

Name of meeting: Cabinet

Date: 27th July 2021

Title of report: Council Financial Outturn & Rollover Report 2020/21 incorporating General Fund Revenue, Housing Revenue Account, Capital and Treasury Management

Purpose of the Report

To receive information on the Council's 2020/21 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2020/21 to 2021/22. This report also includes an annual review of Council Treasury Management activity.

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?	Key decision - Yes
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Strategic Director & name	Rachel Spencer Henshall – 19/07/21
Is it also signed off by the Service Director for Finance?	Eamonn Croston – 19/07/21
Is it also signed off by the Service Director – Legal, Governance & Commissioning?	Julie Muscroft – 19/07/21
Cabinet member portfolio - Corporate	Give name of Portfolio Holders Cllr Paul Davies

Electoral wards affected: None Ward
Councillors Consulted: None

Public or private: Public

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

1. Summary

1.1 General Fund

- 1.1.1 The Council's revised General Fund controllable (net) revenue budget for 2020/21 was **£274.7m**. The budget included planned (net) revenue savings in-year of £2.8m.
- 1.1.2 The revised budget is net of a number of planned transfers to reserves during the year, with the most significant being £9.8m to the Revenue Grants reserve, £8.0m to the COVID-19 Business Grants reserve, £6.5m to the COVID-19 Response reserve, £3.6m to the Demand reserve, £2.4m to the Transformation reserve and £1.0m to the Inclusive Investment reserve.
- 1.1.3 Council spend was £274.7m in 2020/21, which reflects an overall 'break-even' financial performance against budget. In actuality there was a marginal underspend of £5k against the revised budget.
- 1.1.4 The revenue outturn position is summarised at Appendix 1 and in Table 1 below. Headline variances, including COVID-19 impacts, are described in more detail in sections 1.3 to 1.8.

Table 1 - Overview of 2020/21 General Fund revenue outturn position

	Revised Budget	Outturn	Variance
	£000	£000	£000
Children & Families	87,302	90,869	3,567
Adults & Health	102,979	103,848	869
Growth & Regeneration	15,398	16,691	1,293
Environment & Climate Change	23,283	35,978	12,695
Corporate Services	22,117	28,616	6,499
Central Budgets	30,158	31,000	842
General Fund Sub Total	281,237	307,002	25,765
COVID-19 Funding Offset	(6,531)	(32,301)	(25,770)
Revised General Fund Total	274,706	274,701	(5)

- 1.1.5 As shown in Appendix 1, there was also a transfer of £29.0m of Collection Fund COVID-19 funding into reserves at year end; see paragraphs 1.9.3 and 1.9.4. This reduced the overall budget to £245.7m. As the transfer was purely technical in nature, and didn't result in an in-year variance, this movement is excluded from Table 1 and the headline figures quoted above.

1.2 COVID-19

- 1.2.1 The Council responded effectively to the COVID-19 crisis in 2020/21 and continues to do so. It has in place an organisational wide range of measures in collaboration with key partners, taking on board Government direction to spend 'whatever it takes' in priority areas to support and protect the borough's most vulnerable residents, and support the national effort to protect the NHS and businesses.

- 1.2.2 As reported extensively through the year, the organisational measures in place, alongside other financial implications from Government social distancing measures, had a significant impact on the Council's finances in 2020/21. These impacts are ongoing and this Council, working with the Local Government Association (LGA), Special Interest Group of Metropolitan Authorities (SIGOMA) and other sectoral and stakeholder lobbying will continue to work with Government to ensure Kirklees is appropriately compensated for ongoing COVID-19 related pressures in future years.
- 1.2.3 The 2020/21 financial outturn position, as set out above, includes General Fund pressures of £63.9m as a direct result of the ongoing COVID-19 emergency. This consists of £48.7m additional spend and £15.2m of lost income as shown in Appendix 2a and summarised in Table 2 below.

Table 2 - Overview of 2020/21 COVID-19 Pressures

	COVID-19 spend	COVID-19 Income Loss	Total COVID- 19 Pressures
	£000	£000	£000
Children & Families	3,365	461	3,826
Adults & Health	24,501	756	25,257
Growth & Regeneration	1,017	2,309	3,326
Environment & Climate Change	9,174	9,325	18,499
Corporate Services	10,389	1,676	12,065
Central Budgets	282	648	930
General Fund Total	48,728	15,175	63,903

- 1.2.4 Of the £48.7m additional spend, £32.7m was eligible to be funded through specific funding streams allocated to councils to cover particular aspects of the response to the pandemic. As such, this spend was completely offset by income and did not affect the Directorate variances. The remaining £16.0m balance of spend pressures, alongside the £15.2m income losses, present as adverse variances within the Directorate totals, but are offset corporately by un-ringfenced funding. A breakdown of the COVID-19 spend and offsetting specific funding streams is summarised at Appendix 2b.
- 1.2.5 Up to 31st March 2021, Government had allocated £4.6 billion un-ringfenced COVID-19 funding to the local government sector nationally in response to the national emergency. The Council's share of this was £35.8m, allocated in four tranches of £12.2m, £12.1m, £3.9m and £7.6m respectively. Of this, £1.1m of tranche 1 funding was used to cover COVID-19 pressures in the 2019/20 financial year.
- 1.2.6 £17.1m of the un-ringfenced COVID-19 Support Grant was applied against unfunded COVID-19 spend and income pressures in 2020/21. The balance of £17.6m grant income is held in the COVID-19 Response reserve at year-end, to be used in 2021/22 against continuing pressures arising from the pandemic (see also paragraphs 1.9.7 and 1.9.8).
- 1.2.7 In July 2020, the Government announced a support package for income losses from sales, fees and charges (SFCs) "as part of a comprehensive plan to ensure councils' financial sustainability for the future". Councils will receive funding for 75% of these income losses but only where they exceed 5% of the overall SFCs budgeted by the authority. SFC income losses must be irrecoverable and unavoidable and satisfy

certain criteria set out in the scheme in order to be deemed eligible.

- 1.2.8 Councils were asked to submit claims to Government for such losses periodically throughout the course of 2020/21. Kirklees' claims equated to a compensation amount of £8.7m, leaving £6.5m of the total £15.2m income losses unfunded by the scheme.
- 1.2.9 There were various further funding announcements made by Government in 2020/21, covering specific aspects of the national response to the pandemic. These included funding for Adult Social Care including two tranches of the Infection Control Fund to support adult social care providers to reduce the rate of COVID-19 transmission; Kirklees allocation £8.4m in total, Rapid Testing Funding to support the additional rapid testing of staff within care homes; Kirklees allocation £1.1m and Workforce Capacity funding to cover additional care staff as required; Kirklees allocation £0.9m. In addition, a further £8.5m funding was received through Clinical Commissioning Group funding, targeted to cover COVID-19 associated costs related to aspects such as hospital discharge and follow-on care.
- 1.2.10 Following the move to Local COVID-19 Alert Levels, and subsequent second national lockdown from the 5 November 2020 for 28 days, Local Authorities were also eligible for a payment from the Contain Outbreak Management Fund (COMF) to support proactive containment and intervention measures. Kirklees received £8 per head in November 2020; equating to £3.5m. An expansion of the COMF was later set out in the COVID-19 Winter Plan published on 23 November whereby regular payments, up to a maximum of £4 per head, were paid to Local Authorities facing higher restrictions until the end of the financial year in recognition of the ongoing public health and outbreak management costs of tackling COVID-19. Kirklees received a total of £11.1m of COMF funding over the course of 2020/21 in addition to an original £2.5m Test and Trace funding allocation for the development of local action plans to reduce the spread of the virus.
- 1.2.11 There have also been a range of financial support measures put in place by Government to support businesses through the COVID-19 crisis. The Council has implemented a number of national measures locally for 2020/21 including an extension 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.
- 1.2.12 The Council has administered the Government grant schemes put in place to support eligible businesses with their business costs during the pandemic; processing grant payments to businesses on the Government's behalf, with approximately 8,600 grant payments to businesses, totalling £96.6m, and a further 842 discretionary grant payments at a sum of £5.2m having been paid across to businesses. A further package of funding for eligible businesses was launched as part of the COVID-19 Winter Plan, once again to be administered on Government's behalf by Local Authorities. Kirklees processed 18,444 of these additional grant payments, totalling £42.2m, in 2020/21. It is estimated that in the region of 11,000 individual businesses have been assisted through the receipt of one or more payment from the various grant schemes.
- 1.2.13 Financial Support measures have also been taken for individuals, with the introduction of additional council tax reliefs provided to recipients of working age Local Council Tax Support (LCTS) schemes during the COVID-19 emergency (see also paragraph 1.10.3). Funding for this was through an initial national £500m Hardship Fund; of which Kirklees' allocation was £5.0m. On 10 July, Government announced Supplementary Hardship Funding of £551k for Kirklees (£63m nationally) to support people who were struggling to afford food and other essentials due to COVID-19. This funding was used in-year to deliver appropriate interventions to those in greatest need,

through the existing Kirklees Local Welfare Provision Scheme.

- 1.2.14 A full list of Government COVID-19 funding allocated to Kirklees up to 31st March 2021 is listed at Appendix 2c. Where accounting rules and grant conditions allowed, unspent grant amounts were transferred into earmarked reserves at year-end for drawdown against ongoing eligible costs in 2021/22.

1.3 Children & Families

Learning – High Needs

- 1.3.1 The National Fair Funding (NFF) formula was implemented by Government from 2018/19. The High Needs block under the new NFF acknowledges the level of previous under-funding, and Government intention was to increase Kirklees' annual allocation by £7m in comparison to the 2017/18 baseline. The transitional arrangements phased this change in over a 7-year period, at about £1m per annum. This phasing was reflected in existing budget plans.
- 1.3.2 The Council has reported extensively on the fact that since the 2014 Children and Families Act was implemented, there has been a significant rise in the number of Education Health & Care Plans (EHCPs) within Kirklees. The total number of EHCPs within Kirklees in 2020/21 was 3,018; an increase of 9.3% from 2019/20 and approximately 44% from comparable figures in 2015. The rising demand and cost pressures show no sign of slowing down, both locally and nationally, with continued growth of EHCP numbers anticipated in future years.
- 1.3.3 For Kirklees, there is a significant and increasing funding pressure against the High Needs block of the Dedicated Schools Grant; to the extent that the Council's General Fund has supported unfunded DSG pressures at £4.4m in 2017/18 and £8m in 2018/19. There was a further overspend of £12.9m in 2019/20 (equivalent to 34.85% of the High Needs funding allocation) which was transferred to the balance sheet in full at year-end, as a funding deficit against DSG. This reflected updated Government guidance for the treatment of High Needs overspends from 2019/20 onwards. A link to the guidance is included below:

[Pre-16 schools funding: local authority guidance for 2021 to 2022 - GOV.UK](#)

- 1.3.4 Government has acknowledged the extent of current and growing spend pressures on High Needs through the 2019/20 Spending Round (SR2019) announcement in September 2019, which included £700m additional funding for High Needs in 2020/21. This was subsequently confirmed through the Local Government Finance Settlement with the Council's share at £6.1m for 2020/21. This includes the minimum £1m annual uplift for Kirklees as part of transitional arrangements to mitigate the £7m baseline 2018/19 under-funding (see also paragraph 1.3.1 above).
- 1.3.5 The 2020/21 Dedicated Schools Grant (DSG) High Needs funding allocation for Kirklees is £43.1m, inclusive of the £6.1m additional funding noted above. The 2020/21 in-year pressure on High Needs spend in excess of the DSG funding allocation was £10.7m (equivalent to 24.8%). This spending pressure was transferred to Kirklees' balance sheet at year end, thereby increasing the DSG Deficit to £25.1m by 31 March 2021.
- 1.3.6 In 2019/20, the DSG deficit was shown in the accounts as a negative usable reserve within General Fund earmarked reserves and balances. However, in 2020/21 the accounting treatment for this deficit changed and it is now held separately in the

'Dedicated Schools Grant Adjustment Account' as an unusable reserve (see also paragraph 1.9.1).

- 1.3.7 Dedicated Schools Grant allocations for 2021/22 were released by the Government in December 2020. The published figures indicate that Kirklees will see a significant increase in High Needs Block funding for 2021/22, with an allocation of £48.8m; an increase of £5.6m on the 2020/21 figure. This represents the maximum increase of 12% per head of population.
- 1.3.8 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 will be mitigated at least in part through other measures, with the Council currently working on the implementation of a ten point action plan with key educational partners across the district. The budget plans, included in the Annual Budget Report to Council on 10 February 2021, reflect the Council's commitment to SEND investment (both revenue and capital) over the medium term. This is further reflected in a number of SEND proposals elsewhere on this Cabinet agenda as part of the overarching Council SEND transformation agenda.
- 1.3.9 The Council will also continue to engage with DfE, Schools Forum and other key stakeholders, using the framework of the updated operational guidance on schools funding 2021/22, to consider options to manage down the accumulated DSG deficit over time.

Learning and Early Support

- 1.3.10 As at 31st March 2021 there were 250 children with Education Health and Care Plans (EHCP's) using Post-16 Home to School Transport; an increase of 53 from the previous year. There are also a further 60 pupils assessed to use the service once COVID-19 restrictions have been lifted. Current arrangements allow for transport providers to continue to be paid for the overall quantum of eligible children, thereby ensuring that the service can resume in full once the restrictions are no longer in place. The increase in the number of pupils requiring transport is reflected in an overspend of £0.8m on Post-16 Home to School Transport.
- 1.3.11 This pressure also links into other school transport pressures highlighted in paragraph 1.6.1 further below, and the Council is currently exploring a range of alternate approaches, working with pupils, parents, schools sector and providers, to deliver more innovative and tailored transport options while reducing overall cost pressures. An additional £1.1m was built into base budgets going forwards as part of the 2020/21 Annual Budget Report to address the estimated residual ongoing pressure in this area, with £550k allocated to Post-16 budgets and the remaining £550k allocated to Schools Transport budgets within Environment. A further review of the baseline was undertaken as part of the 2021/22 Annual Budget report, with an additional £0.3m added into Children's base budget, and £1.2m added into Environment, from 2021/22 onwards.
- 1.3.12 The increased number of approved applications for funding support from Special Educational Needs and Disability Inclusion Fund (SENDIF) has resulted in an additional investment requirement of £0.8m. The fund primarily supports 2-4 year olds with special educational needs who attend a Private Voluntary and Independent (PVI) or mainstream school nursery setting. Numbers of children accessing the fund increased from 406 to 486 during 2020/21 and estimates are that this growth will continue in 2021/22 alongside a growth in complexity of need.

- 1.3.13 The service has strengthened the resources in the Early Years SEN Inclusion Team and are providing training to nursery settings to upskill their workforce so that they can meet the needs of the children rather than having to access SENDIF. This is intended to help mitigate pressures on this budget going forward. The 2021/22 annual budget report factored this ongoing investment need into approved budget plans.
- 1.3.14 The above additional investment requirement has been managed in-year by savings of £0.7m on employee budgets due to vacant posts over the period April to December. The underspends are earmarked to fund new posts in Family Support Hubs and are consequently one-year savings only.

Child Protection and Family Support

- 1.3.15 Within External Residential Placements and Independent Fostering Placement budgets there was a pressure of £1.8m primarily related to the deferred placement target for Looked After Children (LAC) in light of a number of COVID-19 impacted issues affecting the timing of targeted savings. As at 31st March 2021, LAC numbers were 666; an increase of 40, or 6%, since July 2019. Work is ongoing within the service to address these pressures by looking to safely move children to less costly placements and also to increase local fostering capacity and reduce the reliance of more expensive external provision whilst continuing to maintain successful outcomes. This pressure was offset by savings of £1.9m on employee budgets related to vacancies and staff turnover across the service.

Resources, Improvements and Partnerships

- 1.3.16 Within Resources, Improvements and Partnerships there was an underspend of £0.8m. This arose due to a combination of savings on service wide employee costs, supplies and services, transport and demand led budgets (mainly underspending on Internal residential homes); £0.5m of the underspending related to demand led budgets and this should be considered in conjunction with the £1.8m overspending highlighted above in Child Protection and Family Support.

COVID-19 Impacts – Children and Families

- 1.3.17 Within Children and Families there was additional spend of £3.4m due to COVID-19; £2.5m of which related to Child Protection and Family Support. In the main this was made up of £0.8m of placement accommodation costs associated with young people aged 18 remaining in care due to restricted movement. There was also £0.7m of staff cost pressures associated with creating additional capacity in Children's residential homes including the use of Crescent Dale to meet the increased demand due to COVID-19, and £0.4m increased youth remand accommodation costs due to the suspension of trial dates.
- 1.3.18 There were COVID-19 spend pressures of £0.9m within Learning and Early Support; largely £0.6m payments to schools, third party providers and voluntary groups to ensure vulnerable children have access to healthy food and activities during the holidays.
- 1.3.19 Income losses within Learning and Early Support totalled £0.5m; £0.3m of which reflected the impact of school closures on budgeted Attendance Penalty Notice income. The remainder related to reduced income from the Duke of Edinburgh scheme.

1.4 Adults and Health

- 1.4.1 The overall position for Adults was an overspend of £0.9m. Within this, there were notable variances across key demand-led headings, with some elements offsetting others. Within Independent Sector Home Care there was a £4.6m overspend; due primarily to continuing increased delivery of home care to the public, a pre-pandemic trend that has accelerated because of a shift in market patterns as a result of COVID-19. The level of weekly hours provision of home care (and therefore cost) has risen significantly since October 2019 (when the measures were put in place), and also since March 2020 as the pandemic took hold. There have been additional costs associated with supporting providers during the pandemic, reflecting the additional costs that they have experienced and the need to secure additional capacity to support hospital pressures.
- 1.4.2 There was an underspend on Independent Sector Residential & Nursing placements of £4.4m, predominantly around the Older People cohort. Again, this is due to shifting patterns in the market, and the impact of the pandemic. Note that this underspend was offset by the homecare overspend (see paragraph 1.4.1 above), with the latter including the funding of individuals who would otherwise have moved into residential care. Note also that these figures reflect the costs of other provider support measures implemented in response to COVID-19.

COVID-19 Impacts – Adults and Health

- 1.4.3 The pandemic has had a significant impact on the Social Care market, as evidenced by some of the variances listed above. Adult social care providers have seen significant operational and financial pressures, including additional vacancies arising in care homes, additional costs of providing services in the context of COVID-19, impacts on cash flow, and uncertainty within the market. Such challenges have been well documented locally, regionally and nationally.
- 1.4.4 Officers have been working closely with the two Kirklees Clinical Commissioning Groups (CCG's) to establish a programme of practical support to social care providers, particularly care home providers.
- 1.4.5 An in-year support package for providers was put in place in light of the pandemic. A number of measures were implemented, with support provided to care home providers and also to Domiciliary Care/Extra Care/Supported Living providers. Key elements within this were a 5% premium paid to care home providers in addition to the business as usual % uplifts that were applied for the new financial year; resulting in additional £2.0m spend, and also payments made to cover the 3 days after death of a resident. Alongside this there has been specific, targeted support where required. A programme has also been undertaken with the two CCG's to support hospital avoidance and early hospital discharge. Assistance was provided to Domiciliary Care by paying on planned hours rather than actuals. Alongside all of these there has also been specific, targeted support for all providers. Across the various measures, support in the region of £11.5m was provided to Care home, Home care, Extra care and Supported Living providers.
- 1.4.6 The Council also continues to utilise nationally announced Government funding allocated for Social Care. This includes Infection Control Funding, Rapid Testing Funding, and the Workforce Support funding. The utilisation of this continued through the year and is ongoing.
- 1.4.7 As we move into 2021/22 there is a strong need to evaluate how the pandemic has affected vulnerable residents, and what changes are being seen in terms of demand patterns. Work is underway with providers in the Care home market to review the

recent fall in demand, how much of this has been caused by the pandemic, and how much is due to changes in longer term shifts. There is the question of what the new 'normal' will be both in the short and long term, and in terms of type of support required (with the possibility of it being driven more by people with complex needs). Working with partners will be key, as will the utilisation of market research.

- 1.4.8 A recent analysis by Age UK has found that the pandemic has “sharply accelerated the care needs of significant numbers of older people.” Their latest figures show that 1.2m older people aged 60+ in the UK who had difficulty walking up and down the stairs before the first lockdown report this activity has become even more difficult for them since then, while 1.45m now have difficulty walking short distances when previously this did not pose problems for them at all.
- 1.4.9 All told, there will be a challenge for Social Care in managing the approach as we move forwards, matching resource to demand, all within the national funding envelope. Work is already being undertaken to analyse and plan, alongside partners.

1.5 Growth and Regeneration

- 1.5.1 There was an underspend of £0.4m in Business and Skills as a result of pausing some non-essential workstreams to prioritise the COVID-19 response. There was also a £0.3m underspend within Growth and Housing in relation to staff costs charged to capital schemes in-year.

COVID-19 Impacts – Growth and Regeneration

- 1.5.2 Across Growth and Regeneration there were pressures totalling £3.3m with respect to COVID-19; £2.3m of which related to income losses. £1.8m of the losses sat within Growth and Housing and included £0.9m on Markets, £0.6m on Planning Fees and £0.2m on Building Control Fees. There was also additional spend of £0.9m on temporary accommodation facilities provided during the pandemic; £0.7m of which was offset by specific COVID-19 funding streams. Within Economy and Skills there was £0.5m income loss relating to Commercial Properties.

1.6 Environment and Climate Change

Environment

- 1.6.1 Within Environment there was an overspend of £1.3m on Schools Transport; in the main linked to special educational needs demand (links also to the Learning - High Needs Section 1.3 of the report earlier). An additional £550k was built into Environment base budgets going forwards as part of the 2020/21 Annual Budget Report, as noted in paragraph 1.3.10. A further review of this baseline was undertaken as part of the 2021-26 Annual Budget Report, adding a further £1.2m into Environment base budgets for Schools Transport from 2021/22 onwards.
- 1.6.2 There was also an overspend of £1.3m on Seasonal Weather due to a higher than budgeted numbers of grits in-year. An additional £0.6m base budget was added into Environment for winter maintenance from 2021/22 onwards as part of the 2021-26 Annual Budget Report, recognising the ongoing impact of climate change on this activity. In conjunction with this, the remaining Seasonal Weather reserve at £2.4m was redirected to the COVID-19 Response reserve to support specific local costs above Government funded national measures.

- 1.6.3 Highways underspent by £1.3m in 2020/21 due largely to capitalisation within allowable accounting rules, of costs previously allocated to revenue in-year (see also paragraph 1.8.3). There was also a £0.3m short-term pressure in Bereavement due to an income shortfall relating to the Cremator Replacement project.

COVID-19 Impacts – Environment

- 1.6.4 In 2020/21, the most significant variances within Environment and Climate Change relate to the impacts of COVID-19, with a total full year pressure of £18.5m across both spend and income budgets.
- 1.6.5 There were £9.2m COVID-19 related spend pressures within Environment in 2020/21; £6.2m of which related to PPE costs offset in full by Contain Outbreak Management Funding. The balance of costs at £3.0m included additional spend of £1.8m on Waste services largely associated with vehicles and hired staff required for additional duties related to COVID-19; £0.8m, costs of managing increased domestic waste volumes; £0.5m, traffic management at household waste sites; £0.2m, and the use of hired staff to cover absences; £0.2m. There were also costs of £0.4m on School Catering, including the provision of 'grab bags' for pupils during school closures, £0.4m for cremator works and temporary mortuary facilities and £0.1m within Schools Transport, linked in the main to the impact of social distancing measures. This was in addition to the overspends already noted in paragraphs 1.3.10 and 1.6.1 above, due to special educational needs demand.
- 1.6.6 There were substantial income losses of £9.3m across Environment and Climate Change; the most significant being £4.3m on Parking Fees and Fines, largely as a result of national lockdown measures on non-essential businesses, home working due to social distancing and local measures to encourage high street footfall through extension of resident free parking in the borough's major towns; plus a further £2.8m on Catering due to school closures. Other losses included £0.7m on Trade Waste, £0.5m on Town Halls and Public Halls, £0.3m on Bereavement Services and £0.3m on Public Protection.
- 1.6.7 The 2021/22 Annual Budget Report includes provision within central budgets 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 includes £5.0m service income loss provision in 2021/22, reducing by £1.0m per annum, through to 2025/26, in anticipation of the recovery of the local economy.

1.7 Corporate Strategy, Commissioning and Public Health

- 1.7.1 Within the Directorate there was an overspend of £0.4m on Employee Healthcare, largely in relation to new system and software costs, additional staffing and reduced income.

COVID-19 Impacts – Corporate Strategy, Commissioning & Public Health

- 1.7.2 There was additional spend of £10.4m within Corporate Strategy, Commissioning and Public Health relating to COVID-19; £5.4m of which was funded directly by specific COVID-19 grant streams. This included £1.9m of support for our most vulnerable residents with the cost of food, energy, water bills and other essentials; offset by the Winter Grant Scheme, £0.6m of testing programme costs; offset by Community Testing Funding, £0.7m of costs for administering support payments to those on low incomes who had to self-isolate; offset by Self Isolation Grant funding and £0.5m of welfare provision costs offset by the Emergency Assistance Grant.

- 1.7.3 COMF was also applied across Corporate Strategy, Commissioning and Public Health activity at £1.6m; largely funding £1.2m of additional IT and remote working costs and £0.3m of additional Ward Activity spend.
- 1.7.4 The balance of additional COVID-19 spend unfunded by specific grants was £5.0m. This mostly reflected a £4m payment to Kirklees Active Leisure (KAL) to address the net revenue losses incurred as a result of enforced closure of leisure centres during the pandemic and ensure KAL's financial sustainability and future recovery post-COVID-19.
- 1.7.2 The income compensation scheme outlined in paragraph 1.2.7 compensates for COVID-19 related losses from Council owned leisure services, or through a planned management fee, where there is an arms-length relationship. However, the income compensation scheme does not cover other 3rd party provider arrangements such as Kirklees Active Leisure (KAL) Trust.
- 1.7.3 On 22 October 2020, Government announced a £100m funding package aimed at outsourced local authority leisure centres to support the recovery going forward of those services deemed to be most in need; however retrospective funding deficits are not eligible. A successful submission was put forwards by the Council with joint sign off from KAL for funding of £1.1m which will be paid across to KAL in 2021/22.
- 1.7.4 Within Finance there were COVID-19 related income losses of £1.6m for Welfare and Exchequer, largely due to temporary suspension of recovery action for non-payment and the suspension of court hearings during the pandemic.

1.8 Central Budgets

- 1.8.1 There was an overspend of £1.4m in Central Budgets relating to the approved 2020/21 employer pay offer of 2.75%. Original Central Budgets for 2020/21 included pay inflation at 2%. Central Budgets have been uplifted by £1.4m in the recent 2021/22 Annual Budget report to account for this unfunded element of the 2020/21 pay award.
- 1.8.2 As reported in the 2019/20 Closedown Report, the Council took the opportunity to prepay it's superannuation contributions to the West Yorkshire Pension Fund for 2020/21. This resulted in a saving to the Council of £0.6m within Central Budgets.
- 1.8.3 In line with last year's closedown process, an exercise was conducted to capitalise £3.2m of costs previously allocated to revenue in-year, within allowable accounting rules and existing Council policies. This released £0.9m revenue within Central Budgets alongside £2.3m in Environment, thereby helping to offset in-year pressures and maximise the roll forward of un-ringfenced COVID-19 funding through reserves for use in 2021/22 (see also paragraphs 1.6.3 and 1.12.8).

COVID-19 Impacts – Central Budgets

- 1.8.4 No Yorkshire Purchasing Organisation (YPO) dividend income was received in 2020/21 due the impact of the pandemic on the organisation's income and cashflow position; largely because of school closures affecting the demand for education supplies. This left an adverse variance of £0.6m within Central budgets.
- 1.8.5 Additional spend of £0.3m was incurred due to the one-off home worker payment made to those staff up to Spinal Column Point (SCP) 50 required to work from home due to Government guidelines. The payment was to assist with heating and lighting

costs over the winter period and covered the 6 months between 1st October 2020 to 31st March 2021.

Flexible Capital Receipts

- 1.8.6 The Council's flexible capital receipts strategy was applied in relation to £2.3m transformation related spend 2020/21. These costs meet the criteria for qualifying expenditure of *funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation*, set out at paragraph 3i) of the Flexible Capital Receipts strategy which can be found at Appendix 9.
- 1.8.7 The strategy is based on current Government guidance which allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts. At the time the 2020/21 approved budgets were set, there was no specific ask to apply the above policy in year, unlike in previous years. However, in light of the subsequent impact of COVID-19 on Council finances, the policy was applied at year end as approved as part of the October 2020 Budget Strategy Update Report. The equivalent £2.3m revenue savings freed up from applying flexible receipts to eligible spend was transferred to a Transformation reserve at year end (see also paragraph 1.9.9).

Revenue Rollover

- 1.8.8 Council Financial Procedure Rules allows for consideration of revenue rollover, but only if the overall General Fund is in an underspend position at year end. The marginal underspend of £5k against a revised revenue budget of £275m was added to general balances at year end.

1.9 General Fund Reserves

- 1.9.1 General Fund reserves and balances have increased through 2020/21 by £81.7m; from £115.7m at the start of the year to £197.4m as at 31 March 2021. Within this increase is a technical adjustment to transfer the DSG deficit out of usable reserves and into unusable reserves as outlined in paragraph 1.3.6. This artificially inflates the in-year increase in reserves by £14.4m; this being the opening balance of DSG deficit as at 1st April 2020.
- 1.9.2 Once the effect of the treatment of the DSG deficit is discounted, the increase in reserves in 2020/21 was £67.3m. Of this, £49.0m, or 72.8%, related to the transfer of COVID-19 funding into earmarked revenue reserves for spend against continuing pressures relating to the pandemic in 2021/22. This was due to timing differences between the receipt of the funding and the associated outgoing expenditure.

COVID-19 Reserves

- 1.9.3 The Expanded Business Rate Reliefs reserve at £24.0m accounts for nearly half of the transfers into reserves relating to COVID-19 funding. This reflects grant received from Government in 2020/21 for Kirklees' share of expanded business rate reliefs passed onto businesses by the Council. Due to current accounting rules, this funding cannot be discharged against the collection fund deficit until 2021/22 and has therefore been moved to earmarked reserves at year end.
- 1.9.4 Following the same reasoning as the above, £5.0m of central government funding for Local Tax Income Losses in 2020/21 has also been transferred into earmarked

reserves and will be drawn down against the collection fund deficit in future years. This complies with best practice guidance issued by CIPFA on the year-end treatment of these two COVID-19 related income streams.

- 1.9.5 It should be noted that both the Extended Business Rates Relief Compensation reserve and the Local Tax Income Loss Compensation reserve are purely technical in nature and will be applied in full against the rolled forward collection fund deficit in future years. As such, the balances on these reserves are excluded from the total useable reserves levels indicated at Appendix 3a and described at paragraph 1.9.13 below.
- 1.9.6 The remaining COVID-19 funding transferred to reserves in-year is made up of £7.9m Business Grants funding to be allocated to Local Businesses in 2021/22, £6.5m of un-ringfenced COVID-19 Support Grant not spent in-year and £5.6m of various other COVID-19 specific grants. In the main, this includes £2.0m Test and Trace funding, £1.3m Clinically Extremely Vulnerable funding and £1.1m Contain Outbreak Management Funding (COMF).
- 1.9.7 Kirklees received £23.6m of un-ringfenced COVID-19 Support grant in 2020/21 (tranches 2 to 4). £17.1m of this was used to offset in-year pressures with the remaining £6.5m balance transferred into the COVID-19 Response reserve at year end. This added to the £11.1m opening balance generated at the end of 2019/20 from unspent Tranche 1 funding received in March 2020. A further £2.4m was also transferred into the COVID-19 Response reserve, giving a closing balance as at 31st March 2021 of £20.0m. This was achieved through a re-direct of the Seasonal Weather reserve as approved in the 2021-26 Budget Strategy Update Report to Cabinet and Council.
- 1.9.8 The COVID-19 Response reserve will provide additional short-term resilience for unfunded COVID-19 financial pressures, as well as targeted support to some of the borough's most financially vulnerable individuals and households. It is proposed that the £20.0m balance on the COVID-19 Response reserve is earmarked as follows:
- i) £3.5m – up to £3.5m further KAL financial “underwrite” in 2021/22 (see separate KAL Partnership/funding report also on this Cabinet agenda. There may be potential for some further Government funding for 3rd party leisure providers in 2021/22 in addition to the £1.1m the Council has received to date from DCMS.
 - ii) £6.4m - set aside required to offset the balance of mainly COVID-19 impacted Collection fund deficit rolled forward from 2020/21, not covered by the Government tax income loss compensation scheme.
 - iii) £2.0m – underwrite to Council ‘recovery/recouperation’ from COVID-19 plans through 2021/22 as the Council transitions from pandemic to post-recovery.
 - iv) £8.1m - balance of COVID-19 Response reserve to at least in part, mitigate against COVID-19 impacted financial pressures washing through the remainder of the current MTFP. There are up to £17m Government ‘unfunded’ COVID-19 related pressures over the 2021-24 period as set out in the approved 2021-26 Annual Budget Report.

Other Reserves

- 1.9.9 The year-end reserves position set out in Appendix 3a incorporates the new Transformation reserve at £2.3m, set aside for strategic transformation developments over the next 12 to 24 months. This was generated through the application of flexible

capital receipts in-year to eligible revenue base budget activity as referred to in paragraph 1.8.7 above.

- 1.9.10 There is also a new Place Standard reserve at £0.5m; created from slippage against the 2021/22 Place Infrastructure Capacity base budget. This reserve has been set aside to support the resourcing of emerging Place Standard action plans.
- 1.9.11 A £1.0m Treasury Smoothing reserve was established in 2020/21 from the transfer of in-year treasury management underspends; largely in relation to interest costs. This reserve has been set aside to manage the marginal volatility of treasury management budgets with respect to potential changes in interest rates and also the in-year re-profiling of approved capital scheme delivery funded by borrowing.
- 1.9.12 Original 2020/21 budget plans assumed the release of £9.1m MRP flexibility base budget in 2020/21. Given the scale of the short term and largely unprecedented financial pressures impacting on the Council in-year, a further unwinding to the maximum allowable level of £13.7m was approved as part of the October 2020 Budget Strategy Update Report. The additional £4.6m release of budget in-year was transferred to earmarked reserves, with £3.6m added into the Demand reserve and £1.0 into the Inclusive Investment reserve.
- 1.9.13 Total usable reserves (excluding Schools reserves, Public Health and Collection Fund reserves) as at 31 March 2021 are £153.3m; equivalent to 48.2% of the 2021/22 £317.9m (net) revenue budget. If all COVID-19 related reserves expected to be utilised in 2021/22 are excluded from the calculation, the adjusted useable reserves balance as at 31 March 2021 is £119.8m, or 37.7% of the 2021/22 (net) revenue budget. For comparator purposes, based on the recently updated CIPFA resilience index using 2019/20 revenue outturn data, the median percentage across the 36 metropolitan Councils on this particular indicator was 37% as at 31 March 2020, accepting that this data is a snapshot in time from 12 months back.
- 1.9.14 The significance of this indicator is that it features as part of CIPFA's suite of 'financial resilience' performance indicators being developed to support officers, members and other stakeholders as an independent and objective suite of indicators that measure the relative financial sustainability and resilience of Councils, given extensive and ongoing national coverage and concern about financial sustainability across the local government sector.
- 1.9.15 Financial resilience reserves as at 1st April 2021 will remain at just over £37m, which was also the minimum financial reserves requirement recommendation by the Chief Financial Officer at least to the start of 2022/23, as set out in the 2021-26 Annual Budget Report. The financial resilience risk reserve is informed by the Council's corporate risk register; current version attached at Appendix 10 for information.

1.10 Collection Fund

- 1.10.1 The Collection Fund accounts separately for council tax and business rates income and payments. There was an in-year deficit of £34.6m in 2020/21; £3.3m with respect to Council Tax and £31.2m from Business Rates. Table 3 below summarises the financial performance of the collection fund in 2020/21.

Table 3 – Collection Fund Summary

Collection Fund forecast (Council Share)	Council Tax	Business Rates	Total
	£000	£000	£000
(Surplus)/Deficit at 1st April 2020	1,180	(3,685)	(2,505)
Re-payments to/(from) General Fund 20/21	58	3,377	3,435
In year Financial Performance	3,315	31,241	34,556
(Surplus)/Deficit at 31st March 2021	4,553	30,933	35,486

- 1.10.2 The £3.3m in-year deficit from Council Tax reflects 98.3% achievement against planned income of £190.0m. The percentage of Council Tax collected in year was 95.67% (2019/20: 95.41%). The Council's share of the arrears outstanding as at 31 March 2021 was £17.1m (31 March 2020: £14.7m). In-year performance was impacted by an increase in the bad debt provision as a direct result the impact of COVID-19 on the ability of taxpayers to pay their council tax bills.
- 1.10.3 The Council Tax in-year position also includes £4.5m increased spend, and the equivalent Hardship Funding offset, for additional discounts applied to current working age recipients of Local Council Tax Support (LCTS). The 2020/21 budget calculations, pre-COVID-19, assumed approximately 23,000 working age LCTS recipients. Revised figures show a significant increase in claimants to 26,513, equivalent to a 15.3% rise, at 31st March 2021.
- 1.10.4 Of the in-year Business Rates deficit of £31.2m; £24.0m is 'technical' in nature as it relates to a downward income adjustment as a result of the expanded retail discount scheme, first announced by Government in March 2020 in response to the pandemic after 2020/21 budgets had already been set. The additional reliefs awarded to businesses are funded in full by Central Government through section 31 grant payments. The payments have been transferred into earmarked reserves at year-end and will be drawn down in 2021/22 against the carried forward collection fund deficit (see also paragraph 1.9.3). The balance of in-year deficit is £7.2m.
- 1.10.5 The in-year Business Rates position also reflects the further review of the Council's provision for historical appeals valuations outstanding; set at £1.3m for Kirklees' share at 31st March 2020. This requirement was revised upwards to £2.6m in-year, reflecting the impact of increasing numbers, and the success rate thereof, of appeals against the 2017 rating list.
- 1.10.6 The balance of the Business Rates deficit relates to the impact of COVID-19 on business activity. The percentage of Business Rates collected in the year was 80.32% (2019/20: 97.09%). There has been a significant increase in arrears in 2020/21, with Kirklees' share at £7.6m compared to £3.3m at 31st March 2020. This reflects an increase of 130%, directly impacting on the bad debt provision requirement which has increased to £5.5m at 31st March 2021 (31 March 2020: £2.2m).
- 1.10.7 Charges to the General Fund each year from the Council (the billing authority) for Council Tax and Business Rates, and to the major precepting authorities (Fire & Rescue Authority, Office of Police & Crime Commissioner) are based on estimates. Actual income collected year on year will vary. These timing differences result in actual surpluses or deficits which are rolled forward year on year through the collection fund, and 'settled' over following years, through relevant payment adjustments to the General Fund/major precepting authorities.
- 1.10.8 Due to the impact of COVID-19 on the collection of both Council Tax and Business Rates, a change to Collection Fund accounting was introduced for 2020/21, which

spreads the impact of COVID-19 related deficits over three financial years (with the exception of the aforementioned £24m Government grant funded Business Rate reliefs), thus smoothing the impact on the revenue budget. The Council's 2021/21 budget and future years budget estimates have been prepared using this new facility.

1.11 Housing Revenue Account

- 1.11.1 The Council's Housing Revenue Account (HRA) accounts for all Council housing related revenue expenditure and income in a separate statutory (ring-fenced) account. The revenue outturn was a £2.6m deficit against an annual turnover budget of £91.5m in 2020/21.
- 1.11.2 The deficit included an adverse variance of £1.2m with relation to depreciation charges, £0.5m overspend on Council Tax voids, £0.2m increase on the KNH fee and £0.1m additional grounds maintenance costs.
- 1.11.3 There were also variations totalling £0.9m on income; £0.4m of which relates to the COVID-19 emergency. This reflected a £0.3m under collection of rent income and £0.1m under collection of service charges. Further pressures linked to COVID-19 included increased material costs due to demand over lockdown, and additional workforce pressures relating to salary costs for operatives that work on planned/capital schemes.
- 1.11.4 HRA reserves at 31 March 2021, net of set asides for business risks and investment needs and a minimum working balance, is £56.1m which will roll forward to support future HRA asset investment in line with HRA longer term business plan requirements.
- 1.11.5 A summary of the HRA outturn and reserves position can be found at Appendix 4.

1.12 Capital

- 1.12.1 The Council's revised capital budget programme for 2020/21 totalled **£115.1m** across a range of schemes and programmes.
- 1.12.2 The nature of capital programmes and funding means that with some schemes, there is greater potential for variations in-year; for example timing of external funding being secured, or the size and complexity of specific schemes meaning longer lead in times than originally profiled in capital budget plans. In recognition of this, Council Financial Procedure Rules (FPR's) allows greater in-year flexibility for Cabinet to amend existing Programme and scheme allocations between years. A revised budget of £125.9m was reported as part of the Q3 Corporate Financial Monitoring Report on 15 March 2021. Subsequent application of the FPR flexibility in-year through quarterly financial monitoring reporting largely contributed to a revised capital budget of £115.1m. The budget has decreased by £10.8m since Quarter 3 mainly due to budget being re-profiled into latter years of the plan (-£11.5m) offset partly by increased grants and contributions (+£0.7m). A breakdown of the budget changes including the re-profiling requests since Quarter 3 can be found in Appendix 6.
- 1.12.3 The 2020/21 capital outturn was £93.6m, which is about £12.4m higher than equivalent capital outturn spend in 2019/20 of £81.2m. The variance at year end is £21.5m.

- 1.12.4 The capital outturn position is summarised in Table 4 below. Of the total £93.6m actual spend, £40m relates to strategic priorities, £50.7m relates to baseline capital spend, the balance of £2.9m to projects of a one-off nature.

Table 4 – Capital Outturn 2020/21

By Category	Revised Capital Budget £000	Outturn £000	Variance £000
Aspire & Achieve	13,524	11,400	(2,124)
Best Start	956	939	(17)
Independent	1,713	1,128	(585)
Sustainable Economy	64,221	47,709	(16,512)
Well	8,733	7,499	(1,234)
Safe & Cohesive	10	13	3
Clean & Green	4,303	2,832	(1,471)
Efficient & Effective	2,325	4,627	2,302
General Fund	95,785	76,147	(19,638)
Strategic Priorities	4,949	4,065	(884)
Baseline	14,345	13,362	(983)
Housing Revenue Account	19,294	17,427	(1,867)
Total Capital Budget	115,079	93,574	(21,505)

- 1.12.5 A more detailed breakdown of the capital outturn position is provided at Appendix 5 (a) and 5 (b), along with key variances highlighted.
- 1.12.6 Capital expenditure at year end was funded by the following sources of finance; borrowing £40m, grants and contributions £29.9m, capital receipts at £7.6m, Major Repairs reserve (HRA) at £12.8m and HRA reserves/revenue contributions at £3.3m. This is shown in more detail at Appendix 8 (a).
- 1.12.7 Actual borrowing costs incurred in 2020/21 are largely consistent with treasury management budget assumptions. Treasury management budgetary assumptions are reviewed annually as part of the annual budget refresh and take account any changes in the profiling and quantum of capital spend to be funded from borrowing over the periodically refreshed multi-year capital plans.
- 1.12.8 In line with last years closedown process, an exercise was conducted to capitalise £3.2m of costs previously allocated to revenue in-year, within allowable accounting rules and existing Council policies. The funding released within revenue helped to offset in-year pressures and maximise the roll forward of un-ringfenced COVID-19 funding through reserves for use in 2021/22 (see paragraph 1.8.3). Funding of this additional capitalisation year end spend was met in the majority via un-ringfenced capital receipts and some uncommitted underspends from the wider capital plan. A further £2.3m revenue transformation costs were also capitalised and funded from in-year capital receipts under the flexible capital receipts policy.
- 1.12.9 Capital rollover proposals total £26.9m made up of £8.2m timing issues on contractually committed schemes rolling forward into 2021/22, a further £16.9m slippage on spend commitments tied to specific unspent grants and other ring-fenced resources, and £1.8m on uncommitted resources required to be carried forward. The £5.4m difference between the £26.9m capital rollover requested and the overall outturn variance of £21.5m was met from a combination of uncommitted capital

receipts and in-year uncommitted capital budgets no longer required, as part of the year end capitalisation exercise.

Capital Rollover Proposals

- 1.12.10 When the Council approved the Capital Investment Plan on 10 February 2021 for the 5 year period from 2021/22 to 2025/26, it made provision for a level of investment of £836.1m within the Annual Budget Report (£656.4m General Fund, £179.7m HRA).
- 1.12.11 The proposal is to effectively re-profile planned spend totalling £26.9m from 2020/21 to 2021/22; £25.1m General Fund and £1.8m HRA. This largely reflects deferred spend against existing schemes rolled forward into future years.
- 1.12.12 The capital plan has now been updated to take account of the capital rollover totalling £26.9m from 2020/21 and changes in the estimated levels of resources available. The revised capital plan set out in this report, including re-profiled planned spend, stands at £957.4m over the 2021-26 period.

Multi-Year Capital Plan Refresh

- 1.12.13 The draft capital plan 2021-26 including slippage, rephasing and any new planned investment highlighted above, is shown at Appendix 8(a) and 8(b) and summarised in Table 5 below:

Table 5 – Updated Capital Plan 2021-26

Capital Plan – Primary Outcomes	21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
Aspire & Achieve	24.6	20.4	15.1	11.6	3.7	75.4
Best Start	3.4	4.1	1.7	0.0	0.0	9.2
Independent	6.1	8.0	2.2	8.9	0.2	25.4
Sustainable Economy	125.2	198.6	81.4	48.9	118.5	572.6
Well	13.5	4.6	3.8	2.4	1.8	26.1
Safe & Cohesive	0.2	0.0	0.0	0.0	0.0	0.2
Clean & Green	11.4	8.3	26.1	4.6	2.3	52.7
Efficient & Effective	4.5	2.2	1.5	1.5	2.2	11.9
General Fund	188.9	246.2	131.8	77.9	128.7	773.5
HRA - Independent	41.4	35.7	32.1	35.2	39.5	183.9
Council Total	230.3	281.9	163.9	113.1	168.2	957.4

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

- 1.12.14 Across Major Projects, in excess of 30 projects are in development. Some are at the early stages in their development cycle whilst others are nearing the delivery phase. Cost increases are being seen throughout the whole life development cycle, resulting in budgets being stretched.
- 1.12.15 Cost escalation is attributed to a combination of COVID-19, design development, materials, labour, environmental aspects, earthworks, structures and rerouting of utilities. In addition, the need to address and incorporate latest design guidance in order to achieve better bus, walking and cycling provision is also contributing to cost increases. Whilst Value for Money changes can be made to project scope and with rigid cost controls being in place, cost increases are somewhat inevitable as we seek to strive for quality outputs. Also, original funding allocations are 6-7 years old and did not fully factor in inflationary uplifts over subsequent years.

- 1.12.16 The West Yorkshire Mayoral Combined Authority (WYMCA) has recently published guidance to recipient authorities seeking extra funding on existing Major Project schemes. Currently the exceptional circumstances where additional funding can be granted is limited in scope but it is hoped that going forward a way can be found to fund cost increases being felt not only in Kirklees but across the Region as a whole.
- 1.12.17 The Council is set to underwrite and match fund identified West Yorkshire plus Transport schemes which are funded by WYMCA. These are highlighted in Table 6 below and identified collectively as a discrete line within the Capital Plan, over and above existing approved match funding.

Table 6 – WYMCA Schemes Council Underwrite

	WYCA	Council
Scheme	£m	£m
A62 to Cooper Bridge Corridor Improvement	68.0	5.80
A629 Halifax Rd Phase 5	10.9	0.94
A62 Smart Corridor	6.1	2.15
Huddersfield Southern Corridors	7.9	0.20
	92.9	9.09

- 1.12.18 As part of the government's comprehensive action to level up opportunity and prosperity across the country, it was announced in June 2021 that Dewsbury was successful in being offered a Town Deal to the value of £24.8m. The grant funding is included within the updated Capital Plan helping to drive long-term economic and productivity growth in Dewsbury. Schemes benefitting from this funding include the Town Park (£6.25m) Dewsbury Market Upgrade (£6m), Daisy Hill (£3m), Building Revival (£3.15m). Council match-funding of £26.9m towards the Town Fund has been provided within the multi-year capital plan. The plan has also been grossed up to reflect assumptions regarding availability of external funding. An application for £18m external funding as part of the Levelling Up Fund bidding process is built into the Plan for Huddersfield New Market.
- 1.12.19 Construction of the Spen Valley Leisure Centre is progressing well. Additional costs have arisen due to loss and expense claims, additional contractor costs design and fixing issues etc. leading to additional funding being identified, some of which were to be originally met from the Strategic Investment reserve. It is proposed to add £2.18m borrowing towards the completion of this scheme, which is projected to now cost £18.6m overall.
- 1.12.20 The government grant allocations built into the 5 year Capital Plan approved by Council in February 2021 have been reviewed. Previously indicative annual grant assumptions for Capital Maintenance (+£200k p.a.) and Devolved Formula (+£50k p.a.) grant allocations have been revised from 2022/23 onwards within the updated Plan. The principle to be adopted in applying the Capital Plan is that annual expenditure must be within the confirmed grant allocation (once received) rather than the current indicative Capital Plan figure. The Highways Plan now includes £3.4m LTP DfT Pothole Funding across 2021/22 and 2022/23 and additional grant of £1.7m has been built in for the Transforming Cities Fund.
- 1.12.21 The Department for Education (DfE) announced local authority funding to support the provision of new places for children and young people with special educational needs and disabilities (SEND) and those requiring alternative provision (AP). Kirklees has been given £1.6m High Needs Provision Capital Allocation (HNPCA) for 2021/22. The

funding is un-ringfenced and it is for local authorities to determine how best to use the funding to meet local priorities.

- 1.12.22 As part of the Flexible Capital Receipts Strategy which can be found in Appendix 9, a £2m Transformation Capitalisation budget has been built into 2021-22 to allow capitalisation of certain types of qualifying revenue expenditure in-year. This will be funded from the flexible use of 'in-year' generated capital receipts.

Other

- 1.12.23 Updated multi-year capital plans will continue to be reviewed and revised in line with Council strategic and operational priorities, costed proposals, delivery timescales, ongoing funding opportunities and reported back to Cabinet/Council as appropriate through the year. All costed proposals and options for both the Huddersfield Town Centre and Dewsbury Town Centre will continue to be reviewed to deliver the ambition set out in the Blueprint.
- 1.12.24 Cabinet received a report on the Council's vision for a new Cultural Heart (22 June 2021), built around the Queensgate Market and the existing library and art gallery building. Details on the development towards the Strategic Outline Business Case were provided with the programme estimating to reach a value of potentially £170-£200m overall. The Councils existing multi-year plan includes £33.8m which will be utilised in part to support Gateway 1 and 2 feasibility work on the pretext that there will be a capital programme from this initial development work.
- 1.12.25 The Council's updated financial strategy and budget planning framework for 2022/23 and future years will be presented to Cabinet and Council in October, and it is intended that the financial strategy update will include explicit reference to the Cultural Heart Programme and potential resource ask, to help inform subsequent budget proposals for member consideration at Budget Council in February 2022.
- 1.12.26 Kirklees Council has bid to the Levelling Up Fund for a package of works for £48m, to improve travel along the Penistone Line between Huddersfield, Barnsley, and Sheffield. Combined, this package of improvements will provide passengers with a seamless end-to-end journey and will encourage more people along the line to take the train. The programme of works will include mobility hubs at Penistone line stations, line speed and reliability infrastructure improvements and major infrastructure improvements to facilitate two trains per hour along the Penistone Line.
- 1.12.27 The Levelling Up Fund requires that delivery commences during 2021/22, and the fund is spent by 31 March 2024 at the latest, and exceptionally into 2024/25 for larger schemes. No further funding will be provided after 2024/25. The most significant works planned as part of this bid are still at an early stage of development and there is uncertainty around the costs and delivery timescales of the major infrastructure works to deliver two trains per hour on the Penistone Line. The Council is continuing to work with Network Rail to develop these options through standard business case development processes, resulting in a chosen infrastructure upgrade option.
- 1.12.28 A risk to the Council with the Levelling Up Fund relates to cost-overruns. The guidance for the Levelling Up Fund makes it clear that Kirklees Council accepts responsibility for meeting any costs over and above the Government contribution requested, including potential cost overruns and the underwriting of any funding contributions expected from third parties. The cost estimates provided as part of the bid are the most robust available at the time of the bid and will be managed in accordance with standard best practice project and contract management procedures. Depending on the timing of the Autumn 2021 Spending Review, which is when Government will announce the

successful bidders, the Council's updated financial strategy will include reference to this programme in October, and subsequent costs firmed up and any attendant cost risks reviewed at Budget Council in February 2022.

- 1.12.29 Officers will continue to review capital budget profiles in year, and any further re-profiling movements between years will be reported to Cabinet as part of the quarterly financial monitoring arrangements through 2021/22, in accordance with Financial Procedure Rules 3.10-3.15. This approach acknowledges the growing complexities and challenges over the upcoming years in delivering to this scale of ambition
- 1.12.30 Future capital plan updates will also be presented periodically to Council as part of the annual budget strategy update and annual budget approval reports to Cabinet and Council as a matter of course as part of the annual planning cycle. All schemes will be reviewed in respect of deliverability priorities, financial risk and other risk associated with the impact of the COVID-19 pandemic. The current and forecast economic conditions arising from the pandemic will increase the risk that capital receipts may not be realised or values will be diminished. This will impact assumptions made in the capital plan financing to offset the borrowing requirement.
- 1.12.31 Provision has been made in the Revenue Budget and Medium-Term Financial Plan to cover the expected costs of borrowing. As revenue resources are themselves under considerable pressure, close scrutiny will need to continue to ensure borrowing fulfils the criteria of being affordable, prudent and sustainable.

Prudential Indicators

- 1.12.32 Appendix 7 provides a schedule of the prudential indicators applicable to affordability and prudence which have been reported as part of capital monitoring in 2020/21. Indicators applicable to treasury management are reported in the Review of Treasury Management activity for 2020/21 which can be found at Appendix 11. The Council has complied with its PI's for 2020/21.
- 1.12.33 The proportion of the annual revenue budget set aside to repay debt and interest is a matter of local decision, informed by relevant CIPFA prudential guidance relating to prudence, affordability and sustainability.

2 Information required to take a decision

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

Appendix 1 summarises, by service area, the General Fund revenue outturn position in 2020/21;

Appendix 2a summarises, by service area, the COVID-19 additional spend and income losses in 2020/21;

Appendix 2b categorises the 2020/21 COVID-19 additional spend by funding source;

Appendix 2c details Kirklees' COVID-19 funding allocations to 31st March 2021;

Appendix 3a summarises the General Fund reserves and balances movements in-year;

Appendix 3b sets out a glossary of terms for the General Fund reserves;

Appendix 4 summarises the HRA revenue outturn position including movements in HRA reserves in-year;

Appendix 5a summarises by Council priority Outcome, the capital outturn position in 2020/21

Appendix 5b summarises by Council priority Outcome, key capital outturn variances in excess of £500k, against revised capital budget, for 2020/21

Appendix 6 summarises key capital budget changes between Quarter 3 financial monitoring report and outturn, for 2020/21

Appendix 7 provides a schedule of prudential indicators for 2020/21, applicable to affordability and prudence;

Appendix 8a summarises the updated capital plan 2021/22-2025/26, taking into account rollover, grant changes and additions. A funding summary is also included;

Appendix 8b shows the detailed capital plan updated for 2021/22-2025/26 including rollover, by Council Priority Outcome;

Appendix 9 details the updated Council flexible capital receipts strategy;

Appendix 10 is the Corporate Risk Register, updated as at July 2021;

Appendix 11 is the Annual Report on Treasury Management activity to Corporate Governance and Audit Committee, 23 July 2021.

- 2.2 The corporate risk register at Appendix 10 summarises the key strategic risks or barriers to achieving the corporate objectives. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the council's budget. There isn't a direct link but they do help to inform the level of reserve held by the council.
- 2.3 Individual risks vary over time, and the need to set aside reserves changes depending on the underlying budget provisions. The risk assessment reflects the approved budget plans updated for emerging and changing medium and significant risk.

3 Implications for the Council

- 3.1 The report provides summary information on the overall financial performance against annual Council revenue and capital budgets in 2020/21, incorporating as well an overall updated capital plan for 2021-26. These budgets support the overall delivery of the following Council objectives and Priorities within available resources:

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

3.2 Working with People

3.3 Working with Partners

3.4 Place Based working

3.5 Climate Change & Air Quality

3.6 Improving Outcomes for Children

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

- 3.7.1 The Council has a statutory duty to balance its budget under section 31A of the Local Government and Finance Act 1992 and to take any necessary steps in-year to ensure this. Section 151 of the Local Government Act 1972 requires the Council to make proper arrangements for the administration of its financial affairs including budgetary control.
- 3.7.2 The Council's 2021-26 budget plans, approved at Budget Council on 10 February 2021, set out proposals for the delivery of an overall Council balanced budget for 2021/22, and indicative budget spending plans and funding forecasts over the following 4 years. This was against a backdrop of COVID-19 which brought an unprecedented level of challenge and uncertainty to the budget round.
- 3.7.3 The financial planning framework underpinning the budget proposals was pragmatic in nature, enabled by the relatively strong financial resilience of the Council which existed pre-COVID-19; in particular by earmarking some of the pre-COVID-19 financial resilience (MRP flexibility) to underwrite the Council's financial stability in 2021/22 as far as possible given the extent of global, national and local volatility.
- 3.7.4 The 2021-26 Annual Budget Report also made extensive reference to the continuing impact of COVID-19 over the course of the medium-term financial plan, with impacts forecasted on a range of funding assumptions going forward, including service income and local tax income and business rates losses.
- 3.7.5 The COVID-19 response is ongoing, and impacts of the pandemic continue to be a significant draw on existing Council, Partner and community capacity. This is likely to continue at least through the first half of 2021/22.
- 3.7.6 The local government sector continues to engage with Government to ensure Councils receive appropriate funding compensation. The provisional financial settlement 2021/22, while largely being a one-year settlement only, included further "one-off" COVID-19 funding support to Councils in 2021/22.
- 3.7.7 Ongoing COVID-19 financial impacts will continue to be reviewed in light of further emerging local, regional and national intelligence through 2021/22, and will be included as part of overall in-year financial monitoring reported in the corporate member arena through established annual Council planning cycle and governance processes.
- 3.7.8 The Council's refreshed reserves strategy approved in the 2021-26 budget plans acknowledges the heightened volatility and unpredictability in the COVID-19 impacted budget risk environment within which the Council is operating both currently and over the medium term. Financial Resilience reserves are a key element of the strategy and the £37.1m balance on this reserve, as at 31st March 2021, meets the minimum recommended level as set out in the 2021-26 Annual Budget Report.
- 3.7.9 It is intended that the forthcoming annual budget strategy report to Cabinet and Council in early autumn will incorporate a more detailed review, quantification and sensitivity analysis on a range of emerging budget and other risks to help inform the

Council's financial planning framework and overall reserves requirement as part of the refreshed Medium Term financial Plan (MTFP). This will include a further review of any COVID-19 financial impacts anticipated to affect the Council's budget beyond 2021/22.

3.7.10 The Equality Act 2010 creates the Public Sector Equality Duty (PSED). The Council utilises Integrated Impact Assessments to address these duties and these form part of the annual Council Budget Setting report. This report reflects the outturn position and as such, further reference is not required at this stage.

4 Consultees and their opinions

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

5 Next Steps

Subject to member approval, capital rollover proposals and the update of the 5 year capital plan will be incorporated into in year financial monitoring in 2021/22, and reported quarterly to Cabinet from Quarter 1 onwards.

6 Cabinet portfolio holders recommendations

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

7 Officer recommendations and reasons

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

General Fund

- 7.1 note the revenue outturn position for 2020/21 including COVID-19 impacts;
- 7.2 note the year end position on corporate reserves and balances including COVID-19 impacts;
- 7.3 re-affirm the proposed use of pre-existing reserves and endorse the proposed use of new reserves as set out in section 1.9 in this report
- 7.4 note the regular monitoring and review of corporate reserves in 2021/22 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;
- 7.5 note the use of the Council's flexible receipts strategy for the year end capitalisation of £2.3m transformation related costs in 2020/21

Collection Fund

- 7.6 note the year end position on the Collection Fund including COVID-19 impacts;

HRA

- 7.7 note the HRA revenue outturn and reserves position 2020/21;

Capital

- 7.8 note the Council capital outturn position for 2020/21

- 7.9 approve the £26.9m capital rollover from 2020/21 to 2021/22;
- 7.10 approve the revised capital plan for the period 2021-26 after taking into account rollover, the re-phasing of schemes and changes to grant assumptions;

Treasury Management

- 7.11 note the Review of Treasury Management activity for 2020/21

8 Contact Officer

James Anderson, Head of Accountancy

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Sarah Hill, Finance Manager

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9 Background papers and History of Decisions

Annual budget report 2021-26 to Budget Council, February 2021

Budget Update Report to Council, October 2020

CIPFA's Code of Practice on Treasury Management in the Public Services.

CIPFA's Prudential Code for Capital Finance in Local Authorities.

Public Works Loan Board Website.

Local Authorities Property Fund & Factsheet

10 Service Director responsible

Eamonn Croston, Service Director Finance.

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General Fund 2020/21 Outturn

Strategic Director portfolio responsibilities	Annual				
	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	39,498	(635)	38,863	40,935	2,072
Resources, Improvements & Partnership	20,038	(192)	19,846	19,013	(833)
Learning & Early Support & Schools	21,251	7,342	28,593	30,921	2,328
Sub Total (Children & Families)	80,787	6,515	87,302	90,869	3,567
Customers and Communities	9,491	(1,568)	7,923	7,877	(46)
ASC - Older People and Physical Disabilities	19,924	(304)	19,620	21,809	2,189
ASC - Learning Disabilities and Mental Health	63,769	4	63,773	63,233	(540)
Adults Sufficiency	11,821	(158)	11,663	10,929	(734)
Sub Total (Adults & Health)	105,005	(2,026)	102,979	103,848	869
Growth & Housing	6,788	(477)	6,311	8,206	1,895
Economy & Skills	9,864	(777)	9,087	8,485	(602)
Sub Total (Growth & Regen)	16,652	(1,254)	15,398	16,691	1,293
Environment	23,113	170	23,283	35,978	12,695
Sub Total (Environment & Climate Change)	23,113	170	23,283	35,978	12,695
Strategy, Innovation & Planning	13,996	116	14,112	14,043	(69)
Public Health & People	4,028	(5,865)	(1,837)	3,001	4,838
Governance & Commissioning	10,163	(147)	10,016	10,029	13
Finance	8,460	(8,634)	(174)	1,543	1,717
Sub Total (Corporate Strategy, Commissioning & Public Health)	36,647	(14,530)	22,117	28,616	6,499
Central	40,095	(9,937)	30,158	31,000	842
Sub Total General Fund	302,299	(21,062)	281,237	307,002	25,765
COVID-19 Support Grant Offset	-	(6,531)	(6,531)	(23,630)	(17,099)
Estimated COVID-19 Income Loss Compensation	-	-	-	(8,671)	(8,671)
Revised General Fund Total	302,299	(27,593)	274,706	274,701	(5)
Collection Fund COVID-19 grants roll forwards to 21/22 – Technical Adjustment	-	(28,957)	(28,957)	(28,957)	-
Updated General Fund Total	302,299	(56,550)	245,749	245,744	(5)

COVID-19 Spend and Income Losses Summary

Strategic Director portfolio responsibilities	COVID-19 spend £k	COVID-19 Income Losses £k
Child Protection and Family Support	2,464	-
Resources, Improvements and Partnership	-	-
Learning, Early Support and Schools	901	461
Sub Total (Children & Families)	3,365	461
Customers and Communities	1,929	458
ASC - Older People and Physical Disabilities	22,572	-
ASC - Learning Disabilities and Mental Health	-	298
Adults Sufficiency	-	-
Sub Total (Adults & Health)	24,501	756
Growth and Housing	921	1,815
Economy and Skills	96	494
Sub Total (Growth & Regen)	1,017	2,309
Environment	9,174	9,325
Sub Total (Environment & Climate Change)	9,174	9,325
Strategy Innovation and Planning	1,354	11
Public Health and People	5,575	48
Governance and Commissioning	381	21
Finance	3,079	1,596
Sub Total (Corporate Strategy, Commissioning & Public Health)	10,389	1,676
Central	282	648
General Fund Total	48,728	15,175

COVID-19 Spend and Funding Sources

Appendix 2b

Strategic Director portfolio responsibilities	Total 2020/21 COVID-19 spend £k	Funded by:							
		Contain Outbreak Management Fund (COMF) £k	CCG Funding for Additional Costs £k	Infection Control Fund £k	Winter Grant Scheme £k	Rapid Testing Fund £k	Workforce Capacity Fund £k	Other Specific Grants £k	No specific funding stream £k
Child Protection and Family Support	2,464	101	-	-	-	-	-	-	2,363
Resources, Improvements and Partnership	-	-	-	-	-	-	-	-	-
Learning, Early Support and Schools	901	-	-	-	-	-	-	-	901
Sub Total (Children & Families)	3,365	101	-	-	-	-	-	-	3,264
Customers and Communities	1,929	1,354	-	-	-	-	-	198	377
ASC - Older People and Physical Disabilities	22,572	-	8,511	8,230	-	1,093	926	45	3,767
ASC - Learning Disabilities and Mental Health	-	-	-	-	-	-	-	-	-
Adults Sufficiency	-	-	-	-	-	-	-	-	-
Sub Total (Adults & Health)	24,501	1,354	8,511	8,230	-	1,093	926	243	4,144
Growth and Housing	921	499	-	-	-	-	-	84	338
Economy and Skills	96	-	-	-	-	-	-	96	-
Sub Total (Growth & Regen)	1,017	499	-	-	-	-	-	180	338
Environment	9,174	6,106	-	-	-	-	-	86	2,982
Sub Total (Environment & Climate Change)	9,174	6,106	-	-	-	-	-	86	2,982
Strategy Innovation and Planning	1,354	1,287	-	-	-	-	-	-	67
Public Health and People	5,575	9	-	-	-	-	-	1,116	4,450
Governance and Commissioning	381	345	-	-	-	-	-	-	36
Finance	3,079	-	-	-	1,943	-	-	699	437
Sub Total (Corporate Strategy, Commissioning & Public Health)	10,389	1,641	-	-	1,943	-	-	1,815	4,990
Central	282	-	-	-	-	-	-	-	282
General Fund Total	48,728	9,701	8,511	8,230	1,943	1,093	926	2,324	16,000

COVID-19 Funding Streams up to 31st March 2021

Appendix 2c

Category	Name of Funding	Description	Lead department / organisation	Kirklees Allocation £k
COVID-19 General Funding	Coronavirus (COVID-19): emergency un-ringfenced funding for local government (4 tranches)	Un-ringfenced funding for local authorities to use to respond to the COVID-19 pandemic.	MHCLG	35,857
	COVID-19 Sales Fees and Charges Income Loss Compensation	Compensation for losses in Sales, Fees and Charges income as a result of the pandemic. Local Authorities stand the first 5% of losses compared to budgeted income with the remaining losses being compensated at a rate of 75p in the £1.	MHCLG	8,671
	COVID -19 Local Tax Income Guarantee Compensation	Compensation for losses in the Collection Fund as a result of the pandemic. Local Authorities are compensated for 75% of eligible Council Tax and NNDR losses.	MHCLG	5,002
Test & Trace and COMF Funding	Test and Trace Service Support Grant	A grant provided to local authorities in England to develop and action their plans to reduce the spread of the virus in their area.	DHSC	2,531
	Surge Funding / additional Contain Outbreak Management Fund (COMF)	Funding to support local authorities deliver their non-pharmaceutical interventions and to support their COVID-19 response. The funding is a non-recurring payment for the 2020–2021 financial year.	DHSC	11,058
Funding for Adult Social Care (For Single and Upper tier authorities only)	Adult Social Care Infection Control Fund (ICF) (Rounds 1 and 2)	The primary purpose of this fund is to support adult social care providers, to reduce the rate of COVID-19 transmission in and between care homes and support wider workforce resilience.	DHSC	8,358
	Clinical Commissioning Group (CCG) funding for additional costs associated with COVID-19 including hospital discharge	NHS/CCG funding to help local authorities with COVID 19-associated costs including those relating to hospital discharge and follow-on care.	NHSE	8,511
	Rapid Testing Fund	Funding to support additional rapid testing of staff in care homes, and to support visiting professionals and enable indoors, close contact visiting where possible.	DHSC	1,123

COVID-19 Funding Streams up to 31st March 2021

Appendix 2c

Category	Name of Funding	Description	Lead department / organisation	Kirklees Allocation £k
	Workforce Capacity Fund	Funding to provide additional care staff where shortages arise, support administrative tasks so experienced and skilled staff can focus on providing care, and help existing staff to take on additional hours if they wish with overtime payments or by covering childcare costs	DHSC	930
Funding for Grants to Businesses	Small Business Grant Fund & Retail, Hospitality, Leisure	The Small Business Grant Fund (SBGF) supports small and rural businesses in England with their business costs during coronavirus. The Retail, Hospitality and Leisure Grant Fund (RHLCGF) supports businesses in the retail, hospitality and leisure sectors with their business costs during coronavirus.	MHCLG/BEIS	113,650
	Business Grant Top Up	Extension of the above scheme for lockdown 3.	MHCLG/BEIS	21,492
	LA Discretionary Grant Fund	Aimed at small or micro businesses who were not eligible for the small business grant fund or the retail, leisure and hospitality fund	MHCLG/BEIS	5,232
	Local Restrictions Support Grant - Closed	Funding paid across by Councils to local businesses. Allocations based on categories of businesses relevant to the closures imposed by Government.	MHCLG	31,019
	Local Restrictions Support Grant - Open	Offered as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus (COVID-19) and specifically for businesses that were still open but have been severely impacted by Local COVID-19 Alert Levels 'High' (LCAL 2) and 'Very High' (LCAL 3) restrictions.	MHCLG	4,323
	Local Restrictions Support Grant - Discretionary	This grant is ringfenced for business support only, but Local Authorities can determine how much funding to provide to businesses from the funding provided, and exactly which businesses to target.	MHCLG	12,702
	Christmas Support - Pubs	Christmas Support Payment for wet-led pubs (CSP), to support through the festive period those pubs in Tier 2 and 3 areas, that predominantly serve alcohol rather than food and were required to close.	BEIS	230

COVID-19 Funding Streams up to 31st March 2021

Appendix 2c

Category	Name of Funding	Description	Lead department / organisation	Kirklees Allocation £k
Other Government Funding for Local Authorities	Clinically Extremely Vulnerable (CEV) Funding	Funding to support clinically extremely vulnerable (CEV).	MHCLG	1,315
	Compliance and Enforcement Grant	Funding for local authorities to cover compliance and enforcement activity. The funding is ringfenced for C&E activity, including COVID-19 Secure Marshals.	MHCLG	239
	Reopening High Streets Safely Fund	Funding from the European Regional Development Fund (ERDF) to local authorities to support the safe reopening of high streets and other commercial areas.	MCHLG	389
	Provisional Rough Sleeping emergency funding	Rough sleepers, or those at risk of rough sleeping have been supported by initial emergency funding if they need to self-isolate to prevent the spread of COVID-19. This funding has been made available to local authorities and reimburses them for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate.	MHCLG	12
	Next Steps Accommodation Programme (NSAP)	Funding to support local authorities and their partners to ensure that the current provision that has been set up to safeguard people who were taken safely from the streets is able to continue for an appropriate length of time. The funding is for use during 2020/21 only.	MHCLG	162
	Local Authority Emergency Assistance Grant for Food and Essential Supplies	For local authorities in England to use to support people who are struggling to afford food and other essentials due to COVID-19.	DEFRA	551
	Additional Home to School Transport (£m)	Funding to create extra capacity and allow more students to use alternatives to public transport, while social distancing measures remain in place.	DfE (and DfT)	47
	Emergency Active Travel Fund (Tranche 1 only)	The emergency grant funding supports local transport authorities with producing cycling and walking facilities. Tranche 1 supports the installation of temporary projects for the COVID-19 pandemic.	DfT	257

COVID-19 Funding Streams up to 31st March 2021

Appendix 2c

Category	Name of Funding	Description	Lead department / organisation	Kirklees Allocation £k
	Community Champions LA Fund	Funding to Expand COVID-19 communications with at risk groups	MHCLG	495
	Self-isolation Grant funding (Administrative element only)	Test and Trace Support payment of £500 will ensure that those on low incomes are able to self-isolate without worry about their finances	DHSC	267
	Self-isolation Grant funding (other)	Test and Trace Support payment of £500 will ensure that those on low incomes are able to self-isolate without worry about their finances	DHSC	1,379
	COVID-19 Winter Grant Scheme	Funding made available in early December 2020 to support those most in need with the cost of food, energy (heating, cooking, lighting), water bills (including sewerage) and other essentials.	DWP	2,005
	Community Testing	Funding allocated to support LA testing programme	DHSC	558
	New Burdens Funding	Contribution towards costs of administering various grants/reliefs to businesses.	MHCLG/BEIS	326
	Business Improvement Districts Funding	The money will go to Business Improvement Districts (BIDs), local business partnerships that bring local authorities, developers and communities together to provide local leadership, drive regeneration and deliver projects and additional local services.	MHCLG	11
	Leisure Centre Support	Funds allocated via bidding process for those outsourced leisure services deemed most in need as a result of closures during the pandemic.	DCMS	1,175
	Hardship Funding	To support economically vulnerable people and households in their local area by providing them with a further reduction in their council tax.	MHCLG	4,957
			TOTAL	284,834

General Fund Earmarked Reserves

	Reserves at 1st April 2020 Incl. Budget Report approved transfers	Planned Net Contribution in-year (COVID-19)	Planned Net Movements in-year (Other)	Unplanned use of Reserves (<i>Variance & High Needs Overspend</i>)	DSG Deficit to Unusable Reserves (technical adjustment)	Reserves position at 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory (School Reserves)						
Schools Balances	(9,967)		(3,595)	-		(13,562)
DSG Deficit	14,396			10,710	(25,106)	-
Total Statutory (School Reserves)	4,429		(3,595)	10,710	(25,106)	(13,562)
Earmarked						
Financial Resilience Reserves	(37,146)		-	-		(37,146)
Rollover	(656)		52	-		(604)
Revenue Grants (various)	(9,095)	(5,604)	(4,225)	-		(18,924)
Public Health	(1,150)		(389)	-		(1,539)
Stronger Families Grant	(1,011)		(520)	-		(1,531)
Insurance	(1,900)		-	-		(1,900)
Ward Based Activity	(1,199)		(201)	-		(1,400)
Social Care Reserve	(2,195)		97	-		(2,098)
Property and Other Loans	(3,000)		-	-		(3,000)
Adverse Weather	(2,432)		2,432	-		-
Strategic Investment support	(4,229)		(725)	-		(4,954)
Waste Management	(5,684)		-	-		(5,684)
Mental Health	(1,400)		198	-		(1,202)
Business Rates	(2,000)		(1,000)	-		(3,000)
School PFI	(2,184)		903	-		(1,281)
Demand Reserve	(15,706)		(3,600)	-		(19,306)
Place Partnership Theme	(2,000)		-	-		(2,000)
Treasury Smoothing			(960)	-		(960)
Transformation			(2,348)	-		(2,348)
Place Standard			(500)	-		(500)
Other	(6,037)		(1,470)	-		(7,507)
COVID-19 Response	(11,099)	(6,531)	(2,364)	-		(19,994)
COVID-19 Business Grants Reserve		(7,953)	-	-		(7,953)
Sub Total Earmarked Reserves	(110,123)	(20,088)	(14,620)	-	-	(144,831)

General Fund Earmarked Reserves

	Reserves at 1st April 2020 Incl. Budget Report approved transfers	Planned Net Contribution in-year (COVID-19)	Planned Net Movements in-year (Other)	Unplanned use of Reserves (<i>Variance & High Needs Overspend</i>)	DSG Deficit to Unusable Reserves (technical adjustment)	Reserves position at 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked (Collection Fund Technical Reserves)						
Extended Business Rate Relief Compensation		(23,955)		-		(23,955)
Local Tax Income Loss Compensation		(5,002)		-		(5,002)
<i>Sub Total Earmarked (Collection Fund)</i>	-	<i>(28,957)</i>	-	-	-	<i>(28,957)</i>
<i>Total Earmarked</i>	<i>(110,123)</i>	<i>(49,045)</i>	<i>(14,620)</i>	-	-	<i>(173,788)</i>
GENERAL BALANCES	(9,998)			(5)		(10,003)
<i>Grand Total</i>	<i>(115,692)</i>	<i>(49,045)</i>	<i>(18,215)</i>	<i>10,705</i>	<i>(25,106)</i>	<i>(197,353)</i>
<i>Total usable reserves (excluding schools, public health and collection fund)</i>	<i>(104,575)</i>	<i>(20,088)</i>	<i>(14,231)</i>	<i>10,705</i>	<i>(25,106)</i>	<i>(153,295)</i>

Glossary of Reserves

RESERVE	DESCRIPTION
School Reserves	Statutory reserves relating to both individual schools balances/deficits carried forwards, and Dedicated Schools Grant (ring-fenced for schools related expenditure; surpluses/deficits carried forward).
Financial Resilience	Covers a range of potential costs highlighted in the Council's corporate risk register, including budget risks as set out in the sensitivity analysis within the 2021-26 Annual Budget 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. Includes £5.6m of COVID-19 specific grants as at 31 st March 2021.
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
Social Care	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
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 (replaced by base budget provision from 2021/22 onwards).
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.
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.
Mental Health (including Domestic abuse)	To support a number of local area based mental health initiatives.
Inclusive Investment Reserve	Set aside for a range of targeted development activity that supports the Council's inclusive investment ambition.
Schools PFI Reserve	Will be utilised to cover reduced DSG budget contributions to council services in 2020/21 and 2021/22
Demand Reserve	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
Place Partnership Theme	To encourage Place specific local initiatives
Treasury Smoothing Reserve	This reserve has been set aside to manage the volatility surrounding treasury management budgets with respect to both potential changes in interest rates and the level of delivery of the capital plan.
Transformation Reserve	Set aside for strategic transformation developments over the next 12 to 24 months.
Place Standard Reserve	Set aside to support the resourcing of emerging Place Standard action plans.
Other Earmarked	A range of smaller reserves earmarked for specific purposes.
COVID-19 Response Reserve	Specific reserve set aside to cover the costs of the Council's COVID-19 response.

RESERVE	DESCRIPTION
COVID-19 Business Grants reserve	Reflects the balance of COVID-19 Business Grants received and recognised in 2020/21 before expenditure was incurred.
Extended Business Rate Relief Compensation	During 2020/21, local authorities received approximately £10bn in S31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22. The full amount of additional s31 grants received has therefore been transferred into the extended business rates relief reserve, to be drawn down in 2021/22 against the rolled forwards collection fund deficit.
Local Tax Income Loss Compensation	Local authorities are being compensated for the loss of local tax income in 2020/21 as a result of COVID-19. The compensation amount has been transferred into the Tax Income Loss Compensation Reserve to be drawn down in future years against the rolled forwards collection fund deficit.
General Fund Balances	General reserve set at £10m to support general working capital and cashflow requirements.

Appendix 4

HOUSING REVENUE ACCOUNT 2020/21 - OUTTURN

	Annual		
	Revised Budget	Actuals	Variance
	£'000	£'000	£'000
Repairs & Maintenance	26,992	26,992	0
Housing Management	35,152	35,716	563
Other Expenditure	25,699	27,131	1,432
Total Expenditure	87,843	89,838	1,996
Rent & Other Income	(91,480)	(90,555)	925
Revenue Contribution to Capital Funding	3,637	3,317	(320)
Planned transfer to HRA Reserves	0	0	0
Total	0	2,601	2,601

HRA RESERVES

	Balance at 31 March 2020	Approved Movement in Reserves	Balance at 31 March 2021
	£'000	£'000	£'000
Set aside for business risks	(4,000)		(4,000)
Forecast in Year Surplus/Deficit		2,601	2,601
To support the Capital Investment Programme		2,341	2,341
Set aside to meet investment needs (as per HRA Business Plan)	(55,518)		(55,518)
Working balance	(1,500)		(1,500)
Total	(61,018)	4,942	(56,076)

Capital Plan 2020/21 Outturn Summary

Appendix 5 a)

	Revised Budget £'000	Outturn £'000	Variance £'000	Variance %
General Fund				
Aspire & Achieve	13,524	11,400	(2,124)	(16%)
Best Start	956	939	(17)	(2%)
Independent	1,713	1,128	(585)	(34%)
Sustainable Economy	64,221	47,709	(16,512)	(26%)
Well	8,733	7,499	(1,234)	(14%)
Safe & Cohesive	10	13	3	30%
Clean and Green	4,303	2,832	(1,471)	(34%)
Efficient & Effective	2,325	4,627	2,302	99%
GENERAL FUND TOTAL	95,785	76,147	(19,638)	(21%)
Housing Revenue Account				
Strategic Priorities	4,949	4,065	(884)	(18%)
Baseline	14,345	13,362	(983)	(7%)
HOUSING REVENUE TOTAL	19,294	17,427	(1,867)	(10%)
CAPITAL PLAN TOTAL	115,079	93,574	(21,505)	(19%)

Aspire & Achieve

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
Libraries & Public Buildings	1,097	(636)	Slippage on Birkby Library (£500k) and some on Heckmondwike library.
Baseline			
Capital Maintenance	4,233	(878)	Due to favourable settlement of final accounts and retention payments withheld on contracts. Funds are contractually committed as part of the 2020/21 Capital Maintenance programme, since monies from the construction value is held as retention on the majority of schemes. Funding is to be rolled over into the next financial year.

Independent

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
Day Services Support for Vulnerable Adults	1,250	(671)	Cherry Trees Scheme (£548k) almost complete but time lag on costs coming through and some retention held. Started later due to COVID-19 delays but all funds are committed. Slight delay on the In-house call systems scheme (£115k) to be completed by July 21.

Sustainable Economy

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Strategic Priorities			
West Yorkshire plus Transport Schemes	7,004	(2,375)	Programme delivery delayed due initial suspension and then a backlog of construction works due to COVID-19. Limited staff resources delayed development of schemes, however capitalisation of staff costs, additional agency staff and new permanent Kirklees recruitment has started to address this issue. All WYTF projects have experienced significant delay to agreeing designs for consultation purposes as all public consultation was delayed until after the local elections.
Town Centre Action Plans	6,021	(2,512)	Impact of COVID-19 has led to delays in the implementation of the major schemes within the Heritage Action Zone programme. A failure to secure grant funding has impacted on Huddersfield Market progression and more time than anticipated has been taken in appointing a design team for Dewsbury Market.
Strategic Acquisition Fund	4,000	(1,017)	Funding required to commit to potential acquisitions in the next financial year.
Transforming Cities Fund	4,583	(3,052)	Late agreement by WYCA of individual projects areas and project scope changes has delayed detailed design work. Much of the capital expenditure is also tied in with external highway design consultancy, again via WYCA, for which the procurement process and design work did not start until later in the financial year. Limited staff resources delayed development of schemes. All TCF projects have experienced significant delay to agreeing designs for consultation purposes as all public consultation was delayed until after the local elections.
Baseline			
Highways	22,187	(4,128)	COVID-19 delayed programme delivery earlier in the year as all construction works were suspended and the backlog of work when the contractors able to return has further delayed delivery. Utility works delayed commencement of schemes, again they were impacted by COVID-19 disruption. Limited staff resources delayed development of schemes, again with COVID-19 resulting additional requirements which were more resource intensive.
Corporate Landlord	4,989	(1,360)	Scheme delays due to COVID-19 and tender issues such as failed returns and legal agreement processes.

Well

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
KAL	947	(811)	Underspend Batley Sports and Tennis Centre (£373k) as well the budget held for potential new schemes (£334k). A couple of potential projects are under discussion.

Clean & Green

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
Baseline			
Climate Emergency	900	(900)	Slippage on electric vehicles. Budget committed since purchase orders have been raised, so will be rolled forward.

Efficient & Effective

Activity Level	Annual Budget £'000	Variance for the year £'000	Comments
One Off Projects			
Flexible Capital Receipts Strategy	0	2,348	Capitalisation of revenue transformation costs funded by un-ringfenced capital receipts.

Breakdown of Capital Budget Changes since Q3

Appendix 6

	£'000	£'000
QUARTER 3 CAPITAL BUDGET		125,920
Increase in Grants/Contributions		
Strategic Priorities (SP)		
Trees for Climate, Northern Forests Community Forest Trust	169	
Dewsbury Town Centres	(115)	
Huddersfield Town Centres	(212)	(158)
Baseline (BL)		
Highways, S278 monies received for the Developer Funded Schemes	600	
Highways, Environment Agency grant	78	
Learning, Devolved Formula Grant	50	
Housing Private, Fuel Poverty Grant	38	766
One Off Projects (OP)		
Housing Regeneration, capital allowances towards Cemetery Lodge	137	
Housing Regeneration, Clusters Grant towards Demolition at Wakefield Rd	12	
Housing Regeneration, Section 106 Budget	(75)	
Economic Resilience, Dewsbury THI	50	
Economic Resilience, Better Homes Warm Homes Scheme returned to the Fuel Poverty Fund Pot	(9)	115
Total Additions		723
Re-profiling into Later Years		
Emergency Active Travel Fund (SP)	(1,784)	
Trees for Climate (SP)	(3,098)	
Property Investment Fund - Economic Recovery Fund (SP)	(544)	
Additional Investment into Strategic Town Centres (SP)	500	
Soothill Site Development (SP)	(38)	
Huddersfield Heat Network (SP)	(171)	
Climate Emergency Clean & Green (SP)	(100)	
Air Quality (SP)	(346)	
Waste Management Plant/Infrastructure/ Environment&Strategic Waste (SP)	5	
Spensborough Sports Facility (SP)	(2,000)	
Highways (BL)	(4,511)	
Corporate Landlord (BL)	182	
Housing Private (BL)	430	
Play Strategy (BL)	(75)	
One Venues Development (OP)	(114)	
SEND Provision (OP)	100	
Total Re-profiling into later years		(11,564)
REVISED OUTTURN BUDGET		115,079

Capital Expenditure, Capital Financing Requirement and External Debt

The table below draws together the main elements of Capital Plan expenditure and financing arrangements. The table also shows the Capital Financing Requirement (CFR), which is the Council’s underlying external indebtedness for a capital purpose, compared with the expected borrowing position.

	2019/20	2020/21	
	Actual	Strategy Estimate*	Actual
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Capital Expenditure			
General Fund	59,831	147,600	76,147
HRA	21,379	33,150	17,427
Sub-total (excl. PFI)	81,210	180,750	93,574
General Fund - PFI	2,014	2,000	1,994
HRA – PFI	220	250	248
Total	83,444	183,000	95,816
Financed by -			
Borrowing	29,764	96,600	39,900
PFI	2,234	2,250	2,242
Other	51,446	84,150	53,674
Total	83,444	183,000	95,816
CFR as at 31 March			
General Fund excl PFI	461,600	540,700	500,100
General Fund PFI	45,800	42,500	42,500
HRA excl PFI	175,300	167,700	170,300
HRA PFI	50,500	48,100	48,100
Total CFR	733,200	799,000	761,000
External debt as at 31 March			
Borrowing (excl interest accrued)	426,900	482,200	425,800
Other LT Liabilities	100,200	94,300	94,300
Total debt	527,100	576,500	520,100

*The PI estimates include an allowance for anticipated slippage of capital expenditure during the year.

The difference between the CFR and total debt reflects the amount of internal balances that are being “borrowed” to finance capital indebtedness.

Limits to Borrowing Activity

The first key control over the Council’s borrowing activity is a Prudential Indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short-term, exceed the total CFR. This allows some flexibility for limited early borrowing for future years. As can be seen from the table above, the Council kept its total debt within the CFR and this has also been the case in previous years.

A further two Prudential Indicators control overall level of borrowing. These are the Authorised Limit and the Operational Boundary. The Authorised Limit represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during this year.

	2019/20	2020/21	
	Actual (max)	Limits/ Boundary	Actual (max)
	£m	£m	£m
<u>Authorised limit for external debt</u>			
Borrowing	426.9	724.7	425.8
Other Long Term Liabilities	100.2	99.3	94.3
Total	527.1	824.0	520.1
<u>Operational boundary for external debt</u>			
Borrowing	426.9	704.7	425.8
Other Long Term Liabilities	100.2	94.3	94.3
Total	527.1	799.0	520.1

The Council was well within its Authorised limit and Operational Boundary for the year.

There is also a limit on HRA indebtedness set by the Department for Communities and Local Government under the recent HRA self-financing reform. The limit is set at £247.6 million for the HRA CFR, excluding PFI liabilities. The actual HRA CFR excluding PFI liabilities as at 31 March 2021 is £170.3 million which is well within the limit.

Affordability Prudential Indicators

Ratio of financing costs to net revenue stream

This indicator identifies the cost of capital (borrowing costs net of investment income) against the net revenue stream. The net revenue stream for General Fund is defined as the amount to be met from un-ringfenced government grants and local taxpayers, and for HRA it refers to the total HRA income (rent, other income and grant).

	2019/20	2020/21	
	Actual	Estimate	Actual
<u>Ratio of financing costs to net revenue stream</u>			
General Fund	5.98%	5.32%	5.63%
General Fund excl PFI	3.72%	3.35%	3.42%
HRA	32.12%	30.72%	32.35%
HRA excl PFI	30.47%	29.38%	30.93%

The actual for General Fund for 2020/21 was slightly larger than estimated due to an increase in financing costs and reduction in net revenue stream. The PIs have marginally increased for HRA due to changes in depreciation charged to Council dwellings and income levels in year.

Capital Plan Expenditure Summary

	Outturn	Revised Capital Plan					
Capital Plan Expenditure Summary	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
General Fund:							
Aspire & Achieve	11,400	24,567	20,366	15,100	11,600	3,750	75,383
Best Start	939	3,369	4,100	1,750	0	0	9,219
Independent	1,128	6,133	7,980	2,161	8,863	250	25,387
Sustainable Economy	47,709	125,238	198,645	81,356	48,863	118,451	572,553
Well	7,499	13,544	4,631	3,760	2,433	1,688	26,056
Safe & Cohesive	13	172	0	0	0	0	172
Clean & Green	2,832	11,353	8,307	26,139	4,580	2,378	52,757
Efficient & Effective	4,627	4,518	2,170	1,555	1,550	2,128	11,921
General Fund Capital Plan	76,147	188,894	246,199	131,821	77,889	128,645	773,448
Housing Revenue Account:							
Independent - Strategic Priorities	4,065	15,295	14,371	14,387	18,740	19,197	81,990
Independent - Baseline	13,362	26,086	21,291	17,700	16,503	20,333	101,913
HRA Capital Plan	17,427	41,381	35,662	32,087	35,243	39,530	183,903
TOTAL EXPENDITURE	93,574	230,275	281,861	163,908	113,132	168,175	957,351

Capital Plan Funding Summary

Appendix 8 a)

	Outturn	Revised Capital Plan					
General Fund Funding Summary	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	29,704	72,200	116,407	71,117	21,679	101,634	383,037
Earmarked Capital Receipts	977	4,761	8,280	4,390	8,670	390	26,491
Service Funded Prudential Borrowing	3,264	3,515	2,460	7,655	450	950	15,030
Revenue Contributions	25	250	250	250	225	0	975
<i>Pooled Resources</i>							
Non-Earmarked Capital Receipts	5,542	3,100	3,352	3,500	3,500	3,500	16,952
Corporate Prudential Borrowing	36,635	105,068	115,450	44,909	43,365	22,171	330,963
GENERAL FUND FUNDING	76,147	188,894	246,199	131,821	77,889	128,645	773,448

	Outturn	Revised Capital Plan					
Housing Revenue Account Funding Summary	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	209	1,847	126	126	126	126	2,351
Earmarked Capital Receipts	1,151	4,251	6,652	7,282	7,621	4,848	30,654
Reserves / Revenue Contributions	3,317	15,547	8,561	7,599	5,523	13,766	50,996
Reserves - MRR	12,750	14,836	17,757	13,814	18,474	18,843	83,724
Corporate Prudential Borrowing	0	4,900	2,566	3,266	3,499	1,947	16,178
HRA FUNDING	17,427	41,381	35,662	32,087	35,243	39,530	183,903

Multi-Year Capital Plan including Rollover

Appendix 8 b)



GENERAL FUND CAPITAL PLAN		Funding	Outturn		Revised Capital Plan				
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
ASPIRE & ACHIEVE									
Strategic Priorities									
	District Sufficiency – SEND (<i>APS/SEMHD/ASD</i>)	B	0	900	9,049	9,850	7,600	500	27,899
	Brambles Primary Academy	G/B S106	3,073	5,977	422	0	0	0	6,399
	King James High School	B	518	4,668	64	0	0	0	4,732
	Almondbury Community School	B	232	19	0	0	0	0	19
	Netherhall Learning Campus	B	224	0	0	0	0	0	0
	Scissett Middle School	S106	2	208	0	0	0	0	208
	Birkby Junior Expansion	G	170	30	0	0	0	0	30
	Beaumont Academy	G	4	101	0	0	0	0	101
	Reprovision of Special School - Lydgate	B	51	37	0	0	0	0	37
	Future Needs for Primary/Secondary places	B	0	13	0	0	0	0	13
	Secondary School Places Basic Need	B	0	2,000	3,000	1,000	0	0	6,000
	<i>New Pupil Places in Primary/Secondary Schools</i>		4,274	13,053	3,486	1,000	0	0	17,539
	Dewsbury Learning Quarter	B	1,164	6	0	0	0	0	6
	Libraries & Public Buildings	B	64	700	2,331	0	0	0	3,031
	Almondbury Library	B	0	55	0	0	0	0	55
	Birkby Library	B	397	361	0	0	0	0	361
	<i>Libraries & Public Buildings</i>		461	1,116	2,331	0	0	0	3,447
	Strategic Priorities Total		5,899	15,075	14,866	10,850	7,600	500	48,891

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					Total £'000
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	
Baseline									
	Basic Need	G/B	329	604	500	500	500	0	2,104
	Capital Maintenance	G	3,395	6,025	3,200	3,000	2,800	2,600	17,625
	Capital Maintenance (Newsome High)	B	0	387	0	0	0	0	387
	Devolved Formula Capital	G	869	837	800	750	700	650	3,737
	Baseline Total		4,593	7,853	4,500	4,250	4,000	3,250	23,853
One Off Projects									
	SEND Provision	G	823	1,400	1,000	0	0	0	2,400
	SEND Provision Woodley School & College (Empire Works)	S106	0	139	0	0	0	0	139
	Commissioning option appraisals to facilitate the delivery of the outcomes of the SEN High Level review of future needs	B	85	100	0	0	0	0	100
	One Off Projects Total		908	1,639	1,000	0	0	0	2,639
	ASPIRE & ACHIEVE TOTAL		11,400	24,567	20,366	15,100	11,600	3,750	75,383
BEST START									
Strategic Priorities									
	Residential Children's Units – Magdale House	B	863	928	200	0	0	0	1,128
	Specialist Accommodation / Youth Services	B/G	19	2,332	3,900	1,750	0	0	7,982
	Strategic Priorities Total		882	3,260	4,100	1,750	0	0	9,110
One Off Projects									
	Capitalisation	R	51	0	0	0	0	0	0
	Liquid Logic Portal	B*	6	109	0	0	0	0	109
	One Off Projects Total		57	109	0	0	0	0	109



GENERAL FUND CAPITAL PLAN		Funding	Outturn		Revised Capital Plan				
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
BEST START (Cont'd)									
BEST START TOTAL			939	3,369	4,100	1,750	0	0	9,219
INDEPENDENT									
Strategic Priorities									
Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy		B	6	14	10	10	10	0	44
Cherry Trees		B	275	584	0	0	0	0	584
Day Services Support for Vulnerable Adults		B	304	3,706	6,887	2,151	8,853	250	21,847
Strategic Priorities Total			585	4,304	6,897	2,161	8,863	250	22,475
One Off Projects									
Adults Social Care Operation		G	3	541	250	0	0	0	791
Assistive Technology IT Consultant		G	0	75	45	0	0	0	120
Highfields		B	0	13	0	0	0	0	13
Wellbeing Pods - IPC funding		G	103	0	0	0	0	0	0
Carefirst System Replacement		B/R	52	1,200	788	0	0	0	1,988
Capitalisation		R	385	0	0	0	0	0	0
One Off Projects Total			543	1,829	1,083	0	0	0	2,912
INDEPENDENT TOTAL			1,128	6,133	7,980	2,161	8,863	250	25,387



Multi-Year Capital Plan including Rollover

Appendix 8 b)



GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
SUSTAINABLE ECONOMY									
Strategic Priorities									
	A62 & A644 Corridors to Cooper Bridge	G	301	646	1,522	1,000	3,300	61,519	67,987
	A629 Ainley Top to Huddersfield (Phase 5)	G	550	1,260	2,558	4,470	980	1,646	10,914
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	211	1,640	4,460	5,884	0	0	11,984
	CityConnect Phase 3:								
	Cooper Bridge	G	149	1,641	3	0	0	0	1,644
	Huddersfield Town Centre	G/B	401	1,549	0	0	0	0	1,549
	Corridor Improvement Programme:								
	A62 Smart Corridor	G	463	3,690	2,250	138	0	0	6,078
	Holmfirth Town Centre Access Plan	G	263	370	1,470	1,450	154	0	3,444
	Huddersfield Southern Corridors	G/B	2,044	3,500	7,363	60	20	0	10,943
	Huddersfield Station Gateway Phase 1&2	G	66	50	1,350	50	3,900	4,475	9,825
	North Kirklees Orbital Route (NKOR)	G	22	18	46	0	0	0	64
	West Yorkshire Integrated UTMC:								
	UTMC Urban Traffic Management	G	43	314	0	0	0	0	314
	KC1 Dews Ring Road Multi node scoot	G	34	0	0	0	0	0	0
	KC2 A644 Ravens to Dews Street works	G	46	0	0	0	0	0	0
	KC3 A652 Dews to Batley Street works	G	32	0	0	0	0	0	0
	WYTF Land Acquisition	B	3	625	0	0	0	0	625
*	Council Underwrite (A62 to Cooper Bridge, A629 Halifax Rd, A62 Smart Corridor, Huddersfield Southern Corridor)	B	0	0	2,350	0	883	5,858	9,091
	<i>West Yorkshire plus Transport Schemes</i>		4,628	15,303	23,372	13,052	9,237	73,498	134,462

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
SUSTAINABLE ECONOMY									
Strategic Priorities									
	Emergency Active Travel	G	233	1,961	0	0	0	0	1,961
	Transforming Cities Fund								
	<i>Rail-Bus Better Connected Stations:</i>								
	Huddersfield Rail Station Access	G	815	704	0	0	0	0	704
	Dewsbury Rail Station Access	G	146	199	0	0	0	0	199
	<i>TCF Main scheme:</i>								
	Heckmondwike Bus Station	G	51	495	3,441	13	0	0	3,949
	Dews/Cleck Sustainable Travel Corridor	G/B	94	750	12,877	2,049	0	0	15,676
	Dewsbury Town Centre Walking & Cycling Imps	G	33	1,165	6,771	30	0	0	7,966
	Dewsbury Bus Station	G	10	0	7,990	0	0	0	7,990
	Huddersfield Rail Station Access	G/B	12	900	7,191	1,397	0	0	9,488
	A629 Wakefield Rd Sustainable Travel Corridor	G	89	940	600	3,371	1,000	0	5,911
	Huddersfield Bus Station	G	24	490	4,255	4,231	0	0	8,976
	Dews/Bat/Tingley Sustainable Travel Corridor	G	26	590	5,362	22	0	0	5,974
	Trinity Street Foot/Cycle Bridge	G	0	600	5,008	0	0	0	5,608
	SOC Development	G	220	0	0	0	0	0	0
	Programme Management	G	11	0	0	0	0	0	0
	<i>Transforming Cities Fund</i>		1,531	6,833	53,495	11,113	1,000	0	72,441

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					Total £'000
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	
SUSTAINABLE ECONOMY									
Strategic Priorities									
	Aspirational Regeneration of Major Town Centres - Feasibility	B	30	211	0	0	0	0	211
	<i>Regeneration of Strategic Town Centres - Huddersfield</i>								
	Huddersfield Town Centre - Shop Front Grants	B	3	218	978	0	0	0	1,196
	Huddersfield New Market (incl Levelling Up Fund)	B/G	104	906	10,006	9,052	0	0	19,964
	Huddersfield Town Centre Design Framework	B	13	1,277	0	0	0	0	1,277
	Cultural Interventions - Growing Seeds	B	84	16	0	0	0	0	16
	Heritage Action Zone:								
	George Hotel	B/G	246	4,878	2,178	254	0	0	7,310
	Estate Buildings	B/G	0	2,000	1,180	824	0	0	4,004
	HAZ Complementary Initiatives	B	0	58	0	0	0	0	58
	Huddersfield Public Realm Works:								
	New Street Public Realm Development	B	389	3,742	1,080	0	0	0	4,822
	Huddersfield Town Hall Lighting	B	44	2	0	0	0	0	2
	Huddersfield Town Centre Cameras	B	0	74	25	25	25	0	149
	Refurb of 2 New Street, Huddersfield	B	0	45	0	0	0	0	45
	Public Realm - Golden Route	B	0	600	400	0	0	0	1,000
	Other Town Centre Maintenance Schemes	B	588	0	0	0	0	0	0
	Huddersfield	T	1,471	13,816	15,847	10,155	25	0	39,843

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
SUSTAINABLE ECONOMY									
Strategic Priorities									
<i>Regeneration of Strategic Town Centres - Dewsbury</i>									
Better Spaces Strategy	B/G	838	905	2,250	4,522	7,500	0	15,177	
Dewsbury Revival	B/G	89	250	1,350	2,450	250	97	4,397	
Heritage Action Zone (incl Daisy Hill)	B/G	271	354	3,452	2,000	3,000	0	8,806	
Dewsbury Market Upgrade	B/G/R	202	789	10,020	3,992	0	0	14,801	
The Arcade	B/G	252	400	1,929	40	0	0	2,369	
Regeneration of Strategic Town Centres – Dewsbury	B/G/R	357	369	5,075	1,000	780	0	7,224	
Dewsbury	T	2,009	3,067	24,076	14,004	11,530	97	52,774	
<i>Town Centre Action Plans</i>			3,510	17,094	39,923	24,159	11,555	97	92,828
<i>Regeneration and Greening of Smaller Towns and Villages</i>			0	2,652	5,453	1,895	0	0	10,000
Market Hall Multi-Storey Car Park	R	324	1,105	5,500	3,000	0	0	9,605	
Queensgate Underpass	R	0	70	0	0	0	0	70	
Dewsbury Staff Move & Regeneration	B	0	260	750	3,500	3,990	0	8,500	
Cultural Heart	B/G	636	564	368	1,500	5,000	26,800	34,232	
<i>Additional Investment into Strategic Town Centres</i>		960	1,999	6,618	8,000	8,990	26,800	52,407	
<i>Strategic Acquisition Fund</i>			2,983	5,017	1,000	0	0	0	6,017

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					Total £'000
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	
SUSTAINABLE ECONOMY									
Strategic Priorities									
103 New Street	B**	4,180	5,018	0	0	0	0	5,018	
Economic Recovery Fund	B/B* */R	25	7,825	16,497	4,250	225	0	28,797	
<i>Property Investment Fund</i>		4,205	12,843	16,497	4,250	225	0	33,815	
Dewsbury Riverside	B/G	521	6,204	15,975	0	0	0	22,179	
Site Development + Homes England (Accelerated Construction Programme)	G	44	4,454	59	48	0	0	4,561	
Public Realm Improvements	B	291	172	0	0	0	0	172	
Strategic Priorities Total			18,906	74,532	162,392	62,517	31,007	100,395	430,843
Baseline									
Housing Private	G/R	3,166	3,643	6,297	3,584	3,584	3,584	20,692	
Highways									
Maintenance									
Principal Roads	G	2,928	5,320	1,692	2,068	2,068	2,068	13,216	
Roads Connecting Communities	G	868	2,309	1,096	926	926	926	6,183	
Local Community Roads	B/G	4,987	7,580	5,178	1,742	1,742	1,742	17,984	
Structures	G	1,123	1,423	1,685	1,037	1,037	1,037	6,219	
Unadopted Roads	B	0	100	50	50	50	50	300	
Streetlighting	B*	2,735	2,075	0	0	0	0	2,075	
Locality Based U Roads Improvements	B	2,651	5,621	6,728	0	0	0	12,349	
<i>Highways Maintenance Sub-Total</i>		15,292	24,428	16,429	5,823	5,823	5,823	58,326	

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
SUSTAINABLE ECONOMY									
	Baseline								
	Integrated Transport								
	Integrated Public Transport	G	33	725	168	168	168	168	1,397
	Network Management	B/G	673	370	100	100	100	100	770
	Cycling and Walking	B/S278 /G	15	238	120	120	120	120	718
	Safer Roads	B/G	720	2,473	1,011	1,011	1,011	1,011	6,517
	Flood Management and Drainage Improvements	B/G	716	755	680	450	450	450	2,785
	Developer Funded Schemes	S278	610	422	0	0	0	0	422
	<i>Highways Integrated Transport Sub-Total</i>		2,767	4,983	2,079	1,849	1,849	1,849	12,609
	<i>Highways Total</i>		18,059	29,411	18,508	7,672	7,672	7,672	70,935
	Corporate Landlord Asset Investment	B	3,630	10,729	5,300	2,133	2,800	2,800	23,762
	Corporate Landlord Compliance	B	222	1,665	1,000	1,000	1,000	1,000	5,665
	<i>Corporate Landlord</i>		3,852	12,394	6,300	3,133	3,800	3,800	29,427
	Corporate Landlord Suitability Programme	B	0	1,000	1,000	1,000	1,000	1,000	5,000
	Sustainability of Huddersfield Town Hall - Conditions	B	0	150	1,500	1,750	100	0	3,500
	<i>Corporate Landlord Asset Strategy Review</i>		0	1,150	2,500	2,750	1,100	1,000	8,500
	Bereavement	B	457	618	100	100	100	450	1,368
	Vehicle Replacement Programme	B	2,728	1,355	1,250	1,250	1,250	1,250	6,355
	School Catering	B	186	343	200	200	200	200	1,143
	Baseline Total		28,448	48,914	35,155	18,689	17,706	17,956	138,420

Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
SUSTAINABLE ECONOMY									
One-Off Projects									
	Housing (Regeneration)	G/R	139	44	0	0	0	0	44
	Economic Resilience	G	66	59	0	0	0	0	59
	Strategic Asset Utilisation	B	25	250	895	0	0	0	1,145
	Leeds City Region Revolving Fund	B	0	1,211	0	0	0	0	1,211
	School Catering - Compliance Essential Works	B*	125	187	150	150	150	100	737
	Ward Based Activity	B	0	41	53	0	0	0	94
	One-Off Projects Total		355	1,792	1,098	150	150	100	3,290
SUSTAINABLE ECONOMY TOTAL			47,709	125,238	198,645	81,356	48,863	118,451	572,553
WELL									
Strategic Priorities									
	Spenborough Valley Leisure Centre	B/B*	6,841	7,726	361	0	0	0	8,087
*	Spenborough Valley Leisure Centre	B	0	2,000	175	0	0	0	2,175
	Huddersfield Leisure Centre	B	323	156	0	0	0	0	156
	Dewsbury Sports Centre Priorities	B	62	236	300	1,150	200	0	1,886
	Strategic Priorities Total		7,226	10,118	836	1,150	200	0	12,304
Baseline									
	Kirklees Active Leisure	B/B*	136	1,006	1,790	400	200	300	3,696
	Play Strategy	B/G/ S106	137	2,420	2,005	2,210	2,033	1,388	10,056
	Baseline Total		273	3,426	3,795	2,610	2,233	1,688	13,752
WELL TOTAL			7,499	13,544	4,631	3,760	2,433	1,688	26,056




Multi-Year Capital Plan including Rollover

Appendix 8 b)

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Capital Plan					Total £'000
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	
SAFE AND COHESIVE									
	Strategic Priorities								
	Youth Offending Team	B	13	172	0	0	0	0	172
	Strategic Priorities Total		13	172	0	0	0	0	172
	SAFE AND COHESIVE TOTAL		13	172	0	0	0	0	172
CLEAN AND GREEN									
	Strategic Priorities								
	Depot Works	B	137	392	25	0	0	0	417
	Garden Waste Containers and Vehicles	B/G	1,241	986	3,009	0	0	0	3,995
	Waste Management Plant/ Infrastructure	B/B*/ G	0	5,174	5,173	12,173	4,480	0	27,000
	Climate Emergency - Green Travel	B	0	2,000	0	0	0	0	2,000
	Air Quality	B	6	345	0	0	0	0	345
	Huddersfield Heat Network	G/B	26	436	0	13,866	0	794	15,096
	Trees for Climate Programme	G	1,003	1,617	0	0	0	1,484	3,101
	Strategic Priorities Total		2,413	10,950	8,207	26,039	4,480	2,278	51,954
	Baseline								
	Environment & Strategic Waste	B	216	100	100	100	100	100	500
	Baseline Total		216	100	100	100	100	100	500
	One Off Projects								
	Electric Vehicle Charge Points	G	203	303	0	0	0	0	303
	One Off Projects Total		203	303	0	0	0	0	303
	CLEAN AND GREEN TOTAL		2,832	11,353	8,307	26,139	4,580	2,378	52,757





GENERAL FUND CAPITAL PLAN		Funding	Outturn		Revised Capital Plan				
			2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
EFFICIENT AND EFFECTIVE									
Baseline									
	Information Technology	B	900	900	900	900	900	900	4,500
	One Venue Development	B	155	427	300	100	100	200	1,127
	Sustainability of Major Town Halls - Service Development	B*	399	561	520	105	100	550	1,836
	Baseline Total		1,454	1,888	1,720	1,105	1,100	1,650	7,463
One Off Projects									
	Transformation Capitalisation	B	2,348	2,000	0	0	0	0	2,000
	Information Technology (Digital)	B	22	450	450	450	450	478	2,278
	Information Technology	B	771	73	0	0	0	0	73
	Internal Renovation works	B	32	107	0	0	0	0	107
	One Off Projects Total		3,173	2,630	450	450	450	478	4,458
	EFFICIENT AND EFFECTIVE TOTAL		4,627	4,518	2,170	1,555	1,550	2,128	11,921
GENERAL FUND CAPITAL PLAN TOTAL			76,147	188,894	246,199	131,821	77,889	128,645	773,448

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

* = Addition

Multi-Year Capital Plan including Rollover

Appendix 8 b)

HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	Outturn	Revised Capital Plan					
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
INDEPENDENT								
Strategic Priorities								
Housing Growth	H/R	2,896	3,082	2,880	2,880	3,240	8,322	20,404
New Build Phase 1 - Ashbrow Extra Care	H/G	503	3,003	3,041	707	0	0	6,751
Remodelling / High Rise	H	0	275	750	1,000	5,000	4,975	12,000
IT System (Universal Housing Replacement)	H	147	853	0	0	0	0	853
Council House Building	B/R/ H	519	8,082	7,700	9,800	10,500	5,900	41,982
Strategic Priorities Total		4,065	15,295	14,371	14,387	18,740	19,197	81,990
Baseline								
Housing Capital Plan	H	10,259	10,041	10,960	10,606	10,606	11,647	53,860
Estate Improvements (Neighbourhood Investment)	H	449	551	700	800	900	3,897	6,848
Compliance	H	596	8,832	5,505	2,505	1,244	1,000	19,086
Fuel poverty	H/ G	110	3,155	826	825	825	825	6,456
Adaptations	H	1,948	3,507	3,300	2,964	2,928	2,964	15,663
Baseline Total		13,362	26,086	21,291	17,700	16,503	20,333	101,913
HRA CAPITAL PLAN TOTAL		17,427	41,381	35,662	32,087	35,243	39,530	183,903

FUNDING KEY:

H = HRA revenue contribution/major repairs reserve

R = Capital receipts





G = Grant





B = Borrowing









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 2018-19 and the following 3 years. The original DCLG guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021-22, following the Autumn Statement announcement on November 17, 2017.
5. The extent to which capital receipts will actually be applied in-year will take into account the following factors :
 - i) the amount of capital receipts actually generated in-year;
 - ii) the amount of qualifying capitalisable revenue expenditure in-year;
 - iii) the affordability of borrowing to fund the capital plan in-year, where current funding assumptions include use of in-year capital receipts to part fund the Councils annual General Fund capital plan
6. The proposals set out in 3. above are 'in principle' and allow officers the 'flexibility' to consider a range of funding options in-year that meet the intended objectives set out in the Council's budget strategy update.
7. It is intended that officers will update members as part of the annual budget report to full Council each February, and finalised proposals for the flexible use of capital receipts to be incorporated into an annual early closedown review report for Cabinet consideration early April.



Risk No	Risk – Description of the risk	Management actions already in place to mitigate the risk	Control Opptnty	Trend	Risk Matrix Symbol
	Community Impacts & Risks	Delivering service that customers and citizens need			
A1	Covid 19 coronavirus has continuing 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 matters	<p>This position requires regular reconsideration as the position can change quickly, and there remains a substantial number of areas of uncertainty.</p> <p>Mitigations need to relate to</p> <ul style="list-style-type: none"> • Infection control and management- as a council activity (see also risk 6) • Management of financial consequences including seeking to spend national grants effectively, and mitigation against the risk of fraud • Social and economic consequences (including appropriate council interventions therein) • Recognition of long covid and other consequent diseases <p><i>Responsible for this risk –R. Spencer-Henshall and all strategic directors</i></p>	M	 5X4=20	
A2	The council does not adequately safeguard children and vulnerable adults, and those subject to elder abuse, because of increased complexity, referral volumes and a lack of service capacity to respond to the assessed need.	<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 Safeguarding Practice Reviews (Children), Safeguarding adults reviews and Domestic Homicide Reviews • Active management of cases with media interest • Review of current practices following the child sexual exploitation in other authorities 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. 	H		

		<ul style="list-style-type: none"> • Ensure competence of the Safeguarding Boards and that they are adequately resourced to challenge and improve outcomes • Adults Safeguarding Board has own specific risk register • 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 • Additional work to ensure that corporate safeguarding activities include appropriate control arrangements. • Ensure effective record keeping • Ensure routine internal quality assessment • Training to ensure that there is a proportionate reaction, • Recognise that referrals may have been suppressed as a result of lockdown and other coronavirus related concerns <p style="text-align: right;"><i>Responsible for this risk – R Parry and M Meggs</i></p>		4x5=20	
A3	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 style="text-align: right;"><i>Responsible for this risk –M Meggs</i></p>	LM	 4x4=16	
A4	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. 	M	 4x5=20	






		<ul style="list-style-type: none"> Global events can create ongoing potential issues and tensions, (national risk status raised recently) which the council needs awareness and mitigations strategies West Yorkshire Violence Reduction Unit will assist <p><i>Responsible for this risk – R Parry and M Meggs (& J Greenfield)</i></p>			
A5	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.) Emergency Planning risks for current year reflect risks of (e.g.) staff sickness for both services such as gritting and meeting home care commitments-. <p><i>Responsible for this risk – C Parr</i></p>	M	As a long-term environmental trend ↑ 4x5=20	
A6	Reconsidered individual and community priorities Understanding the financial and other on-going impact on partner agencies, including the voluntary sectors – such as by funding shortfall, or a redirection of their own resources- in way that reduces their ability to support communities, with an impact on the council.	<ul style="list-style-type: none"> Understand the impacts Consider what types of support the council might provide Engagement in resilience discussions with NHS partners Secure funding as appropriate (e.g consider extension of pooled funds Understanding potential impacts on demand for council services 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. Determine which of these are really adverse <p><i>Responsible for this risk – R Parry and M Meggs * all strategic directors</i></p>	H	↑ 4x4=16	
	The finances of the Council	Keeping the Council solvent			
A7	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"> Significant impacts on incomes and cost pressures on certain service areas 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 	MH	↔	





		<ul style="list-style-type: none"> Monthly (and quarterly) financial reporting <p><i>Responsible for this risk - E Croston & ET</i></p>		4x5=20	
A8	<p>The council has significant financial risks related to</p> <p># Volumes (in excess of budget) of;</p> <ul style="list-style-type: none"> Complex Adult Care services Childrens Care Services Educational high needs <p># Coronavirus additional costs</p> <p># Coronavirus income impacts on commercial rents and other fees and charges.</p> <p># HRA Rent collection. (UC roll-out)</p> <p># Waste disposal and waste strategy</p>	<ul style="list-style-type: none"> Monitor short term loss of income Monitor additional costs (& be sure they are all captured) Recognise in budget plans Scenario plan for reduced level of demand, post current crisis (e.g. changed customer tastes and priorities) Scenario plan for recurrences of coronavirus or similar Scenario plan for default by debtors- council tax and rents (individual citizens), business rates and commercial rents (businesses), sundry debtors (both) Consider impacts from rent deferrals Seek to recover additional costs where budgets held by other parties or partners Significant service pressures recognised as part of resource allocation Responsibility for budgetary control aligned to Strategic and Service Directors. Examine alternative strategies or amend policies where possible to mitigate growth in demand or reduce costs Utilise supplementary resources to cushion impact of cuts and invest to save. Continue to lobby, through appropriate mechanisms, for additional resources Proactive monitoring as Universal Credit is introduced <p><i>Responsible for this risk - E Croston & ET</i></p>	M	<p>↔</p> <p>5x5=25</p>	
A9	<p>Above inflation cost increases, impact on the ability of providers to deliver activities of the specified quality, and or impacting on the prices charged and impacting on the budgets of the Council.</p>	<ul style="list-style-type: none"> Monitor quality and performance of contracts. Be aware of underlying issues through effective communication with service providers and suppliers about likely impact on prices Renegotiate or retender contracts as appropriate. Ensure that budgets anticipate likely cost impacts Seek additional funding as a consequence of government-imposed costs <p><i>Responsible for this risk - E Croston & all strategic directors</i></p>	LM	<p>↑</p> <p>↑</p> <p>5x4=20</p>	
A10	<p>Making inappropriate choices in relation to lending or and borrowing decisions, leads to financial losses.</p>	<ul style="list-style-type: none"> Effective due diligence prior to granting loans and careful monitoring of investment decisions. 	MH	<p>↔</p>	



		<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	
A11	<p>Exposure to uninsured losses or significant unforeseen costs, leads to the necessity for unintended savings to balance the councils finances.</p> <p>Insurance market unwilling to cover certain risks.-such a clad buildings.</p>	<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). Awareness of risk activity that is not insured or uninsurable. <p style="text-align: center;"><i>Responsible for this risk - E Croston & J Muscroft</i></p>	H	<p style="text-align: center;">↔</p> <p>4x4=16</p>	
A12	<p>The future national budget position and allocation of funding to local authorities causes a loss of resources or increased and under-funded obligations (e.g. in relation to social care), with impact on the strategic plans, Although the government has provided resource to meet coronavirus consequence, but it is unclear the extent to which this will continue- and for how long. In the longer- term risks remain (and may be higher as the need to address recent high level of national debt, and inflation/ interest, and other spending areas deemed of greater priority).</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 & all strategic directors</i></p>	L	<p style="text-align: center;">↑↑</p> <p>5x5=25</p>	
	Governance	Operating legally and ethically			
A13	<p>The councils arrangements to effectively determine and implement policies, and</p>	<ul style="list-style-type: none"> Open policy development Open decision making, including full consultation 	H	<p style="text-align: center;">↔</p>	

	operational practices, are inadequate, leading to the potential for failure	<ul style="list-style-type: none"> • Effective challenge (between officers, officers and members, and between member) • Proper recording of all decisions • Carefully following all rules and requirements, particularly those related to Financial Procedures Rules and Contract Procedure Rules • Doing basis well- strong training and effective assurance • Clarity of management responsibility and understanding <p><i>Responsible for this risk – chief executive and all strategic directors</i></p>			
	Resource Utilisation	Operating successfully and effectively			
A14	<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 	MH		

5x4=20




		<ul style="list-style-type: none"> • 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>			
A15	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.	<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 may increase risks or change their perspective (e.g. destruction of paper records), and whether there is a need for additional security, training or other matters. 	H (INFO)	 4x5=20	
	Cyber related threats affecting data integrity and system functionality.	<ul style="list-style-type: none"> • 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>	M (CYBER)		
A16	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,)	<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 	H		

		<ul style="list-style-type: none"> 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>		3x5=15	
A17	Exposure to increased liabilities arising from property ownership and management, including dangerous structures and asbestos, cladding and fire controls 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 Establishment of Housing Building Safety Assurance Board 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><i>Responsible for this risk – C Parr/ D Shepherd</i></p>	H	 4x4=16	
A18	<p>The risk of retaining a sustainable, diverse, workforce, including</p> <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, <p>without whom the council is unable to deliver its service</p>	<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. Understanding difficult to recruit areas 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 (and recognising that young peoples skills, knowledge, and expectations may be impacted by coronavirus) Ensuring awareness to ensure employees safety and health (including stress) Consider issues about a workforce reflective of the community, inclusion, diversity and coronavirus issues 	H	 4x4=16	

	obligations.	<i>Responsible for this risk – R Spencer Henshall</i>			
E18	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 such as ensuring appropriate levels of energy efficiency in residential and commercial property, and the financial consequences • Being climate aware in design- such as ensuring temperature appropriate road surfacing products, heating and ventilation in new and refurbished property • Lobbying for financial and other government support in relation to the costs of meeting obligations • WYCA related projects will require assessment of carbon impacts 	M	 4x4=16	
		<i>Responsible for this risk – C Parr</i>			

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

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

Appendix 11



Name of meeting: Corporate Governance and Audit Committee

Date: 23 July 2021

Title of report: Annual Report on Treasury Management 2020-21

Purpose of report

Financial Procedure Rules (Section 9.5) require that the Council receives an annual report on Treasury Management activities for the previous financial year. The report to this committee reviews borrowing and investment performance before it gets considered by Cabinet and Council.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Yes
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Service Director & name	Eamonn Croston 13 July 2021
Is it also signed off by the Service Director for Finance, IT and Transactional Services?	As above
Is it also signed off by the Service Director for Governance and Commissioning Support?	Julie Muscroft 13 July 2021
Cabinet member portfolio	Cllr Paul Davies

Electoral wards affected: Not applicable

Ward councillors consulted: Not applicable

Public or private: **Public**

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

1. Summary

- 1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 12 February 2020. Investments averaged £63.6 million and were largely deposited in instant access accounts earning an average interest rate of 0.13%.
- 1.2 Total external borrowing at 31st March 2021 decreased by £1.1 million to £425.8 million (£426.9 million as at 31st March 2020). The main highlight is that the Council has taken out a new £10 million Government long loan from the Public Works Loan Board (PWLB) in March 2021 (see paragraph 2.6.2 for more detail). Temporary borrowing increased for the year by £0.6 million to £41.5 million (£40.9 million 31st March 2020). The majority of borrowing is on fixed rate terms and the average long-term borrowing rate for 2020-21 was 4.46%. Short-term borrowing rates averaged 0.20%.
- 1.3 In 2017-18 the Council approved a revision to its Minimum Revenue Provision (MRP) policy, which relates to the amount of revenue resources set aside each year to provide for its outstanding debt repayments over the longer term. This was done by updating its approach to Supported Borrowing from 2007-08 onwards, moving from a 4% reducing balance to an annuity basis in its repayment of debt.
- 1.4 In updating the approach the Council effectively over-provided in previous years the re-payment of debt to the sum of £91.1 million. Within the Treasury Management Strategy 2018-19 the Council set out its approach to unwind this over-provision at £9.1 million each year over the next 10 years, starting from 2017-18 onwards.
- 1.5 Following approval within the 2018-19 Treasury Management Strategy there was a further increase in the un-winding in the General Fund MRP for 2020-21. The maximum amount of un-wind in any one year cannot be more than the overall annual MRP calculation, as otherwise the Council would end up in a negative MRP position, which is not allowable under accounting rules. The calculation estimated for the Treasury Management Strategy was £13.5 million. The actual MRP calculation for 2020-21 was £14.3 and hence the maximum unwind allowable. However in 2020-21 the unwind increased by only a further £0.2 million to £13.7 million.
- 1.6 Treasury management costs incurred in the year include £9.0 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

2. Information required to take a decision

2.1 Background

- 2.1.1 The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and operates its treasury management service in compliance with this Code and various statutory requirements. These require that the prime objective of the activity is to secure the effective management of risk, and that borrowing is undertaken on a prudent, affordable and sustainable basis.
- 2.1.2 Council Financial Procedure Rules require that the Council receives an annual report on Treasury Management activities for the year. Cabinet is responsible for the implementation and monitoring of the treasury management policies. Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management.
- 2.1.3 In reviewing 2020-21 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 12 February 2020.

2.2 Borrowing and Investment Strategy 2020-21

- 2.2.1 The Council's overall Treasury Management Strategy prioritises security, liquidity and risk management which was adhered to in 2020-21. The Council aims to invest externally, balances of £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements. The investment strategy is designed to minimise risk, investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, Money Market Funds, Local Authorities and Central Government.
- 2.2.2 Covid-19 had a significant impact on treasury management during the year. Due to the cyclical nature of local government cashflows and the uncertainty around the implications for future cashflows, various Central Government mitigations were implemented to ease sectoral concerns about short-term access to funds and market liquidity. For the Council, this position was eased with the receipt in advance of several tranches of Central Government funding for 2020-21.
- 2.2.3 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

2.3 The Economy and Interest Rates

Below paragraphs 2.3.1-2.3.7 are a commentary from our external treasury management advisors, Arlingclose.

- 2.3.1 The coronavirus pandemic dominated 2020-21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. Some good news came in December 2020 as two Covid-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March 2021.
- 2.3.2 A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.
- 2.3.3 The Bank of England (BoE) held the Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to Covid-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn. Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.
- 2.3.4 Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year on year in February, below expectations (0.8%) and still well below the Bank of England's 2% target.
- 2.3.5 After contracting sharply in Quarter 2 (Apr-Jun) 2020 by 19.8% quarter on quarter, growth in

Quarter 3 and Quarter 4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Quarter 1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

- 2.3.6 Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.
- 2.3.7 Credit rating developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

2.4 Investment Activity

- 2.4.1 The Council's treasury management investments totalled £37.1 million as at 31 March 2021 (£52.0 million 31 March 2020). The Council invested an average balance of £63.6 million externally during the year (£32.7 million 2019-20). Interest income of £0.071 million was generated through these investments (£0.204 million 2019-20) and £0.366 million dividend income from the CCLA Property Fund (£0.183 million 2019-20). Appendix 1 shows where investments were held at the beginning of April 2020, the end of September 2020 and the end of March 2021, by counterparty, by sector and by country. The Council's average lending rate for the year was 0.13% (0.73% 2019-20).
- 2.4.2 The high cash levels during the year were a result of the Council receiving central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. A total of £113 million was received in April 2020 and further significant amounts throughout the year. The Council also received financial support to fund the additional spend and lost income in response to the national emergency.
- 2.4.2 The majority of investments were placed in liquid instruments such as instant access bank deposit accounts, DMO (Debt Management Office) and Money Market Funds (MMFs). MMFs offer greater diversification of counterparties, thus lowering risk as well as instant access. Continued downward pressure on short-dated cash rates brought net returns on MMFs close to zero. Fund management companies have temporarily lowered or waived fees to avoid negative net returns. Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now also largely around zero.
- 2.4.3 The Council still has £10 million invested in the CCLA Property Fund as part of the 2019-20 Treasury Management Strategy (see paragraph 2.11.5).

2.5 Borrowing Update

- 2.5.1 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing

or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

- 2.5.2 The acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, re-financing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties. The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.
- 2.5.3 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.
- 2.5.4 PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and consider these lower cost solutions and opportunities with its advisor Arlingclose.
- 2.5.5 In the March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other “high value and complex economic infrastructure projects” may also be considered.

2.6 Borrowing Requirement and Debt Management

- 2.6.1 In terms of borrowing, long-term loans maturing greater than one year totalled £375.8 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £50.0 million (£373.7 million and £53.2 million 31 March 2020), an overall decrease of £1.1 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2021.
- 2.6.2 The Council has an increasing Capital Financing Requirement (CFR) due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. The Council’s chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, it was decided to take a combination of short-term borrowing and longer-term repayment loans. The Authority borrowed £10 million of new long-term borrowing from the PWLB in March 2021. This is the first loan from the PWLB to fund capital expenditure since 2007 and is a 20 year Equal Instalment of Principal (EIP) loan at a rate of 1.64%. An EIP pays back principal over the life of the loan, and the interest associated with the loan goes down as the principal outstanding reduces.
- 2.6.3 Fixed rate loans account for 83.63% of total long-term debt (see also Appendix 5) giving the Council stability in its interest costs. The maturity profile for all long-term loans is shown in Appendix 3 and shows that no more than 8.64% of all debt is due to be repaid in any one year. This is good practice as it reduces the Council’s exposure to a substantial borrowing requirement in any one particular

2.7 Trends in treasury management activity

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

2.8 Risk and Compliance Issues

- 2.8.1 The Council reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy, including the prudential indicators. Details can be found in Appendix 5. Indicators relating to affordability and prudence are highlighted in this appendix.
- 2.8.2 When the Council has received unexpected monies late in the day, officers have no alternative but to put the monies into the Barclays Business Reserve Account overnight. The account is maintained so that usually, daily balances are under £0.1 million. The maximum daily amount deposited in this account overnight as a result of unexpected late payments was £1.8 million. Whilst this is not an ideal situation, the Council is still within investment limits as per the Treasury Management Strategy which is set at £10 million per counterparty.
- 2.8.3 In line with Council Treasury Management Strategy, the Council has not placed any direct investments in companies as defined by the Carbon Underground 200.
- 2.8.4 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's consultants (Arlingclose), has proactively managed the debt and investments over the year.
- 2.8.5 The CIPFA Code of Practice requires that treasury management performance be subject to regular member scrutiny. The Corporate Governance and Audit Committee performs this role and members have received reports on strategy, half yearly monitoring and now the outturn for the year 2020-21. Training was provided to Members on the 20 January 2021.

Looking ahead – Treasury Management developments in 2021-22

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

- 2.9.1 As outlined within the Council approved Treasury Management Strategy 2021-22, the Council will continue to look to repay existing long term debt when the opportunity arises where it becomes beneficial for the Council to do so.
- 2.9.2 In light of a number of lenders currently reviewing their holding of LOBO loans, there may be further opportunities to convert or re-finance existing LOBOs. With LOBO loans the Lender has the option to exercise their right to change the interest rate at which point the borrower can then choose to accept the new interest rate or choose to re-pay at no additional cost. Should any opportunities arise in the future then these would be investigated and reported back to members.

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

2.10 Loan Funding Sources

2.10.1 The Council may be presented with additional sources of long-term funding at certain points in time, beyond those currently listed in the Council's current Treasury Management Strategy. These may be at preferential rates of interest and therefore the Service Director Finance (Section 151 Officer) will look to maximise the use of source funds when it is preferential to do so.

2.10.2 One such opportunity is with SALIX Finance Ltd. SALIX Finance Ltd provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £6.8 million interest free loans to part fund the £13.4 million approved street lighting replacement scheme in the Council's approved capital plan.

2.11 Investment Opportunities

2.11.1 The Service Director Finance, supports the approach that the borrowing and investment strategy for 2021-22 continues to place emphasis on the security of the Council's balances.

2.11.2 The Council is invested in the Local Authorities Pooled Investment Fund (LAPF). The Local Authorities Property Fund was established in 1972 and is managed by CCLA Fund Managers. As at March 2021 there are assets under management of £1,203 million. The Fund aims to provide investors with a high level of income and long-term capital appreciation, and it is an actively managed, diversified portfolio of UK commercial property. It principally invests in UK assets, but may invest in other assets.

2.11.3 The fund returned a gross dividend yield of 4.3% in 2020-21 (4.4% 2019-20), which compares with average 0.13% on other short-term investments (see paragraph 2.4.1 above). Net income of £0.366 million was received by the Council in 2020-21 (£0.183 million in 2019-20 which reflects a part-year effect as the £10 million was invested in two £5 million tranches in May 2019 and February 2020).

2.11.4 During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings and was reflected in the 31st March 2020 fund valuations with the fund registering negative capital returns over a 12-month period. Since March 2020 there has been improvement in market sentiment, although the recovery in the UK markets has lagged those of US and European markets. The value of the fund at 31st March 2021 has remained at a similar level.

2.11.5 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA LAPF was suspended by the fund in March 2020 and lifted in September. There was also a change to redemption terms for the CCLA LAPF; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.

2.11.6 Unrealised cumulative capital losses of £1.0m will not have an impact on the General Fund as the Council is utilising a Government dispensation for LAPF financial investment capital losses/gains at each year end to be notionally adjusted for within the Council's annual accounts, rather than it being a charge to the General Fund. It should be noted, that the current dispensation ends in 2023-24.

2.11.7 The investment in the fund is part of a longer-term investment strategy to mitigate against any short-term market volatility or risk. As this fund has no defined maturity date its performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

2.12 New Borrowing

2.12.1 As mentioned previously the Council has an increasing CFR due to the capital programme. The Council's current approach is to continue to borrow short term, however the Council will look to fund the capital plan with a combination of short and long-term borrowing. Having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.

3. Implications for the Council

- 3.1 **Working with People** – no impact
- 3.2 **Working with Partners** – no impact
- 3.3 **Place Based Working** – no impact
- 3.4 **Climate Change and Air Quality** – no impact
- 3.4 **Improving outcomes for children** - no impact
- 3.5 **Other (e.g. Legal/Financial or Human Resources)** – Any changes in assumed borrowing and investment requirements, balances and interest rates will be reflected in revenue budget monitoring reports during the year.

4. Consultees and their opinions

None.

5. Next steps and timelines

- 5.1 Comments and feedback from CGAC will be incorporated into this report which will be subsequently considered at Cabinet in July and Council in September 2021 as part of the overall financial outturn and rollover report 2020-21.

6. Officer recommendations and reasons

- 6.1 CGAC are asked to note the treasury management performance in 2020-21 as set out in this report, prior to its submission to Cabinet and Council;

7. Cabinet portfolio holder's recommendations

To follow

8. Contact officer

James Anderson	Head of Accountancy
Rachel Firth	Finance Manager

9. Background Papers and History of Decisions

CIPFA's and Accountancy's Code of Practice on Treasury Management in the Public Services.

CIPFA's Prudential Code for Capital Finance in Local Authorities.

Public Works Loan Board Website.

Treasury Management 19-20 Strategy Report approved by Council on 13 February 2019.

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

10. Service Director responsible

Eamonn Croston

01484 221000

APPENDIX 1

Kirklees Council Investments 2020/21											
Counterparty	Credit Rating Mar 2021*	1 April 2020			30 September 2020			31 March 2021			
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
Specified Investments											
Santander	Bank	F1/A+	0.0	0.85%	35 Day Notice	8.0	0.47%	35 Day Notice	5.0	0.30%	35 Day Notice
Barclays	Bank	F1/A+	0.0	0.01%	Instant Access	0.0	0.01%	Instant Access	0.6	0.01%	Instant Access
Aberdeen Standard	MMF**	AAAmmf	10.0	0.48%	Instant Access	9.5	0.08%	Instant Access	8.6	0.01%	Instant Access
Aviva	MMF**	Aaa-mf	6.6	0.45%	Instant Access	10.0	0.06%	Instant Access	7.0	0.01%	Instant Access
Deutsche	MMF**	AAAmmf	2.9	0.41%	Instant Access	9.4	0.06%	Instant Access	5.9	0.01%	Instant Access
Goldman Sachs	MMF**	AAAmmf	7.5	0.28%	Instant Access	5.0	0.01%	Instant Access	0.0	0.00%	Instant Access
Thurrock Council	Local Authority		10.0	2.50%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Surrey County Council	Local Authority		5.0	1.25%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			52.0			51.9			37.1		
Sector Analysis											
			£m	%age		£m	%age		£m	%age	
Bank			0.0	0%		8.0	16%		5.6	15%	
MMF**			27.0	52%		33.9	65%		21.5	58%	
Local Authorities/Cent Govt			15.0	29%		0.0	0%		0.0	0%	
Property Fund			10.0	19%		10.0	19%		10.0	27%	
			52.0	100%		51.9	100%		37.1	100%	
Country analysis											
			£m	%age		£m	%age		£m	%age	
UK			25.0	48%		18.0	35%		15.6	42%	
MMF**			27.0	52%		33.9	65%		21.5	58%	
			52.0	100%		51.9	100%		37.1	100%	

*Fitch short/long term ratings, except Aviva MMF (highest Moody rating). See next page for key. ** MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

Key – Fitch’s credit ratings:

		Long	Short	
Investment Grade	Extremely Strong	AAA	F1+	
		Very Strong		AA+
				AA
	Strong	AA-		
		A+		F1
		A		
	Adequate	A-		F2
		BBB+		
		BBB		
Speculative Grade	Speculative	BBB-	F3	
		Very Speculative		BB+
				BB
	BB-			
	B+			B
	B			
	B-			
	Vulnerable	CCC+		C
		CCC		
		CCC-		
CC				
Defaulting	C	D		
	D			

Appendix 2

Long-term loans repaid and short-term loans outstanding 31 March 2021

Long-term loans repaid during 2020-21

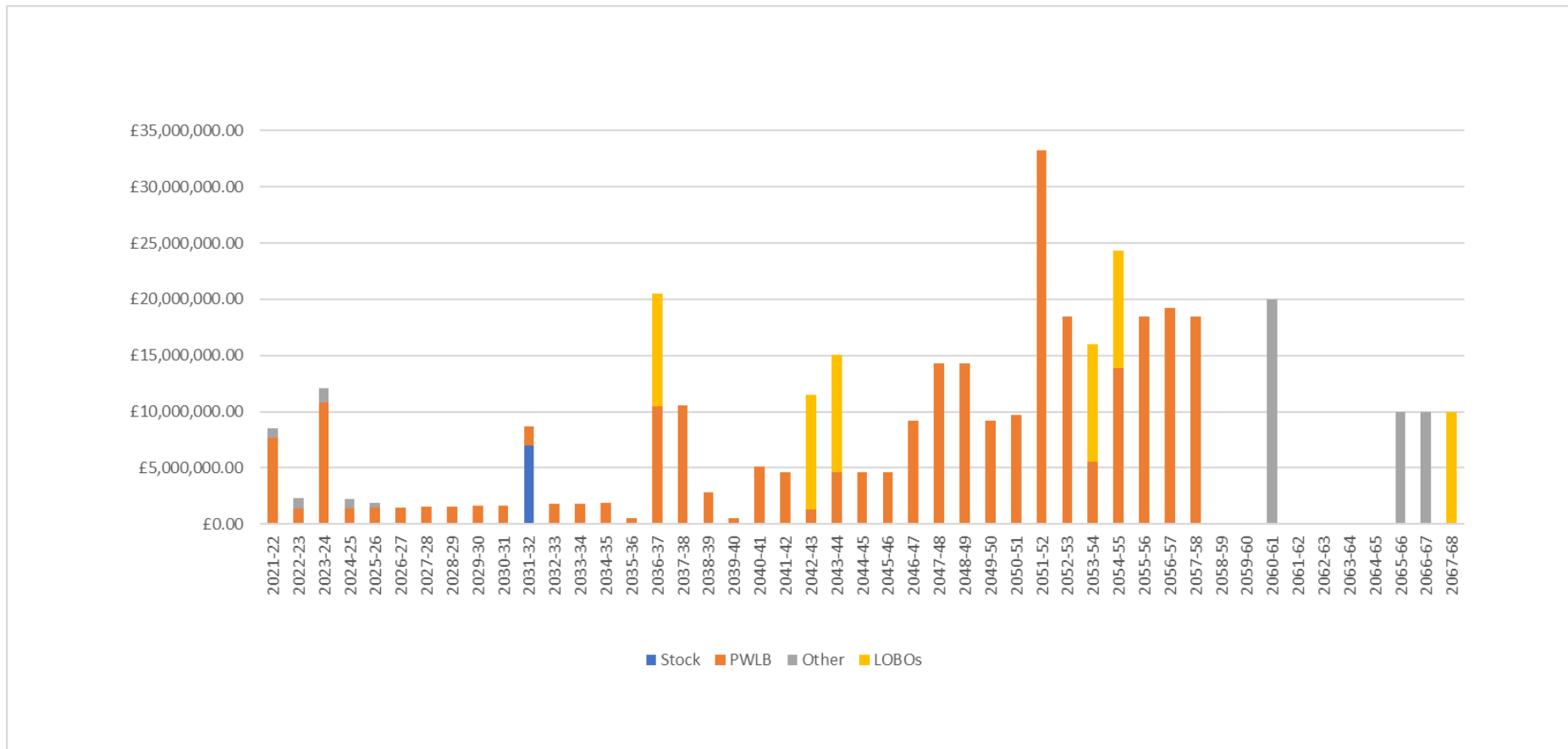
	Amount £000s	Rate %	Date repaid
Repayments on maturity			
PWLB (474647)	4,613	8.50	10 Aug 20
PWLB (475155)	6,458	8.625	15 Feb 21
Repayments on annuity loans			
PWLB (496956)	369	4.58	29 Sep 20
PWLB (496956)	377	4.58	29 Mar 21
Total	11,817		

Short-term loans outstanding 31 March 2021

	Amount £000s	Rate %	Length (days)
Temporary borrowing from the Money Market			
West Yorkshire Combined Authority	5,000	0.10	182
London Borough of Islington	5,000	0.10	141
London Borough of Islington	5,000	0.10	120
London Borough of Islington	5,000	0.10	114
Wealden District Council	5,000	0.10	115
Northern Ireland Housing Executive	5,000	0.10	123
North of Tyne Combined Authority	5,000	0.07	90
Crawley Borough Council	5,000	0.08	112
Local lenders/Trust Funds	1,476		
Total Temporary borrowing	41,476		
Long-term loans due to mature in the next twelve months	8,549		
Total	50,025		

Kirklees Council Loan Maturity Profile (All Debt)

Appendix 3



Appendix 4

Kirklees Council - Borrowing and Investment Trends

At 31 March	2021	2020	2019	2018	2017	2016
<u>Investments</u>	37.1m	52.0m	39.1m	36.1m	31.3m	38.3m
ST Borrowing (excl interest accrued)	50.0m	53.2m	11.8m	20.8m	37.7m	16.0m
LT Borrowing	375.8m	373.7m	384.1m	392.4m	400.5m	408.4m
Total Borrowing	425.8m	426.9m	395.9m	413.2m	438.2m	424.4m
Deferred liabilities (non PFI)	3.6m	3.7m	3.9m	4.1m	4.1m	4.3m
Net debt position	392.3m	378.6m	360.7m	381.2m	411.0m	390.4m
<u>Capital Financing Requirement (excl PFI)</u>						
General Fund	500.1	461.6m	436.6m	420.3m	412.8m	411.3m
HRA	170.3	175.3m	175.3m	182.8m	186.2m	192.4m
Total CFR	670.4	636.9m	611.9m	603.1m	599.0m	603.7m
Balances "internally invested"	240.9m	206.1m	212.1m	185.8m	156.7m	175.0m
Ave Kirklees' investment rate for financial year	0.1%	0.7%	0.7%	0.3%	0.4%	0.5%
Ave Base rate (Bank of England)	0.1%	0.7%	0.7%	0.3%	0.3%	0.5%
Ave LT Borrowing rate (1)	2.3%	2.4%	2.5%	2.5%	2.5%	3.2%

(1) Based on average PWLB rate throughout the year on a 25 to 30 year loan (less 0.2% PWLB certainty rate) repayable on maturity

Treasury Management Prudential Indicators**Interest Rate Exposures**

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2020-21	Actual 2020-21
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

The interest payments were within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2020-21	Actual Levels 2020-21
Under 12 months	0% - 20%	3%
12 months to 2 years	0% - 20%	1%
2 years to 5 years	0% - 60%	5%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	89%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council has not invested any sums longer than 364 days.

