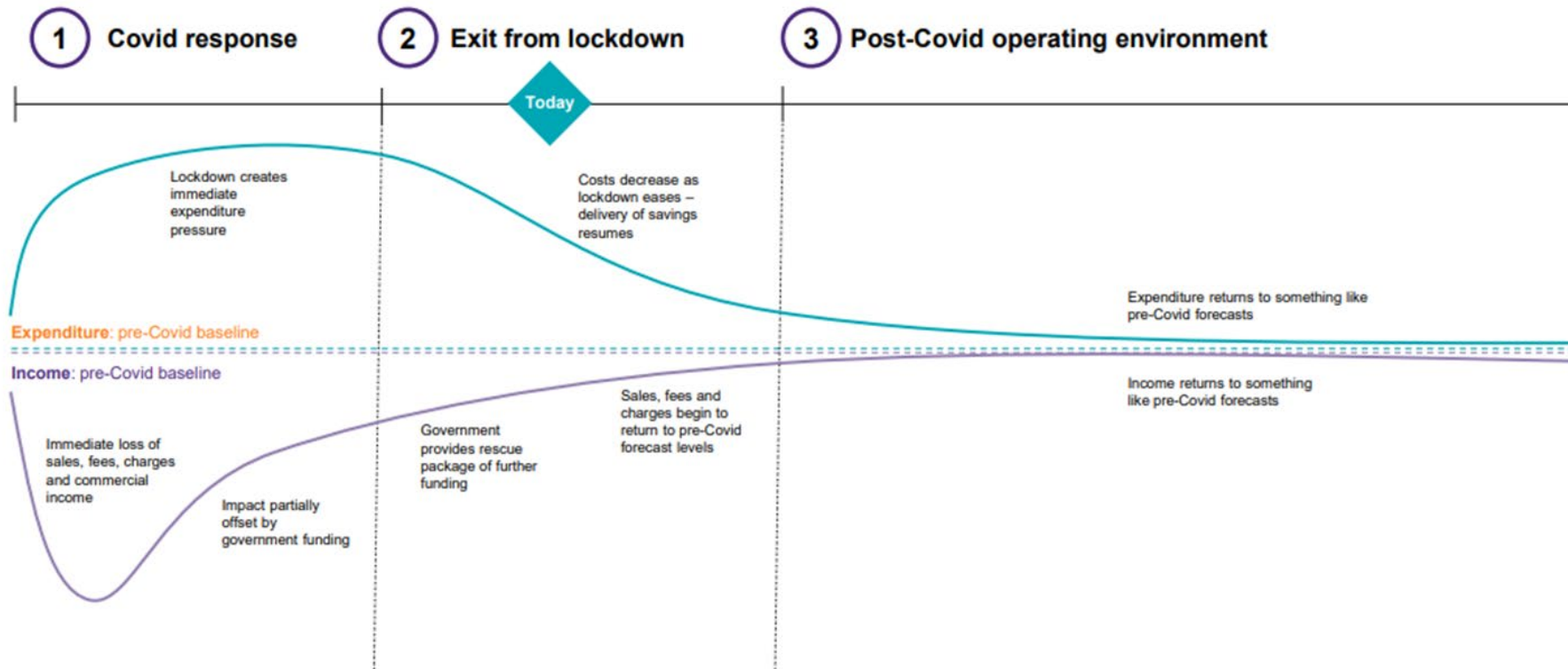
| <u>PESSIMISTIC SCENARIO</u> | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Baseline Scenario – Budget Gap | 1.9 | 13.1 | 28.6 | 19.5 | 16.6 |
| <u>Changes from baseline</u> | | | | | |
| Council Tax Housing Growth - 0.5k reduction year 1, 1k growth p.a. re-established by year 3 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 |
| CTR Claimant Numbers - 5000 increase year 1 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Council Tax Collection Rate - 97.6% year 1, recover by year 3 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Impact on Council Tax Base | 2.5 | 1.6 | 1.6 | 1.6 | 1.7 |
| Economic Impact on Council Share of Business Rates - 10% reduction year 1, recover by year 5 | 3.1 | 2.4 | 1.0 | 1.8 | 0.3 |
| Business Rates Collection Rate - 96.6% year 1, recover by year 3 | 0.4 | (0.1) | 0.2 | 0.5 | 0.0 |
| Net Impact on Business Rates | 3.5 | 2.3 | 1.2 | 2.3 | 0.3 |
| Service Income Reduction | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 |
| COVID pressures not funded by Government | 8.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Changes from Baseline | 16.0 | 5.9 | 4.8 | 5.9 | 3.0 |
| Worst Case Scenario – Updated Budget Gap | 17.9 | 19.0 | 33.4 | 25.4 | 19.6 |

KIRKLEES COUNCIL - FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

1. Government guidance allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts. It covers in-year capital receipts generated in-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;*
 - ii) *driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;*
4. The time period relating to the above qualifying expenditure covers 2017/18 and the following 4 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.

Example scenarios

Scenario 1 – swift return to normality



Example scenarios (Cont'd)

Scenario 2 – second wave and ongoing disruption

