

**Name of meeting: Cabinet**

**Date: 9 August 2022**

**Title of report: Council Financial Outturn & Rollover Report 2021/22 incorporating General Fund Revenue, Housing Revenue Account, Capital and Treasury Management**

**Purpose of the Report**

To receive information on the Council's 2021/22 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2021/22 to 2022/23. This report also includes an annual review of Council Treasury Management activity.

<b>Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>
<b>Key decision - is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</b>	<b>Key decision - Yes</b>
<b>The Decision - Is it eligible for "call in" by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director &amp; name</b>	<b>Rachel Spencer Henshall 28/07/22</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Eamonn Croston 09/08/22</b>
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning?</b>	<b>Julie Muscroft 28/07/22</b>
<b>Cabinet member portfolio - Corporate</b>	<b>Give name of Portfolio Holders Cllr Paul Davies</b>

**Electoral wards affected: None**  
**Councillors Consulted: None**

**Public or private: Public**

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

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## 1. Summary

### 1.1 General Fund

- 1.1.1 The Council's revised General Fund controllable (net) revenue budget for 2021/22 was **£327.2m**. The budget included planned (net) revenue savings in-year of £1.8m.
- 1.1.2 The revised budget is net of a number of planned transfers to and from reserves during the year. These include a net £9.9m drawdown from COVID reserves and a net £0.7m transfer into other reserves.
- 1.1.3 Council spend was £327.2m in 2021/22, which reflects an overall 'break-even' financial performance against budget. In actuality, there was a marginal overspend of £41k 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 impacts, are described in more detail in sections 1.3 to 1.8.

**Table 1 - Overview of 2021/22 General Fund revenue outturn position**

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children & Families	79,443	80,797	1,354
Adults & Health	108,680	107,701	(979)
Environment & Climate Change	32,938	41,519	8,581
Growth & Regeneration	13,085	14,066	981
Corporate Services	49,312	55,370	6,058
Central Budgets	31,348	29,044	(2,304)
<b>General Fund Sub Total</b>	<b>314,806</b>	<b>328,497</b>	<b>13,691</b>
Offset of COVID Pressures	12,354	(1,296)	(13,650)
<b>Revised General Fund Total</b>	<b>327,160</b>	<b>327,201</b>	<b>41</b>

### 1.2 COVID

- 1.2.1 Additional COVID related spend in 2021/22 totalled £37.2m and there were also service income losses of £5.4m. These COVID impacts are detailed at Appendix 2a and summarised in Table 2 below.

**Table 2 - Overview of 2021/22 COVID Pressures**

	COVID spend	COVID Income Loss	Total COVID Pressures
	£000	£000	£000
Children & Families	2,080	523	2,603
Adults & Health	15,938	241	16,179
Environment & Climate Change	2,092	3,587	5,679
Growth & Regeneration	1,871	639	2,510
Corporate Services	15,213	427	15,640
Central Budgets	54	-	54
<b>General Fund Total</b>	<b>37,248</b>	<b>5,417</b>	<b>42,665</b>

- 1.2.2 Of the £37.2m COVID related additional spend, £29.0m was funded through a combination of specific COVID grant funding from Government in 2021/22, allocated to councils to cover particular aspects of the response to the pandemic, including specific COVID related grant funding received in 2020/21, rolled forward into 2021/22 through reserves. As such, these costs did not affect the overall Directorate variances. The balance of £8.2m COVID not funded by specific COVID grant funding was offset by the drawdown of the COVID Response reserve, as illustrated at Appendix 2b, and described in more detail at paragraph 1.9.5.
- 1.2.3 As confirmed in the Financial Settlement in February 2021, the Sales, Fees and Charges (SFC) income compensation scheme continued to apply for the first 3 months of 2021/22; April to June. The principles remained the same as in 2020/21, whereby Councils absorb losses up to 5% of planned sales, fees and charges against baseline, with Government providing compensation of 75p in every pound thereafter. Officers submitted a claim and received £1.3m compensation for Quarter 1 income losses.
- 1.2.4 An additional base budget provision of £5m was included in the approved 2021/22 budget to reflect the likelihood of continued income loss from sales, fees and charges and commercial rents as a result of COVID, over the medium term. The full £5m base budget provision was released in-year. This covered the £4.1m balance of income losses unfunded by the income compensation scheme, with the £0.9m balance remaining as an underspend within Central budgets.
- 1.2.5 At the end of September 2021, Government launched a £500m fund for councils to support poorer families through the winter amid the energy supply crisis and the withdrawal of other forms of financial assistance; Kirklees allocation £3.7m. This new Hardship Support Fund was intended to support millions nationally, via small grants for food, clothing and utilities, with money being made available for disbursement by local authorities from October 2021.
- 1.2.6 The ongoing financial impact of the pandemic was monitored sector wide on a monthly basis through 2021/22 by DLUHC, the successor Department to MHCLG, as it was through 2020/21. 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 COVID related impacts beyond 2021/22.

1.2.7 The following sections summarise key highlight variances across the Council Directorates.

### **1.3 Children & Families**

#### Learning – High Needs

1.3.1 In-year spend on High Needs in excess of the Dedicated School Grant (DSG) funding allocation was £12.8m (equivalent in-year deficit in 2020/21 was £10.7m). This was transferred to Kirklees' balance sheet at year end.

1.3.2 The Secretary of State for Education also confirmed, on 24 March 2022, the Council's successful participation in the Round 2 Dedicated Schools Grant (DSG) deficit reduction (Safety Valve) Programme. This included an initial 2021/22 Government funding contribution of £13.5m made on 31 March 2022. As a result of these in-year movements, the DSG deficit at 31 March 2022 was £22.3m (equivalent DSG deficit at 31 March 2021 was £25.1m).

1.3.3 The balance of agreed £20m government funding contribution to the Council's DSG deficit over the next 5 years is dependent on delivery of in-year DSG High Needs savings target. An update report, setting out in more detail the Safety Valve funding agreement and management plan was presented to Cabinet on 26 July 2022.

#### Learning and Early Support

1.3.4 As at 31 March 2022 there were 214 children with Education Health and Care Plans (EHCP's) using Post-16 Home to School Transport. The additional complexity of need and the increase in placements outside of Kirklees was reflected in an overspend of £0.9m on Post-16 Home to School Transport.

1.3.5 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 £0.6m was built into Post 16 base budgets going forwards as part of the 2022/23 Annual Budget report to address the residual ongoing pressure in this area. This will be insufficient to cover 2022/23 costs in this area based on the above spend.

1.3.6 The increased number of approved applications for funding support from Special Educational Needs and Disability Inclusion Fund (SENDIF) has resulted in the requirement for additional investment. 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 471 to 581 during 2021/22 and estimates are that this growth will continue in 2022/23. There is also a growth in complexity of need, with average grant awards rising from £3.6k to £3.8k per placement during 2021/22.

1.3.7 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, however there was still an in-year overspend of £0.9m. This was offset in part by the drawdown of £0.5m Stronger Families Reserve.

1.3.8 There was also an overspend in the SENDACT Team of £1.3m as a result of a high volume of Agency staff being employed to cover vacancies, sickness and maternity

leave. Approximately £0.5m of the pressure relates to a temporary team employed (through agency) to address the backlog of assessments that had built up.

#### COVID Impacts – Children and Families

- 1.3.9 Within Children and Families there was additional spend of £2.1m due to COVID. The spend included a £1.5m pressure within External Residential Placements and Independent Fostering Placement budgets related to the deferred placement target for Looked After Children (LAC) resulting from a number of COVID impacted issues affecting the timing of targeted savings. 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.
- 1.3.10 There were full year income losses of £0.5m within Learning and Early Support, reflecting the continued impact of school closures on budgeted Attendance Penalty Notice income and reduced income from the Duke of Edinburgh scheme.

#### **1.4 Adults and Health**

- 1.4.1 The overall position for Adults was an underspend of £1.0m. Within this, there was some COVID impacted volatility across key demand-led headings, with some elements offsetting others.
- 1.4.2 Within Independent Sector Home Care there was £1.3m additional spend; due primarily to continuing increased delivery of home care to the public, a pre-pandemic trend that accelerated because of a shift in market patterns as a result of COVID and an intention to support people to remain in their own homes in line with the Vision for ASC. Also linked to shifting patterns in the market was an overspend on Emergency Support of £0.4m.
- 1.4.3 There was an underspend on Independent Sector Residential & Nursing placements of £2.2m. This was due to shifting patterns in the market, and the evolving impact of the pandemic. Measures were taken to assist providers through the year. Similarly, there was an underspend on Self Directed Support of £2.9m, predominantly on Direct Payments.
- 1.4.4 Other headline variances were around employees (with an overspend of £0.5m). Pressures were seen in relation to recruitment and retention in the workforce, resulting in the use of agency staff where necessary.
- 1.4.5 There was also a variance of £2.0m driven by underlying pressures resulting from national funding allocation levels.

#### COVID Impacts – Adults and Health

- 1.4.6 The pandemic has had a significant impact on the Social Care market. 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 impacts on cash flow, and uncertainty within the market. Such challenges have been well documented locally, regionally and nationally.
- 1.4.7 Officers have been working closely with partners to ensure there is stability and consistency of approach in the market. Work is also ongoing as to the consideration of key pressures being seen by providers and where support may be required. A programme was also undertaken with the Clinical Commissioning Group (CCG) to

support hospital discharge in line with Discharge to Assess guidance. This continues into the new financial year, working collaboratively to benefit the system.

- 1.4.8 Through the year the Council utilised additional COVID led funding allocated for Social Care. This included continuing phases of the Infection Control Funding and Rapid Testing Funding, plus funding in relation to Omicron, and Workforce Recruitment and retention. At year end, COVID spend for Adults was £15.9m. This related to additional costs identified within the service, and for those supporting the provider market, utilising available and prescribed funding streams.
- 1.4.9 Work is also being undertaken with providers in the Care home market to review recent falls 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 the type of support required (with the possibility of it being driven more by people with complex needs). Continued working with partners is key, as is the utilisation of market research.
- 1.4.10 Challenges remain, and there is a significant scale of change within Adult Social Care, notably around the Market Sustainability & Fair Cost of Care national programme, and also the lead up to the national Charging Policy Reform in 2023. These are alongside the increased cost of living impacts on providers (with recent work undertaken to assist with fuel inflation). All will require continued impetus in working collaboratively in a strategic manner, ensuring that we continue to address the issues in the market, whilst bringing the best outcomes for the residents of Kirklees.

## **1.5 Environment and Climate Change**

### Environmental Strategy and Climate Change

- 1.5.1 Within Environmental Strategy and Climate Change there was an overspend of £1.3m on Schools Transport; in the main linked to an increase in the number of routes to out of area schools. An additional £0.3m was built into the School Transport base budget as part of the 2022/23 Annual Budget report to address some of the ongoing pressures in this area. This was in addition to the £1.2m uplift previously included in the 2021/22 budget round.

### Highways and Streetscene

- 1.5.2 There was a pressure of £1.4m within parking; largely due to multi storey and other site closures and lower than budgeted parking fees income. There was also a £0.7m overspend on Transport services as a result of increased maintenance costs on an ageing fleet and rising fuel prices.

### Culture and Visitor Economy

- 1.5.3 There was an income shortfall of £0.6m in Bereavement Services linked to the Cremator Replacement project and resultant short-term capacity reduction. In addition, there was a pressure of £0.3m relating to Cliffe House, due to the closure of the main house.

### COVID Impacts – Environment and Climate Change

- 1.5.4 There was a total in-year pressure of £5.7m across both spend and income budgets within Environment and Climate Change in relation to COVID.

- 1.5.5 Spend pressures equated to £2.1m across the directorate, with £0.8m of this offset in full by a range of specific COVID funding streams. The pressures included costs of £0.5m for COVID Community Support Officers and £0.5m additional spend on Waste Services; largely associated with additional vehicles and hired staff required during COVID.
- 1.5.6 There was also £0.6m spend relating to a range of backlog and recovery issues, funded from the COVID Response Recovery Fund. This included £0.3m for Parks for works and £0.3m for Waste street cleaning works. Overall, within Environment and Climate Change, there are estimated spend pressures of £1.5m for this backlog and recovery work. In the region of £0.9m of this spend will occur in 2022/23.
- 1.5.7 There were income losses of £3.6m across the directorate; the most significant being £1.7m on Catering due to under recovery of income from school meals as a result of reduced pupil numbers. Other losses included £0.8m on Markets, £0.4m on Licensing and £0.3m on Parking Fees; the latter due to increased home working and local measures to encourage high street footfall through free parking for key workers in the borough's major towns.

## **1.6 Growth and Regeneration**

### COVID Impacts – Growth and Regeneration

- 1.6.1 Across Growth and Regeneration there were £1.9m additional costs with respect to COVID; £1.2m of which were offset by specific COVID funding streams. Funding included £0.3m drawn down from the Welcome Back Fund (formerly the Re-opening High Streets Safely Fund); covering costs related to safe recovery of our high streets and town centres, £0.3m funding for PPE from the Department of Health and Social Care, and £0.1m from COMF.
- 1.6.2 There were also income losses of £0.6m within Growth and Regeneration in relation to COVID. These included £0.5m on Commercial Properties and £0.1m on Building Control fees.

## **1.7 Corporate Strategy, Commissioning and Public Health**

- 1.7.1 Within Legal Services there was an in-year pressure of £1.2m. The service is currently reviewing all aspects of service delivery taking into account pre-existing savings targets and the increased demands on Legal Services as the requirement for legal intervention rises; in particular relating to childcare. This was offset in part by the re-direct of £0.5m Social Care grant funding. An additional £1.5m has been included in the Legal services base budget from 2022/23 onwards, as per the 2022/23 Annual Budget report, to address both the increasing caseload and inflationary pressures that the profession now faces.
- 1.7.2 There was also an overspend of £1.0m on Benefit Payments, due to Homelessness costs in excess of Homelessness Support grant, plus the cost of non-HRA claims administered under historic rules which are not fully eligible for Housing Subsidy grant.

### COVID Impacts – Corporate Strategy, Commissioning & Public Health

- 1.7.3 There was additional spend of £15.2m within Corporate Strategy, Commissioning and Public Health relating to COVID. This included £7.2m within Finance that was offset

in full by a range of specific COVID grant streams. Funding utilised included Household Support Funding at £3.7m and Local Support Grant at £1.9m; both covering welfare provision costs supporting vulnerable households with the cost of essentials.

- 1.7.4 Within Public Health and People there was additional COVID spend of £7.6m. This included £1.8m of testing mobilisation costs; offset in part by COMF, and £1.3m of test and trace programme costs; offset by the Test and Trace Service Support Grant. A further £0.4m of COMF was applied across the directorate, largely funding costs of £0.2m for relevant Ward Activity spend and £0.2m IT and remote working costs.
- 1.7.5 There was further COVID spend of £3.5m within Public Health and People reflecting the continued Council 'underwrite' to Kirklees Active Leisure (KAL) to address net revenue losses resulting from enforced closure of leisure centres during the pandemic, and gradual recovery of the leisure industry both nationally and locally. This underwrite was part of the Council and KAL Partnership Framework report approved by Cabinet on 27 July 2021. The payments to KAL were funded through drawdown of the COVID Response reserve. See also paragraph 1.9.5.
- 1.7.6 The income compensation scheme outlined in paragraph 1.2.3 compensates for COVID 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 3<sup>rd</sup> party provider arrangements such as Kirklees Active Leisure (KAL) Trust.

## **1.8 Central Budgets**

- 1.8.1 The 2021/22 Annual Budget Report included 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, over the medium term. There was a £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. The full £5.0m contingency was released in-year to offset the £4.1m income losses unfunded by the Sales Fees and Charges compensation scheme; with the £0.9m balance remaining as an underspend within Central budgets.
- 1.8.2 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 £1.7m revenue within Central Budgets alongside £1.5m in Environment, thereby helping to offset in-year pressures and maximise the roll forward earmarked reserves for use in 2022/23 and beyond. (see also paragraph 1.12.8).

### Flexible Capital Receipts

- 1.8.3 The Council's flexible capital receipts strategy was applied in relation to £3.1m transformation related spend 2021/22 (see also paragraph 1.12.8). These costs met 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.

### Revenue Rollover



1.8.4 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 overspend of £41k against a revised revenue budget of £327m resulted in a marginal reduction in general balances at year end.

## 1.9 General Fund Reserves

1.9.1 General Fund reserves and balances have decreased through 2021/22 by £30.6m; from £197.4m at the start of the year to £166.8m as at 31 March 2022. This compares to a projected year end figure of £157.9m assumed in the 2022/23 Annual Budget report; equating to a difference of £8.9m.

1.9.2 The main change from the Budget Report projections relates to the Revenue Grants reserve. Estimates in the budget report assumed a drawdown of £0.6m during 2021/22, compared to an actual net transfer into the reserve of £6.1m in-year. The budget report also assumed that the COVID Grants reserve would be fully spent by year end, however a balance of £2.1m remained at 31 March 2022, reflecting spend commitments washing through to 2022/23.

1.9.3 Approximately £12.1m of the in-year reduction in reserves relates to technical net transfers from the Expanded Business Rates Relief reserve to offset the carried forward Collection Fund deficit. This reflects the release of £23.5m grant received from Government in 2020/21 for Kirklees' share of expanded business rate reliefs passed onto businesses by the Council, offset in part by the transfer into reserves of £11.4m equivalent grant received in 2021/22. Due to current accounting rules, this funding cannot be discharged against the collection fund deficit until the following financial year and thus the movement to/from earmarked reserves reflects this timing difference.

1.9.4 In addition, £2.2m was transferred into reserves at the start of the year for Local Welfare Provision initiatives; approved as part of the 2021/22 Annual Budget Report.

1.9.5 The remaining £20.7m balance of movement on reserves is broken down as follows:

i) Net drawdowns of £21.4m from COVID related reserves. This comprised:

- £8.3m from the COVID Response reserve to offset projected COVID related costs unfunded by specific funding streams. This included the £3.5m for payments to Kirklees Active Leisure (KAL) (paragraph 1.7.5) and £0.6m for backlog and recovery spend (paragraph 1.5.6) mentioned earlier in the report.
- £11.2m drawdown from the COVID Grants and Business Grants reserves to fund specific eligible COVID related spend.
- £1.9m drawdown from the Tax Income Loss Compensation reserve to support the Council's bottom line as per the 2021-26 Annual Budget report.

ii) Other net planned contributions to reserves of £0.7m during the year, with the most significant being £6.1m transfer to the Revenue Grants reserve, £1.9m drawdown from the Demand reserve, £1.7m drawdown from the Waste Management reserve and £1.3m drawdown from the School PFI Reserve.

1.9.6 Total usable reserves (excluding Schools and Public Health reserves) as at 31 March 2022 were £149.8m; or 47% of the 2021/22 £317.9m (net) revenue budget. The

equivalent indicator for 2020/21, published as part of the CIPFA Financial Resilience Index was 58%, where the Council was ranked 23<sup>rd</sup> highest out of 36 metropolitan authorities.

- 1.9.7 The 2021/22 year-end reserves position is set out in Appendix 3a in more detail, incorporating the transfers and drawdowns as approved in the 2022/23 Annual Budget report.

## 1.10 Collection Fund

- 1.10.1 The Collection Fund accounts separately for council tax and business rates income and payments. There was a 2021/22 in-year surplus of £1.7m for Council Tax and an in-year deficit of £7.1m with respect to Business Rates. Table 3 below summarises the financial performance of the collection fund in 2021/22.

**Table 3 – Collection Fund Summary**

<b>Collection Fund (Council Share)</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(Surplus)/Deficit at 1 April 2021</b>	<b>4,554</b>	<b>30,933</b>	<b>35,487</b>
Re-payments to/(from) General Fund 21/22	(2,117)	(24,613)	(26,730)
In year Financial Performance	(1,693)	7,078	5,385
<b>(Surplus)/Deficit at 31 March 2022</b>	<b>744</b>	<b>13,398</b>	<b>14,142</b>

- 1.10.2 The 2021/22 Council Tax Base (CTB), approved as part of the 2021-26 Annual Budget Report, incorporated a series of negative adjustments reflecting the forecast wider economic impact of COVID on Council Tax income, as described further in paragraphs 1.10.3 to 1.10.6 below. In total, the adjustments amounted to a £4.4m reduction in budgeted Council Tax income compared to previous forecasts included in the 2020-23 MTFP. The outturn position reflected an in-year surplus of £1.7m against the approved 2021/22 budget for Council Tax.
- 1.10.3 The £4.4m adjustment noted above included an increase in the number of working age Council Tax Reduction claimants in 2021/22; reflecting a rise to approximately 27,000 claimants, from a pre-COVID level of 23,000.
- 1.10.4 The local Council Tax Reduction (CTR) scheme supports some of the borough's households on low incomes, is means tested and eligible claimants receive up to 80% discount from their full council tax liability. The local scheme only applies to those of working age. The national pension age scheme means there is no such minimum payment and eligible pensioners can receive up to 100% discount.
- 1.10.5 At 31 March 2022 the working age CTR claimant numbers were 24,500; a reduction of 1,500 over the last 12 months. This resulted in lower than budgeted spend through the Council Tax Reduction scheme in the region of £0.5m, thereby contributing to the overall in year surplus position for council tax.
- 1.10.6 A further £0.9m adjustment was made to reflect the scaling back of housing growth projections from previous assumptions which had largely mirrored the Local Plan over recent years. In addition, the collection rate was projected to decrease, resulting in a £1.4m uplift in the bad debt provision requirement. The actual in-year collection rate was slightly above target and the bad debt provision requirement was lower than budgeted, making up the remaining balance of the in-year surplus.

- 1.10.7 There was a £7.1m deficit within Business Rates. This included £10.5m that is 'technical' in nature, as it relates to a downward income adjustment as a result of the continuation of the expanded retail discount scheme, announced by Government after the 2021/22 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 were transferred into earmarked reserves at year-end and will be drawn down in 2022/23 against the carried forward Collection Fund deficit.
- 1.10.8 The approved 2021/22 budget for Business Rates income included an estimated reduction in local share of 5%, equating to a £3m loss in income. There was also a further assumed bad debt provision increase of £1.5m. Work was undertaken by the service in-year with regards to recovery action on outstanding arrears and this resulted in a significant reduction in arrears and a lower than budgeted bad debt requirement. This makes up the majority of the £3.4m in-year surplus for business rates (excluding the technical adjustment described at paragraph 1.10.7 above), compared to the approved budget for 2021/22.
- 1.10.9 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, West Yorkshire Mayor Police and 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.
- 1.10.10 The net effect of the above adjustments leaves a Collection Fund deficit of £14.1m at year end (including the technical impact of the expanded business rate reliefs at £10.5m). The Council's 2022/23 budget and future years budget estimates include provision to repay this deficit over the 2022-24 period.

## **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 position was a £3.5m deficit against an annual turnover budget of £92.1m in 2021/22.
- 1.11.2 The main variance was £2.2m on repairs and maintenance relating to forward programmed investment for revenue compliance due to additional costs associated with compressing the 4 year asbestos programme into 2 years, and also for the additional costs for the patrolling watch for the high rise blocks. Inflationary cost increases and the demand for labour and materials also factored into the outturn deficit position.
- 1.11.3 HRA reserves at 31 March 2022, including set asides for business risks and investment needs is £53.4m. 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 2021/22 totalled **£157.4m** 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.
- 1.12.3 A revised budget of £158.5m was reported as part of the Quarter 3 Corporate Financial Monitoring Report on 8 March 2022. Subsequent application of the FPR flexibility in-year through quarterly financial monitoring reporting largely contributed to a revised capital budget of £157.4m. The budget has decreased by £1.1m since Quarter 3 due to budget being re-profiled into latter years of the plan (-£9.3m) offset by increased grants and contributions (+£8.2m). A breakdown of the budget changes including the re-profiling requests since Quarter 3 can be found in Appendix 6.
- 1.12.4 The 2021/22 capital outturn was £128.2m, which is about £34.6m higher than equivalent capital outturn spend in 2020/21 of £93.6m. The variance at year end is £29.2m.
- 1.12.5 The capital outturn position is summarised in Table 4 below and Appendix 5. Of the total £128.2m actual spend, £64.4m relates to strategic priorities, £57.3m relates to baseline capital spend, the balance of £6.5m to projects of a one-off nature.

**Table 4 – Capital Outturn 2021/22**

<b>By Category</b>	<b>Revised Capital Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Aspire & Achieve	19,671	15,393	(4,278)
Best Start	639	393	(246)
Independent	3,134	2,166	(968)
Sustainable Economy	85,699	64,746	(20,953)
Well	13,461	12,164	(1,297)
Safe & Cohesive	0	(3)	(3)
Clean & Green	6,169	5,579	(590)
Efficient & Effective	3,728	5,567	1,839
<b>General Fund</b>	<b>132,501</b>	<b>106,005</b>	<b>(26,496)</b>
Strategic Priorities	6,082	4,973	(1,109)
Operational	18,851	17,244	(1,607)
<b>Housing Revenue Account</b>	<b>24,933</b>	<b>22,217</b>	<b>(2,716)</b>
<b>Total Capital Budget</b>	<b>157,434</b>	<b>128,222</b>	<b>(29,212)</b>

- 1.12.6 Capital expenditure at year end was funded by the following sources of finance; borrowing £57.3m (45%), grants and contributions £40.8m (32%), capital receipts at £9.7m (7%), General Fund Reserves at £0.5m, Major Repairs Reserve (HRA) at £15.3m (12%) and HRA reserves/revenue contributions at £4.6m (4%). This is shown in more detail at Appendix 8 (a).
- 1.12.7 Actual borrowing costs incurred in 2021/22 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 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. The funding released revenue resources, thereby helping to offset in-year pressures and maximise the roll forward earmarked reserves for use in 2022/23 and beyond (see paragraph 1.8.2). Funding of this additional capitalisation year end spend was met via un-ringfenced capital receipts. Under the flexible capital receipts policy, £2m Transformation Capitalisation was set aside in the budget for transformation costs. At year end £3.1m revenue transformation costs were also capitalised, an overspend of £1.1m. These were funded from in-year capital receipts (see also paragraph 1.8.3).
- 1.12.9 Capital rollover proposals total £33.7m. The £4.5m difference between the £33.7m capital rollover requested and the overall outturn variance of £29.2m relates to the in-year revenue capitalisation exercise (£3.2m) and the overspend on the Capitalisation Transformation line (£1.1m). Since these were met via uncommitted capital receipts corporately, they do not affect original service rollover proposals.
- 1.12.10 Headline rollover proposals relate to underspends mainly within Sustainable Economy that were in Capital Plans funded by the West Yorkshire Combined Authority (WYCA) i.e., West Yorkshire plus Transport Schemes (-£5.2m), Transforming Cities Fund (-£3.2m) and Emergency Active Travel (-£1.7m). Much of the capital expenditure is tied in with external highways design consultancy via WYCA, for which the procurement process and design work has limited capacity in the external marketplace to deliver, as well as limited staff resources across various Council services. Similarly, Highways (-£3.1m) rollover was due to a combination of reduced staffing levels across the service, the unavailability of external construction teams and the reduced availability of materials especially for road construction and resurfacing. Other significant rollover relating to slippage in projects were in Huddersfield (-£2.3m) and Dewsbury (-£1.2m) Town Centre Action Plans.
- 1.12.11 Underspends within Aspire and Achieve relate to New Pupils Places in Primary/Secondary Schools (-£1.9m) linked to delays in completion of some elements of works on both Brambles Primary and King James's Academy Schools. Also increased material costs for schemes within Capital Maintenance (-£1.4m) and lack of resources both internally and in the external market have led to the deferral of schemes from the 21/22 programme.
- 1.12.12 Current Financial Procedure Rules (FPR's) relating to 'Capital Investment Preparation and Management' state Cabinet can transfer between projects or programme areas (FPR 3.11). The Chief Finance Officer is also permitted to make variations to capital funding as necessary in order to ensure that the Council funding is optimised, subject to reporting such actions to Cabinet and Council (FPR 3.23).
- 1.12.13 The practical completion of the Spen Valley Leisure Centre was achieved on 31 January 2022. Due to a number of factors, final project construction costs increased by £1.2m with contractually bound payments needing to be made to the contractor within agreed timescales. This shortfall was managed within overall capital plan resources by utilising existing resources from the Dewsbury Sports Centre Priorities programme. It is widely acknowledged that a Dewsbury sports centre rebuild is a few years down the line, with a likelihood of bidding into a future round of the Levelling Up Fund. Cabinet are requested to retrospectively endorse the transfer of £1.2m between programme lines.

## Capital Rollover Proposals

- 1.12.14 When the Council approved the Capital Investment Plan on 16 February 2022 for the 5 year period from 2021/22 to 2025/26, it made provision for a level of investment of £1.259bn within the Annual Budget Report (£964m General Fund, £295m HRA).
- 1.12.15 The proposal is to effectively re-profile planned spend totalling £33.7m from 2021/22 to 2022/23; £31m General Fund and £2.7m HRA. This largely reflects deferred spend against existing schemes rolled forward into future years.
- 1.12.16 The capital plan has now been updated to take account of the capital rollover totalling £33.7m from 2021/22 and changes in the estimated levels of resources available. The revised capital plan for 2022-23 set out in this report, including re-profiled planned spend, stands at £273.8m.
- 1.12.17 The draft capital plan 2022/23 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 2022-23**

Capital Plan – Primary Outcomes	22/23 £m
Aspire & Achieve	20.0
Best Start	3.8
Independent	8.7
Sustainable Economy	179.7
Well	8.0
Safe & Cohesive	0.2
Clean & Green	9.4
Efficient & Effective	2.8
General Fund	<b>232.6</b>
HRA - Independent	<b>41.2</b>
<b>Council Total</b>	<b>273.8</b>

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

- 1.12.18 Updated baseline Capital budget plans for 2022/23 include significant investment within Sustainable Economy outcome. This incorporates schemes totalling funded via the West Yorkshire plus Transport Fund (WY+TF) alongside Council underwrite of existing and forthcoming schemes such as the A62 Smart Corridor, Huddersfield Southern Corridor and Holmfirth Town Centre Access Corridor Improvement Programme.
- 1.12.19 In March 2022 the Department for Education (DfE) announced 2 years of high needs provision capital allocations (HNPCA) funding covering financial years 2022 to 2023 and 2023 to 2024 and amounting to over £1.4 billion of new investment. HNPCA is paid to local authorities to support the provision of places for children and young people with special educational needs and disabilities (SEND) and those pupils requiring alternative provision (AP). A provision of £8m grant was assumed in the Budget capital plan SEND allocation. Kirklees have now been awarded £9.6m; £5m 2022/23 and £4.6m 2023/24, £1.6m over and above the £8m allocation. The 2022/23 Capital Plan has been updated to reflect the additional grant allocation.

- 1.12.20 A report to Cabinet (26/07/22) recommended virement of approved funding within the HAZ programme, from the George Hotel to the Estate Buildings, to enable completion of essential remedial works initially for the Estate buildings. A further £350k has been identified in order to successfully get the George Hotel to the end of Phase one works to deliver essential repairs and restoration of heritage features to make the buildings safe, watertight, and investment ready. Cabinet are requested to endorse the additional borrowing which is reflected in Appendix 8b).
- 1.12.21 The Housing Revenue Account (HRA) 2022/23 capital plan stands at £41.2m. An additional £2.3m has been built into the Ashbrow extra care scheme for future years; £1.3m external contributions, £1.0m section 106 contributions. Ongoing challenges surrounding this project include rising costs linked to wider construction related inflation and supply chain difficulties. Work is ongoing with the developer and contractor to explore options for delivery.
- 1.12.22 Officers will continue to review capital budget profiles in year, and any further re-profiling movements between years will be reported to Cabinet as part of the quarterly financial monitoring arrangements through 2022/23, 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.
- 1.12.23 Future multi-year 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 risks and opportunities as appropriate.
- 1.12.24 While provision has been made in the Revenue Budget to cover the expected costs of borrowing, as with other aspects of the Council's Strategy, this will continue to be reviewed as revenue resources are themselves under considerable pressure, and close scrutiny will be essential to ensure borrowing fulfils the criteria of being affordable, prudent and sustainable.

#### Prudential Indicators (PI's)

- 1.12.25 Appendix 7 provides a schedule of the prudential indicators applicable to affordability and prudence which have been reported as part of capital monitoring in 2021/22. Indicators applicable to treasury management are reported in the Review of Treasury Management activity for 2021/22 which can be found at Appendix 10. The Council has complied with its PI's for 2021/22.
- 1.12.26 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 1a summarises, by service area, the General Fund revenue outturn position in 2021/22;

Appendix 1b summarises, by service area, the General Fund revenue outturn position

in 2021/22 split into gross expenditure and income;

Appendix 2a summarises, by service area, the COVID additional spend and income losses in 2021/22;

Appendix 2b categorises the 2021/22 COVID additional spend by funding source;

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

Appendix 3b details the purpose of each reserve;

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

Appendix 5 summarises by Council priority Outcome, the capital outturn position in 2021/22

Appendix 6 sets out the key capital budget changes between Quarter 3 financial monitoring report and outturn, for 2021/22

Appendix 7 provides a schedule of prudential indicators for 2021/22, applicable to affordability and prudence;

Appendix 8a summarises the updated capital plan 2022/23, taking into account rollover, grant changes and additions. A funding summary is also included;

Appendix 8b shows the detailed capital plan updated for 2022/23 including rollover, by Council Priority Outcome;

Appendix 9 details the Council flexible capital receipts strategy;

Appendix 10 is the Annual Report on Treasury Management activity to Corporate Governance and Audit Committee, 17 June 2022.

### **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 2021/22, incorporating as well an overall updated capital plan for 2022-23. 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 Financial Implications for the people living or working in Kirklees**

### **3.8 Other (e.g. Financial, Legal or Human Resources)**

- 3.8.1 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.
- 3.8.2 The Council's 2022-27 budget plans, approved at Budget Council on 16 February 2022, set out proposals for the delivery of an overall Council balanced budget for 2022/23, and indicative budget spending plans and funding forecasts over the following 4 years. This was against a backdrop of supporting the recovery from COVID.
- 3.8.3 The Council's refreshed reserves strategy approved in the 2022-27 budget plans acknowledges the heightened volatility and unpredictability in the 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 31 March 2022, meets the minimum recommended level as set out in the 2022-27 Annual Budget Report.
- 3.8.4 Subsequent to Budget Council approval on 16 February 2022, a number of key assumptions incorporated into the budget plans for 2022/23 and future years are being impacted on by current volatile global and national economic conditions; in particular the impact of a range of cost of living pressures.
- 3.8.5 The 2022/23 Quarter 1 financial monitoring report, which is also an item on this Cabinet agenda, sets out a range of current pressures and forecast impacts, plus some potential management actions to alleviate the in-year pressures.
- 3.8.6 Ongoing financial impacts, in terms of the effects on both the recovery from COVID and the continuing economic impact from the war in Ukraine, and the wider impact from the effects of the rising cost of living will continue to be reviewed through 2022/23 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.
- 3.8.7 The consequential impact of in-year pressures will also be reviewed and incorporated into an early refresh of the Council's medium term financial strategy (MTFS) report to be presented to Council on 7 September. The report will also incorporate a refreshed updated baseline position for both revenue and capital multi-year plans. This will then provide the financial planning framework for the development of subsequent budget proposals to inform 2023/24 and future years
- 3.8.8 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 2022/23, 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 2021/22 including COVID impacts;
- 7.2 note the application of the Councils flexible capital receipts strategy to the value of £3.1m applied against eligible transformation in 2021/22, in line with the Councils approved budget plans in February 2022;
- 7.3 note the Government's £13.5m funding contribution on 31 March 2022 towards the Council's Dedicated Schools grant (DSG) deficit;
- 7.4 approve the drawdown from the Council's earmarked demand reserve to offset the Almondbury Community School deficit school balance write-down (£1.954m) to the Council's general fund in 2021/22 in line with DSG guidance;
- 7.5 note the year end position on corporate reserves and balances;
- 7.6 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
- 7.7 note the regular monitoring and review of corporate reserves in 2022/23 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;

### Collection Fund

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

### HRA

- 7.9 note the HRA revenue outturn and reserves position 2021/22;

### Capital

- 7.10 note the Council capital outturn position for 2021/22;
- 7.11 approve the £33.7m capital rollover from 2021/22 to 2022/23;
- 7.12 approve the revised capital plan for the period 2022/23 after taking into account

rollover, the re-phasing of schemes and changes to grant assumptions;

- 7.13 approve retrospectively the transfer of £1.2m to Spen Valley Leisure Centre from within the Capital Plan to meet contractually bound payments;
- 7.14 approve additional £350k borrowing for George Hotel for successful phase one completion

#### Treasury Management

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

### **8 Contact Officer**

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

Annual budget report 2022-27 to Budget Council, February 2022

Budget Strategy Update Report to Council, October 2021

SEND transformation plan update Report to Cabinet, 26 July 2022 CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition

CIPFA's Prudential Code for Capital Finance in Local Authorities 2021 edition

Public Works Loan Board Website.

Local Authorities Property Fund & Factsheet

### **10 Service Director responsible**

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## Corporate Revenue Budget Monitoring 2021/22 – Outturn

Strategic Director portfolio responsibilities	Annual					Variance made up of:		
	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Outturn	Variance	General COVID Spend	COVID Income Losses	Other
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	41,335	(105)	41,230	41,996	766	766	-	-
Resources, Improvements & Partnership	17,614	(27)	17,587	16,580	(1,007)	-	-	(1,007)
Learning & Early Support & Schools	18,988	1,638	20,626	22,221	1,595	361	523	711
<b>Sub Total (Children &amp; Families)</b>	<b>77,937</b>	<b>1,506</b>	<b>79,443</b>	<b>80,797</b>	<b>1,354</b>	<b>1,127</b>	<b>523</b>	<b>(296)</b>
Customers and Communities	9,180	(284)	8,896	8,998	102	191	32	(121)
ASC - Older People and Physical Disabilities	19,666	(250)	19,416	20,123	707	587	-	120
ASC - Learning Disabilities and Mental Health	70,012	(139)	69,873	69,575	(298)	-	209	(507)
Adults Sufficiency	12,087	(1,592)	10,495	9,005	(1,490)	-	-	(1,490)
<b>Sub Total (Adults &amp; Health)</b>	<b>110,945</b>	<b>(2,265)</b>	<b>108,680</b>	<b>107,701</b>	<b>(979)</b>	<b>778</b>	<b>241</b>	<b>(1,998)</b>
Environmental Strategy & Climate Change	7,090	186	7,276	9,416	2,140	504	365	1,271
Highways & Streetscene	27,776	2,369	30,145	33,234	3,089	672	533	1,884
Culture & Visitor Economy	(5,160)	677	(4,483)	(1,131)	3,352	153	2,689	510
E&CC Management & Support	-	-	-	-	-	-	-	-
<b>Sub Total (Environment &amp; Climate Change)</b>	<b>29,706</b>	<b>3,232</b>	<b>32,938</b>	<b>41,519</b>	<b>8,581</b>	<b>1,329</b>	<b>3,587</b>	<b>3,665</b>
Skills & Regeneration	3,351	(1,333)	2,018	2,030	12	13	110	(111)
Homes & Neighbourhoods	3	-	3	3	-	-	-	-
Development	11,729	(736)	10,993	12,033	1,040	701	529	(190)
Management & Support	71	-	71	-	(71)	-	-	(71)
<b>Sub Total (Regeneration &amp; Growth)</b>	<b>15,154</b>	<b>(2,069)</b>	<b>13,085</b>	<b>14,066</b>	<b>981</b>	<b>714</b>	<b>639</b>	<b>(372)</b>
Strategy & Innovation	14,389	325	14,714	14,447	(267)	-	-	(267)

Strategic Director portfolio responsibilities	Annual					Variance made up of:		
	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Outturn	Variance	General COVID Spend	COVID Income Losses	Other
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Public Health & People	5,398	982	6,380	10,627	4,247	4,191	-	56
Governance & Commissioning	12,294	23	12,317	13,002	685	25	-	660
Finance	15,923	(22)	15,901	17,294	1,393	15	427	951
Former KNH Resources	-	-	-	-	-	-	-	-
<b>Sub Total (Corporate Strategy, Commissioning &amp; Public Health)</b>	<b>48,004</b>	<b>1,308</b>	<b>49,312</b>	<b>55,370</b>	<b>6,058</b>	<b>4,231</b>	<b>427</b>	<b>1,400</b>
Central	32,058	(710)	31,348	29,044	(2,304)	54	-	(2,358)
<b>General Fund Total</b>	<b>313,804</b>	<b>1,002</b>	<b>314,806</b>	<b>328,497</b>	<b>13,691</b>	<b>8,233</b>	<b>5,417</b>	<b>41</b>
COVID Response Reserve - Unfunded Risks	-	4,733	4,733		(4,733)	(4,733)		-
COVID Response Reserve - Leisure Support (KAL)	-	3,500	3,500		(3,500)	(3,500)		
SFC compensation budget release from Central	4,121		4,121	-	(4,121)		(4,121)	
COVID Income Loss Compensation				(1,296)	(1,296)		(1,296)	-
<b>Revised General Fund Total</b>	<b>317,925</b>	<b>9,235</b>	<b>327,160</b>	<b>327,201</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>41</b>

## Controllable Expenditure – Outturn

Strategic Director portfolio responsibilities	Annual				
	Controllable Budget	Planned use of reserves	Revised Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	44,888	(105)	44,783	45,888	1,105
Resources, Improvements & Partnerships	19,114	(27)	19,087	18,144	(943)
Learning & Early Support & Schools	308,360	1,638	309,998	348,517	38,519
<b>Children &amp; Families</b>	<b>372,362</b>	<b>1,506</b>	<b>373,868</b>	<b>412,549</b>	<b>38,681</b>
Customers and Communities	17,548	(284)	17,264	18,958	1,694
ASC - Older People and Physical Disabilities	86,628	(250)	86,378	88,606	2,228
ASC - Learning Disabilities and Mental Health	91,082	(139)	90,943	92,546	1,603
Adults Sufficiency	24,278	(1,592)	22,686	22,063	(623)
<b>Adult &amp; Health</b>	<b>219,536</b>	<b>(2,265)</b>	<b>217,271</b>	<b>222,173</b>	<b>4,902</b>
Environmental Strategy & Climate Change	10,208	186	10,394	12,398	2,004
Highways & Streetscene	74,905	2,369	77,274	93,124	15,850
Culture & Visitor Economy	32,187	677	32,864	32,633	(231)
<b>Environment &amp; Climate Change</b>	<b>117,300</b>	<b>3,232</b>	<b>120,532</b>	<b>138,155</b>	<b>17,623</b>
Skills & Regeneration	10,600	(1,333)	9,267	13,750	4,483
Homes & Neighbourhoods	65,364	-	65,364	65,609	245
Development	29,040	(736)	28,304	30,901	2,597
Management & Support	1,733		1,733	1,768	35
<b>Regeneration &amp; Growth</b>	<b>106,737</b>	<b>(2,069)</b>	<b>104,668</b>	<b>112,028</b>	<b>7,360</b>
Strategy & Innovation	18,284	325	18,609	18,693	84
Public Health & People	37,186	982	38,168	48,052	9,884
Governance & Commissioning	14,149	23	14,172	16,329	2,157
Finance	87,276	(22)	87,254	89,494	2,240
Former KNH Resources	2,705	-	2,705	2,144	(561)
<b>Corporate Strategy, Commissioning &amp; Public Health</b>	<b>159,600</b>	<b>1,308</b>	<b>160,908</b>	<b>174,712</b>	<b>13,804</b>
Central	34,250	(710)	33,540	65,466	31,926
<b>General Fund</b>	<b>1,009,785</b>	<b>1,002</b>	<b>1,010,787</b>	<b>1,125,083</b>	<b>114,296</b>

## Controllable Income - Outturn

Strategic Director portfolio responsibilities	Annual				
	Controllable Budget	Planned use of reserves	Revised Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	(3,553)	-	(3,553)	(3,892)	(339)
Resources, Improvements & Partnerships	(1,500)	-	(1,500)	(1,564)	(64)
Learning & Early Support & Schools	(289,372)	-	(289,372)	(326,296)	(36,924)
<b>Children &amp; Families</b>	<b>(294,425)</b>	<b>-</b>	<b>(294,425)</b>	<b>(331,752)</b>	<b>(37,327)</b>
Customers and Communities	(8,368)	-	(8,368)	(9,960)	(1,592)
ASC - Older People and Physical Disabilities	(66,962)	-	(66,962)	(68,483)	(1,521)
ASC - Learning Disabilities and Mental Health	(21,070)	-	(21,070)	(22,971)	(1,901)
Adults Sufficiency	(12,191)	-	(12,191)	(13,058)	(867)
<b>Adult &amp; Health</b>	<b>(108,591)</b>	<b>-</b>	<b>(108,591)</b>	<b>(114,472)</b>	<b>(5,881)</b>
Environmental Strategy & Climate Change	(3,118)	-	(3,118)	(2,982)	136
Highways & Streetscene	(47,129)	-	(47,129)	(59,890)	(12,761)
Culture & Visitor Economy	(37,347)	-	(37,347)	(33,764)	3,583
<b>Environment &amp; Climate Change</b>	<b>(87,594)</b>	<b>-</b>	<b>(87,594)</b>	<b>(96,636)</b>	<b>(9,042)</b>
Skills & Regeneration	(7,249)	-	(7,249)	(11,720)	(4,471)
Homes & Neighbourhoods	(65,361)	-	(65,361)	(65,606)	(245)
Development	(17,311)	-	(17,311)	(18,868)	(1,557)
Management & Support	(1,662)	-	(1,662)	(1,768)	(106)
<b>Regeneration &amp; Growth</b>	<b>(91,583)</b>	<b>-</b>	<b>(91,583)</b>	<b>(97,962)</b>	<b>(6,379)</b>
Strategy & Innovation	(3,895)	-	(3,895)	(4,246)	(351)
Public Health & People	(31,788)	-	(31,788)	(37,425)	(5,637)
Governance & Commissioning	(1,855)	-	(1,855)	(3,327)	(1,472)
Finance	(71,353)	-	(71,353)	(72,200)	(847)
Former KNH Resources	(2,705)	-	(2,705)	(2,144)	561
<b>Corporate Strategy, Commissioning &amp; Public Health</b>	<b>(111,596)</b>	<b>-</b>	<b>(111,596)</b>	<b>(119,342)</b>	<b>(7,746)</b>
Central	(2,192)	-	(2,192)	(36,422)	(34,230)
<b>General Fund</b>	<b>(695,981)</b>	<b>-</b>	<b>(695,981)</b>	<b>(796,586)</b>	<b>(100,605)</b>

## COVID Spend and Income Losses Summary

Strategic Director portfolio responsibilities	COVID spend £k	COVID Income Losses £k	Total COVID Pressures £k
Child Protection and Family Support Resources, Improvements & Partnership	1,719	-	1,719
Learning, Early Support and Schools	361	523	884
<b>Sub Total (Children &amp; Families)</b>	<b>2,080</b>	<b>523</b>	<b>2,603</b>
Customers and Communities	588	32	620
ASC - Older People & Physical Disabilities	15,350	-	15,350
ASC - Learning Disabilities and Mental Health	-	209	209
Adults Sufficiency	-	-	-
<b>Sub Total (Adults &amp; Health)</b>	<b>15,938</b>	<b>241</b>	<b>16,179</b>
Environmental Strategy & Climate Change	647	365	1,012
Highways & Streetscene	1,109	533	1,642
Culture & Visitor Economy	336	2,689	3,025
<b>Sub Total (Environment &amp; Climate Change)</b>	<b>2,092</b>	<b>3,587</b>	<b>5,679</b>
Skills & Regeneration	280	110	390
Homes & Neighbourhoods	-	-	-
Development	1,591	529	2,120
<b>Sub Total (Regeneration &amp; Growth)</b>	<b>1,871</b>	<b>639</b>	<b>2,510</b>
Strategy Innovation and Planning	225	-	225
Public Health and People	7,373	-	7,373
Governance and Commissioning	183	-	183
Finance	7,432	427	7,859
<b>Sub Total (Corporate Strategy, Commissioning &amp; Public Health)</b>	<b>15,213</b>	<b>427</b>	<b>15,640</b>
Central	54	-	54
<b>General Fund Total</b>	<b>37,248</b>	<b>5,417</b>	<b>42,665</b>



## COVID gross spend and funding summary

Strategic Director portfolio responsibilities	COVID gross spend	COVID Spend Funded By:	
		COVID Specific Grant Funding	COVID Response Reserve
		£k	£k
Child Protection and Family Support Resources, Improvements & Partnership Learning, Early Support and Schools	1,719	953	766
	-	-	-
	361	-	361
<b>Sub Total (Children &amp; Families)</b>	<b>2,080</b>	<b>953</b>	<b>1,127</b>
Customers and Communities	588	397	191
ASC - Older People & Physical Disabilities	15,350	14,763	587
ASC - Learning Disabilities and Mental H	-	-	-
Adults Sufficiency	-	-	-
<b>Sub Total (Adults &amp; Health)</b>	<b>15,938</b>	<b>15,160</b>	<b>778</b>
Environmental Strategy & Climate Change	647	143	504
Highways & Streetscene	1,109	437	672
Culture & Visitor Economy	336	183	153
<b>Sub Total (Environment &amp; Climate Change)</b>	<b>2,092</b>	<b>763</b>	<b>1,329</b>
Skills & Regeneration	280	267	13
Homes & Neighbourhoods	-	-	-
Development	1,591	890	701
<b>Sub Total (Regeneration &amp; Growth)</b>	<b>1,871</b>	<b>1,157</b>	<b>714</b>
Strategy Innovation and Planning	225	225	-
Public Health and People	7,373	3,182	4,191
Governance and Commissioning	183	158	25
Finance	7,432	7,417	15
<b>Sub Total (Corporate Strategy, Commissioning &amp; Public Health)</b>	<b>15,213</b>	<b>10,982</b>	<b>4,231</b>
Central	54	-	54
<b>General Fund Total</b>	<b>37,248</b>	<b>29,015</b>	<b>8,233</b>

## Appendix 3a

### Revenue Reserves Summary

	Reserves position at 1 April 2021	2021-26 Budget report Approved Transfers	Revised reserves position at 1 April 2021	Planned Net Drawdown in-year	Year End Adjustments	Reserves position at 31 March 2022	2022/23 budget report approved movements	Revised reserves position at 1 April 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>								
Schools Balances	(13,562)	-	(13,562)	(1,941)		(15,503)	-	(15,503)
Public Health	(1,539)	-	(1,539)	97		(1,442)	-	(1,442)
<b>Total Statutory (School Reserves)</b>	<b>(15,101)</b>	<b>-</b>	<b>(15,101)</b>	<b>(1,844)</b>	<b>-</b>	<b>(16,945)</b>	<b>-</b>	<b>(16,945)</b>
<b>Earmarked</b>								
<b>Transformation/Development Funding</b>								
Ward Based Activity	(1,400)	-	(1,400)	114		(1,286)	-	(1,286)
Strategic Investment support	(4,954)	-	(4,954)	454		(4,500)	-	(4,500)
Waste Management	(5,684)	2,000	(3,684)	1,684		(2,000)	2,000	-
Mental Health	(1,202)	-	(1,202)	563		(639)	-	(639)
Inclusive Investment	(3,000)	-	(3,000)	(45)		(3,045)	-	(3,045)
Place Partnership Theme	(2,000)	-	(2,000)	-		(2,000)	-	(2,000)
Transformation	(2,348)	(2,000)	(4,348)	182		(4,166)	-	(4,166)
Place Standard	(500)	-	(500)	-	(500)	(1,000)	-	(1,000)
Local Welfare provision initiatives	-	(2,237)	(2,237)	(404)		(2,641)	2,641	-
Apprenticeship Levy	(3,191)		(3,191)	276		(2,915)	-	(2,915)
<b>Total Transformation/Development Funding</b>	<b>(24,279)</b>	<b>(2,237)</b>	<b>(26,516)</b>	<b>2,824</b>	<b>(500)</b>	<b>(24,192)</b>	<b>4,641</b>	<b>(19,551)</b>
<b>Revenue Grants/Other</b>								
Revenue Grants (various)	(13,319)	-	(13,319)	(6,149)	1,000	(18,468)	-	(18,468)
Rollover	(604)	-	(604)	251		(353)	-	(353)
Stronger Families Grant	(1,531)	-	(1,531)	7		(1,524)	-	(1,524)
Social Care Reserve	(2,099)	-	(2,099)	814		(1,285)	-	(1,285)
School PFI	(1,282)	-	(1,282)	1,282		-	-	-
Other	(4,315)	-	(4,315)	170	500	(3,645)	-	(3,645)
<b>Total Revenue Grants/Other</b>	<b>(23,150)</b>	<b>-</b>	<b>(23,150)</b>	<b>(3,625)</b>	<b>1,500</b>	<b>(25,275)</b>	<b>-</b>	<b>(25,275)</b>
<b>Risk Reserves - Specific Purposes</b>								
Insurance	(1,900)	-	(1,900)	-		(1,900)	-	(1,900)
Property and Other Loans	(3,000)	-	(3,000)	-		(3,000)	1,000	(2,000)
Treasury Smoothing	(960)	-	(960)	-		(960)	-	(960)
<b>Total Risk Reserves - Specific Purposes</b>	<b>(5,860)</b>	<b>-</b>	<b>(5,860)</b>	<b>-</b>	<b>-</b>	<b>(5,860)</b>	<b>1,000</b>	<b>(4,860)</b>

	Reserves position at 1 April 2021	2021-26 Budget report Approved Transfers	Revised reserves position at 1 April 2021	Planned Net Drawdown in-year	Year End Adjustments	Reserves position at 31 March 2022	2022/23 budget report approved movements	Revised reserves position at 1 April 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><i>Risk Reserves - Budget Risks</i></b>								
Financial Resilience Reserves	(37,146)	-	(37,146)	-		(37,146)	-	(37,146)
Demand Reserve	(19,306)	-	(19,306)	1,954		(17,352)	-	(17,352)
<b><i>Total Risk Reserves - Budget Risks</i></b>	<b><i>(56,452)</i></b>	<b><i>-</i></b>	<b><i>(56,452)</i></b>	<b><i>1,954</i></b>	<b><i>-</i></b>	<b><i>(54,498)</i></b>	<b><i>-</i></b>	<b><i>(54,498)</i></b>
<b><i>Earmarked (COVID) Reserves</i></b>								
COVID Response - Unfunded Risks	(8,094)	-	(8,094)	4,210		(3,884)	3,884	-
COVID Response - Recovery Fund	(2,000)	-	(2,000)	633	(1,000)	(2,367)	-	(2,367)
COVID Response - Collection Fund (Risk)	(6,400)	-	(6,400)	-		(6,400)	6,400	-
COVID Response - Leisure Support (KAL)	(3,500)	-	(3,500)	3,500		-	(1,500)	(1,500)
COVID Grants (various)	(5,604)	-	(5,604)	3,494		(2,110)	-	(2,110)
COVID Business Grants Reserve	(7,953)	-	(7,953)	7,669		(284)	-	(284)
Extended Business Rate Relief Compensation	(23,955)	23,520	(435)	(11,480)		(11,915)	11,915	-
Tax Income Loss Compensation	(5,002)	-	(5,002)	1,900		(3,102)	1,334	(1,768)
<b><i>Sub Total Earmarked (Collection Fund)</i></b>	<b><i>(62,508)</i></b>	<b><i>23,520</i></b>	<b><i>(38,988)</i></b>	<b><i>9,926</i></b>	<b><i>(1,000)</i></b>	<b><i>(30,062)</i></b>	<b><i>22,033</i></b>	<b><i>(8,029)</i></b>
<b><i>Total Earmarked</i></b>	<b><i>(172,249)</i></b>	<b><i>21,283</i></b>	<b><i>(150,966)</i></b>	<b><i>11,079</i></b>	<b><i>-</i></b>	<b><i>(139,887)</i></b>	<b><i>27,674</i></b>	<b><i>(112,213)</i></b>
<b>GENERAL BALANCES</b>	(10,003)	-	(10,003)	-	41	(9,962)	-	(9,962)
<b><i>Grand Total</i></b>	<b><i>(197,353)</i></b>	<b><i>21,283</i></b>	<b><i>(176,070)</i></b>	<b><i>9,235</i></b>	<b><i>41</i></b>	<b><i>(166,794)</i></b>	<b><i>27,674</i></b>	<b><i>(139,120)</i></b>
<b><i>Total usable reserves (excluding schools and public health)</i></b>	<b><i>(182,252)</i></b>	<b><i>21,283</i></b>	<b><i>(160,969)</i></b>	<b><i>11,079</i></b>	<b><i>41</i></b>	<b><i>(149,849)</i></b>	<b><i>27,674</i></b>	<b><i>(122,175)</i></b>

## Appendix 3b

RESERVE	DESCRIPTION
<b>School Balances</b>	Statutory reserves relating to both individual schools balances/deficits carried forwards.
<b>Public Health</b>	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
<b>Ward Based Activity</b>	Set aside reflecting timing issues on ward-based activity spend commitments
<b>Strategic Investment Support</b>	To address the scale of development costs required to support the upscaling of capital investment activity and major project activity over the MTFP.
<b>Waste Management</b>	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.
<b>Mental Health (including Domestic abuse)</b>	To support a number of local area based mental health initiatives.
<b>Inclusive Investment Reserve</b>	Set aside for a range of targeted development activity that supports the Council's inclusive investment ambition.
<b>Place Partnership Theme</b>	To encourage Place specific local initiatives
<b>Transformation Reserve</b>	Set aside for strategic transformation developments over the next 12 to 24 months.
<b>Place Standard Reserve</b>	Set aside to support the resourcing of emerging Place Standard action plans.
<b>Local Welfare Provision Initiatives</b>	Set aside for a range of existing Local Welfare Provision measures to support some of the borough's vulnerable families and individuals in financial hardship
<b>Apprenticeship Levy</b>	Set aside to fund future payments into the Apprenticeship levy
<b>Revenue Grants</b>	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been occurred.
<b>Rollover</b>	To fund deferred spend commitments against approved rollover
<b>Stronger Families</b>	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
<b>Social Care</b>	Set aside to cover phased rollout of a range of social care expenditure commitments as agreed at Cabinet, August 2018.
<b>Schools PFI Reserve</b>	Utilised to cover reduced DSG budget contributions to council services in 2020/21 and 2021/22
<b>Other Earmarked</b>	A range of smaller reserves earmarked for specific purposes.
<b>Insurance</b>	Mitigates against risk from increased liabilities and insurance claims.
<b>Property and Other Loans</b>	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.
<b>Treasury Smoothing Reserve</b>	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.
<b>Financial Resilience</b>	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.
<b>Demand Reserve</b>	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
<b>COVID Response Reserve</b>	Specific reserve set aside to cover the costs of the Council's COVID response.
<b>COVID Grants (various)</b>	Represents specific COVID grants recognised in the Comprehensive Income and Expenditure Statement before expenditure was occurred.

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

## Appendix 4

### HOUSING REVENUE ACCOUNT 2021/22 - OUTTURN

	Annual		
	Revised Budget	Actuals	Variance
	£'000	£'000	£'000
Repairs & Maintenance	27,016	29,298	2,282
Housing Management	39,111	38,295	(816)
Other Expenditure	25,602	27,198	1,596
<b>Total Expenditure</b>	<b>91,729</b>	<b>94,791</b>	<b>3,062</b>
<b>Rent &amp; Other Income</b>	<b>(92,147)</b>	<b>(91,298)</b>	<b>850</b>
Revenue Contribution to Capital Funding	1,168	4,590	3,422
Planned transfer to HRA Reserves	(750)	(4,590)	(3,840)
<b>Total</b>	<b>0</b>	<b>3,494</b>	<b>3,494</b>

### HRA RESERVES

	Balance at 31 March 2021	Approved Movement in Reserves	Balance at 31 March 2022
	£'000	£'000	£'000
Set aside for business risks	(4,000)	0	(4,000)
Forecast in Year Surplus/Deficit	0	3,494	3,494
Net Transfer of HRA Reserves	0	(3,086)	(3,086)
Set aside to meet investment needs (as per HRA Business Plan)	(52,918)	4,590	(48,328)
Working balance	(1,500)		(1,500)
<b>Total</b>	<b>(58,418)</b>	<b>4,998</b>	<b>(53,420)</b>

## Capital Plan 2021/22 Outturn Summary

## Appendix 5

	Revised Budget £'000	Outturn £'000	Variance £'000	Variance %
<b><u>General Fund</u></b>				
Aspire & Achieve	19,671	15,393	(4,278)	(22%)
Best Start	639	393	(246)	(38%)
Independent	3,134	2,166	(968)	(31%)
Sustainable Economy	85,699	64,746	(20,953)	(24%)
Well	13,461	12,164	(1,297)	(10%)
Safe & Cohesive	0	(3)	(3)	0%
Clean and Green	6,169	5,579	(590)	(10%)
Efficient & Effective	3,728	5,567	1,839	49%
<b>GENERAL FUND TOTAL</b>	<b>132,501</b>	<b>106,005</b>	<b>(26,496)</b>	<b>(20%)</b>
<b><u>Housing Revenue Account</u></b>				
Strategic Priorities	6,082	4,973	(1,109)	(18%)
Baseline	18,851	17,244	(1,607)	(9%)
<b>HOUSING REVENUE TOTAL</b>	<b>24,933</b>	<b>22,217</b>	<b>(2,716)</b>	<b>(11%)</b>
<b>CAPITAL PLAN TOTAL</b>	<b>157,434</b>	<b>128,222</b>	<b>(29,212)</b>	<b>(19%)</b>

## Breakdown of Capital Budget Changes since Q3

## Appendix 6

	£'000	£'000	£'000
<b>QUARTER 3 CAPITAL BUDGET</b>			<b>158,520</b>
<b>Increase in Grants/Contributions/Other</b>			
<b>Strategic Priorities (SP)</b>			
<b>General Fund:</b>			
<b>Aspire &amp; Achieve</b>			
Devolved Formula Capital (BL)	46		
<b>Sustainable Economy</b>			
Emergency Active Travel (SP)	218		
Soothill Homes England grant budget (£80k) & Homes England budget reduction following final grant claim submission (£761k) (SP)	(841)		
SME Business Support Grants - Business Grants Reserve (Additional Restrictions Grant) (SP)	520		
WYCA for PFR Grant Scheme of £30k to support work on C.66042 (SP)	30		
Highways (Integrated Transport) (BL)	(63)		
<b>Clean &amp; Green</b>			
Year 2 Trees for Climate Funding (SP)	4,706		
Trees for Climate funding -Community Forest Trust (SP)	65		
Urban Tree Challenge Fund (SP)	622		
Northern Forest GA2 (SP)	2,898		
<b>Well</b>			
Play Strategy S106	4		
Play Strategy Revenue Contributions	20		
<b>Total</b>		<b>8,225</b>	
<b>Re-profiling / Virements between Years</b>			
<b>General Fund:</b>			
<b>Aspire &amp; Achieve</b>			
New Pupil Places in Primary/Secondary Schools (SP)	50		
Basic Need (BL)	(180)		
<b>Best Start</b>			
Our Space Capital Grant Scheme (SP)	28		
<b>Independent</b>			
Red Laithes Court (SP)	100		
Havelock St, Ravensthorpe (SP)	150		
<b>Sustainable Economy</b>			
Start Up & Retention Policy Grants (SP)	(100)		
Property Investment Fund (SP)	(760)		
Town Centre Action Plans - Dewsbury Sustainable Transport Town Fund grant (SP)	(275)		
Town Centre Action Plans - Town Fund Grant (SP)	50		
Town Centre Action Plans - Heritage Action Zone and the Northumberland Street Project (SP)	350		



## Breakdown of Capital Budget Changes since Q3 (cont'd)

## Appendix 6

	£'000	£'000	£'000
Town Centre Action Plans - The Arcade & Dewsbury Market to cover expenditure in 2021/22 (SP)	400		
Town Centre Action Plans (Additional Investment into Strategic Town Centres) - Market Hall MSCP (SP)	100		
Dewsbury Riverside (SP)	(23)		
Start Up & Retention Policy Grants (SP)	(127)		
Growth Funds & Site Developments (SP)	(100)		
Vehicle Replacement (BL)	8		
Corporate Landlord Asset Investment (BL)	(1,310)		
Corporate Landlord Compliance (BL)	(680)		
Corporate Landlord Suitability Programme (BL)	(30)		
Leeds City Region Revolving Fund (OP)	(411)		
Asset Strategy (OP)	(49)		
<b>Well</b>			
Play Strategy	(64)		
Dewsbury Sports Centre / Spenborough Sports Facility (SP)	1,736		
Dewsbury Sports Centre (SP)	(185)		
<b>Clean &amp; Green</b>			
Trees For Climate (SP)	(7,902)		
<b>Efficient &amp; Effective</b>			
Sustainability of Major Town Halls – Service (BL)	(26)		
One Venues Development (BL)	(61)		
	<b>Total Re-profiling</b>	<b>(9,311)</b>	
	<b>Total Change in Budget</b>		<b>(1,086)</b>
<b>CAPITAL OUTTURN BUDGET</b>			<b>157,434</b>
<b>Change in Budget - Funding Breakdown:</b>			
Borrowing		(587)	
Borrowing (self-financed)		(26)	
Revenue Reserves		313	
Grant (Grants & contributions)		(726)	
S106		(60)	
<b>Change in Budget</b>			<b>(1,086)</b>

Key:  
 SP = Strategic Priorities  
 BL = Baseline  
 OP = One Off Projects

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.

	2020/21	2021/22	
	Actual	Strategy Estimate*	Actual
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Capital Expenditure			
General Fund	76,147	176,700	106,005
HRA	17,427	33,400	22,217
Sub-total (excl. PFI)	93,574	210,100	128,222
General Fund - PFI	1,994	1,600	1,675
HRA – PFI	248	200	201
<b>Total</b>	<b>95,816</b>	<b>211,900</b>	<b>130,098</b>
Financed by -			
Borrowing	39,900	95,500	57,316
PFI	2,242	1,800	1,876
Other	53,674	114,600	70,906
<b>Total</b>	<b>95,816</b>	<b>211,900</b>	<b>130,098</b>
CFR as at 31 March			
General Fund excl PFI	500,100	577,200	556,100
General Fund PFI	42,500	39,400	39,400
HRA excl PFI	170,300	173,800	166,000
HRA PFI	48,100	45,200	45,200
<b>Total CFR</b>	<b>761,000</b>	<b>835,600</b>	<b>806,700</b>
External debt as at 31 March			
Borrowing (excl interest accrued)	425,800	534,200	468,900
Other LT Liabilities	94,300	88,300	88,300
<b>Total debt</b>	<b>520,100</b>	<b>622,500</b>	<b>557,200</b>

\*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.

	2020/21	2021/22	
	Actual (max) <u>£m</u>	Limits/ Boundary <u>£m</u>	Actual (max) <u>£m</u>
<u>Authorised limit for external debt</u>			
Borrowing	425.8	767.3	468.9
Other Long Term Liabilities	94.3	93.3	88.3
<b>Total</b>	<b>520.1</b>	<b>860.6</b>	<b>557.2</b>
<u>Operational boundary for external debt</u>			
Borrowing	425.8	747.3	468.9
Other Long Term Liabilities	94.3	88.3	88.3
<b>Total</b>	<b>520.1</b>	<b>835.6</b>	<b>557.2</b>

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 £166.0 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).

	2020/21	2021/22	
	Actual	Estimate	Actual
<u><b>Ratio of financing costs to net revenue stream</b></u>			
General Fund	5.63%	5.51%	5.63%
General Fund excl PFI	3.42%	3.74%	3.42%
HRA	32.35%	29.84%	32.15%
HRA excl PFI	30.93%	28.45%	30.96%

The actual for General Fund for 2021/22 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 Plan
Capital Plan Expenditure Summary	2021/22 £'000	2022/23 £'000
<b>General Fund:</b>		
Aspire & Achieve	15,393	19,960
Best Start	393	3,841
Independent	2,166	8,708
Sustainable Economy	64,746	179,699
Well	12,164	8,036
Safe & Cohesive	(3)	175
Clean & Green	5,579	9,362
Efficient & Effective	5,567	2,821
<b>General Fund Capital Plan</b>	<b>106,005</b>	<b>232,602</b>
<b>Housing Revenue Account:</b>		
Independent - Strategic Priorities	4,973	21,490
Independent - Baseline	17,244	19,733
<b>HRA Capital Plan</b>	<b>22,217</b>	<b>41,223</b>
<b>TOTAL EXPENDITURE</b>	<b>128,222</b>	<b>273,825</b>

## Capital Plan Funding Summary

	Outturn	Revised Plan
General Fund Funding Summary	2021/22 £'000	2022/23 £'000
<i>Direct / Earmarked Contributions to Schemes</i>		
Capital Grants/Contributions	40,367	101,186
Earmarked Capital Receipts	4,530	1,195
Service Funded Prudential Borrowing	3,636	4,008
Revenue Contributions	549	500
<i>Pooled Resources</i>		
Non-Earmarked Capital Receipts	3,244	3,352
Corporate Prudential Borrowing	53,679	122,361
<b>GENERAL FUND FUNDING</b>	<b>106,005</b>	<b>232,602</b>

	Outturn	Revised Plan
Housing Revenue Account Funding Summary	2021/22 £'000	2022/23 £'000
<i>Direct / Earmarked Contributions to Schemes</i>		
Capital Grants/Contributions	370	3,729
Earmarked Capital Receipts	1,889	6,184
Reserves / Revenue Contributions	4,590	8,950
Reserves - MRR	15,368	17,800
Corporate Prudential Borrowing	0	4,560
<b>HRA FUNDING</b>	<b>22,217</b>	<b>41,223</b>



GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Plan
			2021/22 £'000	2022/23 £'000
<b>ASPIRE &amp; ACHIEVE</b>				
<b>Strategic Priorities</b>				
	New Special School for Woodley @ Almondbury	B/G	37	500
	New Special School for J.Norton @ Deighton	B	37	500
	District Sufficiency	T	74	1,000
	Brambles Primary Academy	B S106	4,847	1,552
	King James High School	B	3,864	817
	Almondbury Community School	B	16	3
	Scissett Middle School	S106	1	208
	Birkby Junior Expansion	B	20	10
	Beaumont Academy	B	6	96
	North Huddersfield Trust School	B	8	1,042
	Manor Croft Academy	B	230	2,470
	Thornhill Community Academy	B	45	652
	Reprovision of Special School - Lydgate	B	0	37
	Secondary Places Basic Need	B	0	66
	<i>New Pupil Places in Primary/Secondary Schools</i>	T	9,037	6,953
	Dewsbury Learning Quarter	B	(27)	0
	Libraries & Public Buildings	B	197	1,971
	Almondbury Library	B	0	55
	Birkby Library	B	276	85
	<i>Libraries &amp; Public Buildings</i>	T	473	2,111
	<b>Strategic Priorities Total</b>		9,557	10,064
	<b>Baseline</b>			
	Basic Need	G/B	171	933
	Capital Maintenance	G	3,108	6,706
	Capital Maintenance (Newsome High)	B	194	194
	Devolved Formula Capital	G	915	822
	<b>Baseline Total</b>		4,388	8,655
	<b>One Off Projects</b>			
	SEND Provision	G	1,448	1,241
	<b>One Off Projects Total</b>		1,448	1,241
	<b>ASPIRE &amp; ACHIEVE TOTAL</b>		15,393	19,960

GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Plan
			2021/22 £'000	2022/23 £'000
<b>BEST START</b>				
<b>Strategic Priorities</b>				
	Residential Children's Units incl Magdale House	B	273	855
	Our Space Grant Scheme	B	29	972
	Specialist Accommodation / Youth Services	B/G	40	1,941
	<b>Strategic Priorities Total</b>		<b>342</b>	<b>3,768</b>
<b>One Off Projects</b>				
	Capitalisation	R	15	0
	Liquid Logic Portal	B*	36	73
	<b>One Off Projects Total</b>		<b>51</b>	<b>73</b>
<b>BEST START TOTAL</b>			<b>393</b>	<b>3,841</b>
<b>INDEPENDENT</b>				
<b>Strategic Priorities</b>				
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	10	10
	Cherry Trees	B	602	0
	Knowl Park House	B	542	3,360
	Homestead Dementia Services	B	400	1,925
	Red Laithes Court	B	0	100
	Havelock St, Ravensthorpe	B	0	150
	Day Services Support for Vulnerable Adults	B	17	390
	<b>Strategic Priorities Total</b>		<b>1,571</b>	<b>5,935</b>
<b>One Off Projects</b>				
	Adults Social Care Operation	G	17	195
	Adults Social Care Operation - AT IT Consultant	G	58	62
	Highfields	B	0	13
	Carefirst System Replacement	B/R	424	1,564
	Carephones - Digital Switchover	B	0	937
	Infection Prevention Control	B	33	2
	Capitalisation	R	63	0
	<b>One Off Projects Total</b>		<b>595</b>	<b>2,773</b>
<b>INDEPENDENT TOTAL</b>			<b>2,166</b>	<b>8,708</b>





GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Plan
			2021/22 £'000	2022/23 £'000
<b>SUSTAINABLE ECONOMY</b>				
<b>Strategic Priorities</b>				
West Yorkshire plus Transport Schemes:				
	A62 to Cooper Bridge Corridor Improvements	G	585	2,006
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	373	2,356
	A629 Halifax Road Phase 5	G	404	4,409
	UTMC Urban Traffic Management	G	153	162
	Huddersfield Southern Corridors	G/B	1,099	6,551
	Huddersfield Station Gateway	G	(36)	0
	North Kirklees Orbital Route (NKOR)	G	56	46
<u>Corridor Improvement Programme</u>				
	Holmfirth Town Centre Access Plan	G/B	420	4,900
	A62 Smart Corridor	G/B	1,048	12,838
	Fenay Lane	G	142	458
<u>CityConnect</u>				
	CityConnect Cooper Bridge	G	268	1,360
	CityConnect Huddersfield Town Centre	G/B	100	2,052
	WYTF Rolling Fund	B	0	107
	<i>West Yorkshire plus Transport Schemes</i>		<b>4,612</b>	<b>37,245</b>
	Emergency Active Travel	G	129	1,666
Transforming Cities Fund:				
<i>Rail-Bus Better Connected Stations:</i>				
	Huddersfield Rail Station Access	B	1,254	247
	Dewsbury Rail Station Access	G	6	0
<u>TCF Main scheme:</u>				
	Heckmondwike Bus Station	G	88	2,915
	Dewsbury/Cleckheaton Sust Travel Corridor	G/B	177	6,506
	Dews TC Walking & Cycling Imps	G/B	171	5,229
	Dewsbury Bus Station	G	3	0
	Huddersfield Rail Station Access	G/B	538	3,362
	Trinity Street Foot/Cycle Bridge	G	0	2,827
	A629 Wakefield Rd Sust Travel Corridor	G	158	1,192
	Huddersfield Bus Station	G/B	184	1,866
	Dewsbury/Batley/Tingley Sus Travel Corridor	G/B	193	1,430
	TCF Programme Management	G	(10)	0
	<i>Transforming Cities Fund</i>		<b>2,762</b>	<b>25,574</b>





GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Plan
			2021/22 £'000	2022/23 £'000
<b>SUSTAINABLE ECONOMY</b>				
<b>Strategic Priorities</b>				
	Aspirational Regeneration of Major Town Centres - Feasibility	B	68	143
	Regeneration of Strategic Town Centres - Huddersfield :	B	0	93
	<u>Huddersfield Town Centre Schemes</u>			
	Huddersfield TC - Shop Front Grants	B	7	349
	The Northumberland Street Regeneration Project	B	295	1,906
	Huddersfield TC Design Framework	B	307	723
	Cultural Interventions - Growing Seeds	B	1	9
		T	<b>610</b>	<b>2,987</b>
	<u>Heritage Action Zone</u>			
	The George Hotel HAZ Scheme	B/G	1,608	4,066
*	The George Hotel HAZ Scheme	B	0	350
	Estate Buildings HAZ Scheme	B/G	89	2,621
	HAZ Complementary Initiatives	B/G	0	44
		T	<b>1,697</b>	<b>7,081</b>
	<u>Huddersfield Public Realm Works</u>			
	New Street Public Realm Development	B	588	1,412
	Huddersfield Town Centre Cameras	B	31	68
	Refurb of 2 New Street, Huddersfield	B	28	17
		T	<b>647</b>	<b>1,497</b>
	Public Realm - Golden Route	B	98	812
	Huddersfield Town Centre	T	<b>3,052</b>	<b>12,470</b>
	Regeneration of Strategic Town Centres – Dewsbury :			
	<u>Better Spaces Strategy</u>			
	Better Spaces Phase 1	B	48	0
	Better Spaces - Spring Upgrade	B	108	14
	BS Phase 2 - Library Frontage	B	391	0
	BS Phase 2 - Town Park	B	97	123
	Town Park - matchfunding	R	0	300
	Town Park - Town Fund Grant	G	0	650
	BS Phase 2 - Pocket Park, Northgate	B	1	0
	BS Phase 2 - Public Art	B	57	85
	BS Phase 2 - Public Art Town Fund	G	0	0
	Dewsbury Town Hall Lighting	B	10	65
	Other	B	7	0
		T	<b>719</b>	<b>1,237</b>






GENERAL FUND CAPITAL PLAN		Funding	Outturn	Revised Plan
			2021/22 £'000	2022/23 £'000
<b>SUSTAINABLE ECONOMY</b>				
	<i>Regeneration of Strategic Town Centres – Dewsbury cont'd</i>			
	Dewsbury Revival Grant Scheme - Shop	B	13	0
	Building Revival Scheme - Town Fund Grant	G	0	460
	Heritage Action Zone	B/R/G	100	2,047
	Daisy Hill Neighbourhood	B/R/G	(11)	2,198
	Dewsbury Market Upgrade	B/R/G	1,628	700
	The Arcade	B/G	782	245
	Footpath, Cycle Routes & Facilities	B	24	23
	Lighting For Royal Arcades	B	65	3
	Other Town Fund Accelerated Grant	G	50	0
	Fibre Capability	G/R	102	298
	Construction Skills Village	G/R	0	1,100
	Creative Culture	G	46	404
	Sustainable Transport	G	0	1,325
	Dewsbury Town Centre Action Plan	B/R	28	320
	Dewsbury Town Centre	T	<b>3,546</b>	<b>10,360</b>
	<i>Town Centre Action Plans</i>		<b>6,666</b>	<b>22,973</b>
	Regeneration and Greening of Smaller Towns and Villages:			
	Smaller Towns & Villages	B	1	400
	Batley Smaller Towns & Villages	B	8	791
	Cleckheaton Smaller Towns & Villages	B	5	445
	Holmfirth Smaller Towns & Villages	B	5	445
	Heckmondwike Smaller Towns & Villages	B	5	605
	<i>Regeneration and Greening of Smaller Towns and Villages</i>	T	<b>24</b>	<b>2,686</b>



			Outturn	Revised Plan
GENERAL FUND CAPITAL PLAN		Funding	2021/22 £'000	2022/23 £'000
<b>SUSTAINABLE ECONOMY</b>				
<b>Strategic Priorities</b>				
Additional Investment into Strategic Town Centres:				
	Dewsbury Staff Move & Regeneration	B	0	100
	Market Hall Multi-Storey Car Park	B	621	109
	Queensgate Underpass	B	6	39
	Cultural Heart	B	2,205	10,109
	<i>Additional Investment into Strategic Town Centres</i>	T	<b>2,832</b>	<b>10,357</b>
	Strategic Acquisition Fund	B	1,420	4,597
Property Investment Fund:				
	Stadium Development	B**	3,821	5,178
	103 New Street	B**	4,755	2,763
	Kingsgate Phase 2	B**	14	3,502
	<i>Property Investment Fund</i>	T	<b>8,590</b>	<b>11,443</b>
	Start Up and Retention Policy Capital Grants	Res	529	500
	Dewsbury Riverside	B	446	4,075
	Site Development	G/ S106	3,601	178
	Public Realm Improvements	B	39	133
<b>Strategic Priorities Total</b>			<b>31,650</b>	<b>121,427</b>
<b>Baseline</b>				
	Housing Private	G/R	3,735	3,799
Highways				
Maintenance				
	Principal Roads	B/G	3,220	8,940
	Roads Connecting Communities	G	957	1,653
	Local Community Roads	B/G	7,718	8,391
	Structures	G	749	1,874
	Unadopted Roads	B	0	50
	Streetlighting	B*/ G	3,506	2,219
	Locality Based U Roads Improvements	B	4,799	5,822
	<i>Highways Maintenance Sub-Total</i>	T	<b>20,949</b>	<b>28,949</b>



			Outturn	Revised Plan
GENERAL FUND CAPITAL PLAN		Funding	2021/22 £'000	2022/23 £'000
<b>SUSTAINABLE ECONOMY</b>				
<b>Strategic Priorities</b>				
Highways				
Integrated Transport				
	Integrated Public Transport	G	140	585
	Network Management	B/G	258	1,312
	Cycling and Walking	B/G S278	105	311
	Safer Roads	B/G	1,002	2,736
	Flood Management and Drainage Improvements	B/G S278	727	558
	Developer Funded Schemes	s278	25	397
	<i>Highways Integrated Transport Sub-Total</i>	T	<b>2,257</b>	<b>5,899</b>
	<i>Highways Total</i>	T	<b>23,206</b>	<b>34,848</b>
<b>Baseline</b>				
	Corporate Landlord Asset Investment	B	4,075	9,984
	Corporate Landlord Compliance	B	303	1,786
	<i>Corporate Landlord</i>	T	4,378	11,770
	Corporate Landlord Suitability Programme	B	69	1,531
	Sustainability of Huddersfield Town Hall - Conditions	B	0	800
	<i>Corporate Landlord Asset Strategy Review</i>	T	69	2,331
	Bereavement	B	371	497
	Vehicle Replacement Programme	B	1,018	1,727
	School Catering	B	160	383
	<b>Baseline Total</b>		<b>32,937</b>	<b>55,355</b>
<b>One-Off Projects</b>				
	Housing (Regeneration)	R	15	25
	Strategic Asset Utilisation	B	52	250
	Operational Services Asset Mngt	B	0	1,008
	Asset Management Property Database	B	0	84
	Leeds City Region Revolving Fund	B	0	1,211
	School Catering - Compliance Essential Works	B*	92	245
	Ward Based Activity	B	0	94
	<b>One-Off Projects Total</b>		<b>159</b>	<b>2,917</b>
<b>SUSTAINABLE ECONOMY TOTAL</b>			<b>64,746</b>	<b>179,699</b>

			Outturn	Revised Plan
GENERAL FUND CAPITAL PLAN		Funding	2021/22 £'000	2022/23 £'000
	<b>WELL</b>			
	<b>Strategic Priorities</b>			
	Spensorough Valley Leisure Centre	B	10,785	677
	Huddersfield Leisure Centre	B	131	25
	Dewsbury Sports Centre Priorities	B	(7)	359
	<b>Strategic Priorities Total</b>		<b>10,909</b>	<b>1,061</b>
	<b>Baseline</b>			
	Kirklees Active Leisure	B*/ B	370	2,150
	Play Strategy	B/G /Cont / S106	885	4,825
	<b>Baseline Total</b>		<b>1,255</b>	<b>6,975</b>
	<b>WELL TOTAL</b>		<b>12,164</b>	<b>8,036</b>
	<b>SAFE AND COHESIVE</b>			
	<b>Strategic Priorities</b>			
	Youth Offending Team	B	(3)	175
	<b>Strategic Priorities Total</b>		<b>(3)</b>	<b>175</b>
	<b>SAFE AND COHESIVE TOTAL</b>		<b>(3)</b>	<b>175</b>
	<b>CLEAN AND GREEN</b>			
	<b>Strategic Priorities</b>			
	Depot Works	B	415	28
	Garden Waste Containers and Vehicles	B	633	1,881
	Waste Management Plant/ Infrastructure	B/B* /G	1,180	2,600
	Climate Emergency - Green Travel	B	967	1,033
	Air Quality	B	20	325
	Huddersfield Heat Network	G/B	338	297
	Trees for Climate Programme	G	1,806	2,805
	<b>Strategic Priorities Total</b>		<b>5,359</b>	<b>8,969</b>
	<b>Baseline</b>			
	Environment & Strategic Waste	B	202	100
	<b>Baseline Total</b>		<b>202</b>	<b>100</b>
	<b>One Off Projects</b>			
	Electric Vehicle Charge Points	G	18	293
	<b>One Off Projects Total</b>		<b>18</b>	<b>293</b>
	<b>CLEAN AND GREEN TOTAL</b>		<b>5,579</b>	<b>9,362</b>



			Outturn	Revised Plan
GENERAL FUND CAPITAL PLAN		Funding	2021/22 £'000	2022/23 £'000
<b>EFFICIENT AND EFFECTIVE</b>				
	<b>Baseline</b>			
	Information Technology	B/G	1,066	1,158
	One Venue Development	B	193	568
	Sustainability of Major Town Halls - Service Development	B*	33	593
	<b>Baseline Total</b>		<b>1,292</b>	<b>2,319</b>
	<b>One Off Projects</b>			
	Transformation Capitalisation	R	3,100	0
	Information Technology (Digital)	B	55	450
	Information Technology	B	1,024	0
	Internal Renovation works	B	96	52
	<b>One Off Projects Total</b>		<b>4,275</b>	<b>502</b>
	<b>EFFICIENT AND EFFECTIVE TOTAL</b>		<b>5,567</b>	<b>2,821</b>
<b>GENERAL FUND CAPITAL PLAN TOTAL</b>			<b>106,005</b>	<b>232,602</b>

**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

S106 = Section 106 developer contributions

\* = Addition



		Outturn	Revised Plan
HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	2021/22 £'000	2022/23 £'000
<b>INDEPENDENT</b>			
<b>Strategic Priorities</b>			
Housing Growth	H / R	1,743	3,362
New Build Phase 1 - Ashbrow Extra Care	H/R/ Cont/ S106	366	6,800
Remodelling / High Rise	H/G	0	2,311
IT System (Universal Housing Replacement)	H	186	1,417
Council House Building	B/R	2,678	7,600
<b>Strategic Priorities Total</b>		<b>4,973</b>	<b>21,490</b>
<b>Baseline</b>			
Housing Capital Plan	H	11,334	11,500
Estate Improvements (Neighbourhood Investment)	H	31	500
Compliance	H	2,209	3,314
Fuel poverty	H/ G	852	919
Adaptations	H	2,818	3,500
<b>Baseline Total</b>		<b>17,244</b>	<b>19,733</b>
<b>HRA CAPITAL PLAN TOTAL</b>		<b>22,217</b>	<b>41,223</b>

## FUNDING KEY:

H = HRA revenue contribution/major repairs reserve

R = Capital receipts

G = Grant

B = Borrowing

S106 = Section 106 developer contributions

Cont = Other external contributions

### 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.





**Name of meeting:** Corporate Governance and Audit Committee

**Date:** 17 June 2022

**Title of report:** Annual Report on Treasury Management 2021/22

**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.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Not applicable</b>
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	<b>Yes</b>
<b>The Decision - Is it eligible for "call in" by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Service Director &amp; name</b>	<b>Eamonn Croston 5 June 2022</b>
<b>Is it also signed off by the Service Director - Finance?</b>	<b>As above</b>
<b>Is it also signed off by the Service Director for Governance and Commissioning Support?</b>	<b>Julie Muscroft 5 June 2022</b>
<b>Cabinet member portfolio</b>	<b>Cllr Paul Davies</b>

**Electoral wards affected:** Not applicable

**Ward councillors consulted:** Not applicable

**Public or private:** Public

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

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**1. Summary**

- 1.1 The Council's treasury management operation for the year has followed the strategy approved by Council on 10 February 2021. Investments averaged £37.9 million and were largely deposited in instant access accounts earning an average interest rate of 0.12%.
- 1.2 Total external borrowing at 31 March 2022 increased by £43.1 million to £468.9 million (£425.8 million as at 31 March 2021). The Council took £50 million new Government long term loans from the Public Works Loan Board (PWLB) (see paragraph 2.6.3 for more detail) and an additional £20 million Local Authority medium term loans (2-3 years). Temporary borrowing decreased for the year by £20.0 million to £21.5 million (£41.5 million 31 March 2021). The majority of borrowing is on fixed rate terms and the average long-term borrowing rate for 2021/22 relating to all long-term debt on the balance sheet was 3.84%. Short-term borrowing rates averaged 0.49%.
- 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 repayment 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 2021/22. 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 2021/22 was £13.7 million. The actual MRP calculation for 2021/22 was £15.6 million and hence the maximum unwind allowable. However, in 2021/22 the actual unwind was in-line with the budget at £13.7 million.
- 1.6 Treasury management costs incurred in the year include £9.2 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 2021/22 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 10 February 2021.

## **2.2 Borrowing and Investment Strategy 2021/22**

- 2.2.1 The Council's overall Treasury Management Strategy prioritises security, liquidity and risk management which was adhered to in 2021/22. 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 and the Councils objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 2.2.2 Lower official interest rates during the majority of 2021/22 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 2.3.1-2.3.8 are a commentary from our external treasury management advisors, Arlingclose.*

- 2.3.1 The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.
- 2.3.2 The Bank Rate was 0.1% at the beginning of the reporting period. April and May 2021 saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.
- 2.3.3 UK Consumer Price Inflation (CPI) was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% year on year from 4.4%.
- 2.3.4 The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay.

In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

- 2.3.5 With the fading of lockdown – and, briefly, the ‘pingdemic’ – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.
- 2.3.6 Having increased the Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February, 0.75% in March and 1% in May. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds. In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.
- 2.3.7 The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10 year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.
- 2.3.8 Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority’s counterparty list recommended by Arlingclose remains under constant review.

## **2.4 Investment Activity**

- 2.4.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation’s cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business. Treasury Management Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
- 2.4.2 The Council’s treasury management investments totalled £78.9 million as at 31 March 2022 (£37.1 million 31 March 2021). The large investment balance at the yearend was partly due to £25.6 million Council Tax Energy Rebate monies being received at short notice on 30 March along with ensuring the Council had enough funds to meet planned outgoings in early April, including the West Yorkshire Pension Fund upfront payment of £37.8 million on 1 April 2022. The Council invested an average balance of £37.9 million externally during the year (£63.6 million 2020-21). Interest income of £0.034 million was

generated through these investments (£0.071 million 2020-21) and £0.349 million dividend income from the CCLA Property Fund (£0.366 million 2020-21). Appendix 1 shows where investments were held at the beginning of April 2021, the end of September 2021 and the end of March 2022, by counterparty, by sector and by country. The Council's average lending rate for the year was 0.12% (0.13% 2020-21).

- 2.4.4 In April 21 the Council received £22.4 million in central government funding to support small and medium businesses during the coronavirus pandemic through restart grant schemes. 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.
- 2.4.5 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value, Money Market Funds being close to zero. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March 2022.
- 2.4.6 The Council still has £10 million invested in the CCLA Property Fund as part of the 2019/20 Treasury Management Strategy (see paragraph 2.11.6).

## **2.5 Borrowing Update**

- 2.5.1 In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and various examples of permitted and prohibited use of PWLB loans. 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. The acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, re-financing and treasury management.
- 2.5.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 2.5.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year which the Council opted to do. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 2.5.4 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules. There are no aspects of the Council's current multi-year plan

that are expected to be in breach of the updated HMT guidance. All current and future capital activity funded by borrowing will be closely scrutinised by senior officers in conjunction with appropriate external advice to ensure future compliance and build into future business case appraisal.

- 2.5.5 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 pursue these lower cost solutions and opportunities with its advisor Arlingclose.

## **2.6 Borrowing Requirement and Debt Management**

- 2.6.1 In terms of borrowing, long-term loans maturing greater than one year totalled £442.3 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £26.6 million (£375.8 million and £50.0 million 31 March 2021), an overall increase of £43.1 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2022.
- 2.6.2 The Council has an increasing 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.
- 2.6.3 The Council borrowed £50 million of new long-term loans from the PWLB in 2021/22. These loans were taken throughout the year in tranches of £10 million, all 20 year Equal Instalment of Principal (EIP) loans at a rate between 1.46% and 2.28%. An EIP loan pays back principal over the life of the loan, and the interest associated with the loan goes down as the principal outstanding reduces.
- 2.6.4 As PWLB rates rose, the Council took advantage of medium-term loans over a 2 to 3 year time frame, achieving lower interest rates for the period and securing the funds needed.
- 2.6.5 Fixed rate loans account for 86.10% 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 7.43% of all debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in any one particular future year, when interest rates might be at a relatively high level.
- 2.6.6 The primary source of the Council's borrowing is from the Governments PWLB representing 70.02% of total external borrowing.
- 2.6.7 The Council continues to hold £61.5 million of LOBO (Lender's Option Borrower's Option) loans which represents 13.75% of total external borrowing. LOBO loans are where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option to propose an increase in the interest rates during the year.

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

	2020/21 £m actual	2021/22 £m forecast	2021/22 £m actual
General Fund CFR - Non PFI	500.1	539.9	556.1
PFI	42.5	39.4	39.4
HRA CFR - Non PFI	170.3	170.5	166.0
PFI	48.1	45.2	45.2
Total CFR	761.0	795.0	806.7
Less: PFI debt liabilities	90.6	84.6	84.6
<b>Borrowing CFR</b>	<b>670.4</b>	<b>710.4</b>	<b>722.1</b>
Other deferred liabilities	3.7	3.7	3.6
Internal borrowing	240.9	222.9	249.6
External borrowing:			
PWLB Loans	271.5	330.4	313.3
LOBOs	61.5	61.5	61.5
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other Loans (Fixed Rate)	44.3	43.4	65.6
Temporary borrowing	41.5	41.2	21.5
Total External borrowing	425.8	466.1	468.9
<b>Total Funding</b>	<b>670.4</b>	<b>692.7</b>	<b>722.1</b>
Investments	37.1	30.0	78.9

2.6.9 In terms of debt rescheduling, the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity in 2021/22.

2.6.10 The average long-term borrowing rate for 2021/22 for the Council's long-term loans outstanding was 3.84% (4.46% 2020/21).

## 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 receipts was £2.7 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 2021/22. Training was provided to Members on 30 November 2021.

### **Looking ahead – Treasury Management developments in 2022/23**

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

- 2.9.1 As outlined within the Council approved Treasury Management Strategy 2022/23, 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 (£5.3 million outstanding as at 31 March 2022) 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 2022/23 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 2022 there are assets under management of £1,439 million. The Fund aims to provide investors with regular revenue income and long-term price stability 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 3.25% in 2021/22 (4.30% 2020-21), which compares with average 0.12% on other short-term investments (see paragraph 2.4.1 above). Net income of £0.349 million was received by the Council in 2021/22 (£0.366 million in 2020/21).

2.11.4 In the nine months to December 2021 improved market outlook was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the CCLA. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January-March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets. In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified.

2.11.5 Unrealised cumulative capital gains of £0.6 million 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 on 31 March 2023. The Government has indicated this override may be extended or become permanent.

2.11.6 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 Council'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 to fund the capital plan is to use a combination of short and

long-term borrowing. 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, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

- 2.12.2 With short-term interest rates remaining much lower than long term rates, the Council considered it more cost effective in the near term to use internal resources and to borrow temporary short-term loans instead. With the continued recent volatility in PWLB rates and the recent increases, medium-term loans over shorter time frame, will also continue to be considered as the opportunities present themselves.
- 2.12.3 Long term loans from the PWLB will continue to be taken when gilt yields drop and the opportunity to take those fixed rate loans is presented. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained and having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.
- 2.12.4 As noted in the recent 2022/23 Treasury Management Strategy report, the Council will also consider the opportunity to arrange forward starting loans (with alternative lenders as these are not available through the PWLB), where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. Again, this would only be undertaken after having considered the appropriate duration and structure of the borrowing need based on realistic projections, and with ongoing consultation with Arlingclose.
- 2.12.5 On 11 May 22 The Levelling Up and Regeneration Bill was introduced to Parliament along with further updated PWLB guidance for applicants. The Bill included unexpected proposals to amend the Local Government Act 2003 to give the Secretary of State wide-ranging powers to issue local authority 'risk mitigation' directions. These could include asset sales or limits on borrowing with intervention triggered by a range of risk thresholds, for example, the amount of debt held in relation to financial resources, and 'other metrics'. HM Treasury will consult on the detail of the risk metrics referred to in the Bill, at a later date.
- 2.12.6 The updated PWLB guidance states that the PWLB will not advance new loans if there is more than negligible risk that the newly advanced loan will not be repaid without future government support. HM Treasury considered it necessary to clarify this in response to the continued build-up of very high levels of debt and associated credit risk in some local authorities. If a Council's debt level is flagged, it will be required to explain how it is managing financing risks. HM Treasury noted though, that authorities complying with the Prudential Code should not expect any change in their ability to access PWLB loans or to the process of applying for a loan, unless contacted by HM Treasury regarding specific concerns.

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

- 3.1 Working with People – N/A**
- 3.2 Working with Partners – N/A**
- 3.3 Place Based Working – N/A**
- 3.4 Climate Change and Air Quality – N/A**
- 3.4 Improving outcomes for children - N/A**

**3.5 Other (e.g. Legal/Financial)** – 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**

This report was considered and endorsed at Corporate Governance and Audit Committee on 17 June 2022 and will be submitted to Cabinet for consideration on 9 August 2022. Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

#### **5. Next steps and timelines**

5.1 Following consideration at Cabinet, this report will be presented to Council on 7 September 2022.

#### **6. Officer recommendations and reasons**

6.1 Having read this report and the accompanying Appendices, Cabinet are asked to note the treasury management performance in 2021/22 as set out in this report, prior to its submission to Council;

#### **7. Cabinet portfolio holder's recommendations**

The Cabinet portfolio holder notes the borrowing and investment performance as detailed in this report.

#### **8. Contact officer**

James Anderson	Head of Accountancy
Rachel Firth	Finance Manager

#### **9. Background Papers and History of Decisions**

CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition

CIPFA's Prudential Code for Capital Finance in Local Authorities 2021 edition

Public Works Loan Board Website.

Treasury Management 2021/22 Strategy Report approved by Council on 10 February 2021.

Treasury Management 2022/23 Strategy Report approved by Council on 16 February 2022.

#### **10. Service Director responsible**

Eamonn Croston

01484 221000

**APPENDIX 1**

Kirklees Council Investments 2021/22											
Counterparty	Credit Rating Mar 2022*	1 April 2021			30 September 2021			31 March 2022			
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
<b>Specified Investments</b>											
Santander	Bank	F1/A+	5.0	0.30%	35 Day Notice	5.0	0.10%	35 Day Notice	0.0	0.35%	35 Day Notice
Barclays	Bank	F1/A+	0.6	0.01%	Instant Access	0.0	0.01%	Instant Access	0.0	0.01%	Instant Access
Aberdeen Standard	MMF**	AAAmmf	8.6	0.01%	Instant Access	10.0	0.01%	Instant Access	8.9	0.51%	Instant Access
Aviva	MMF**	Aaa-mf	7.0	0.01%	Instant Access	6.1	0.01%	Instant Access	10.0	0.51%	Instant Access
Deutsche	MMF**	AAAmmf	5.9	0.01%	Instant Access	10.0	0.02%	Instant Access	0.0	0.49%	Instant Access
Goldman Sachs	MMF**	AAAmmf	0.0	0.00%	Instant Access	0.0	0.00%	Instant Access	3.3	0.48%	Instant Access
PCC for Devon & Cornwall	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	10.0	0.60%	Local Authority
PCC for Dorset	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	10.0	0.60%	Local Authority
Debt Management Office	Cent Govt		0.0	N/A	Cent Govt	0.0	N/A	Cent Govt	26.7	0.55%	Cent Govt
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			<b>37.1</b>			<b>41.1</b>			<b>78.9</b>		
<b>Sector Analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
Bank			5.6	15%		5.0	12%		0.0	0%	
MMF**			21.5	58%		26.1	64%		22.2	28%	
Local Authorities/Cent Govt			0.0	0%		0.0	0%		46.7	59%	
Property Fund			10.0	27%		10.0	24%		10.0	13%	
			<b>37.1</b>	<b>100%</b>		<b>41.1</b>	<b>100%</b>		<b>78.9</b>	<b>100%</b>	
<b>Country analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
UK			15.6	42%		15.0	36%		56.7	72%	
MMF**			21.5	58%		26.1	64%		22.2	28%	
			<b>37.1</b>	<b>100%</b>		<b>41.1</b>	<b>100%</b>		<b>78.9</b>	<b>100%</b>	

\*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:**

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

## Appendix 2

### Long-term loans repaid and short-term loans outstanding 31 March 2022

#### Long-term loans repaid during 2021/22

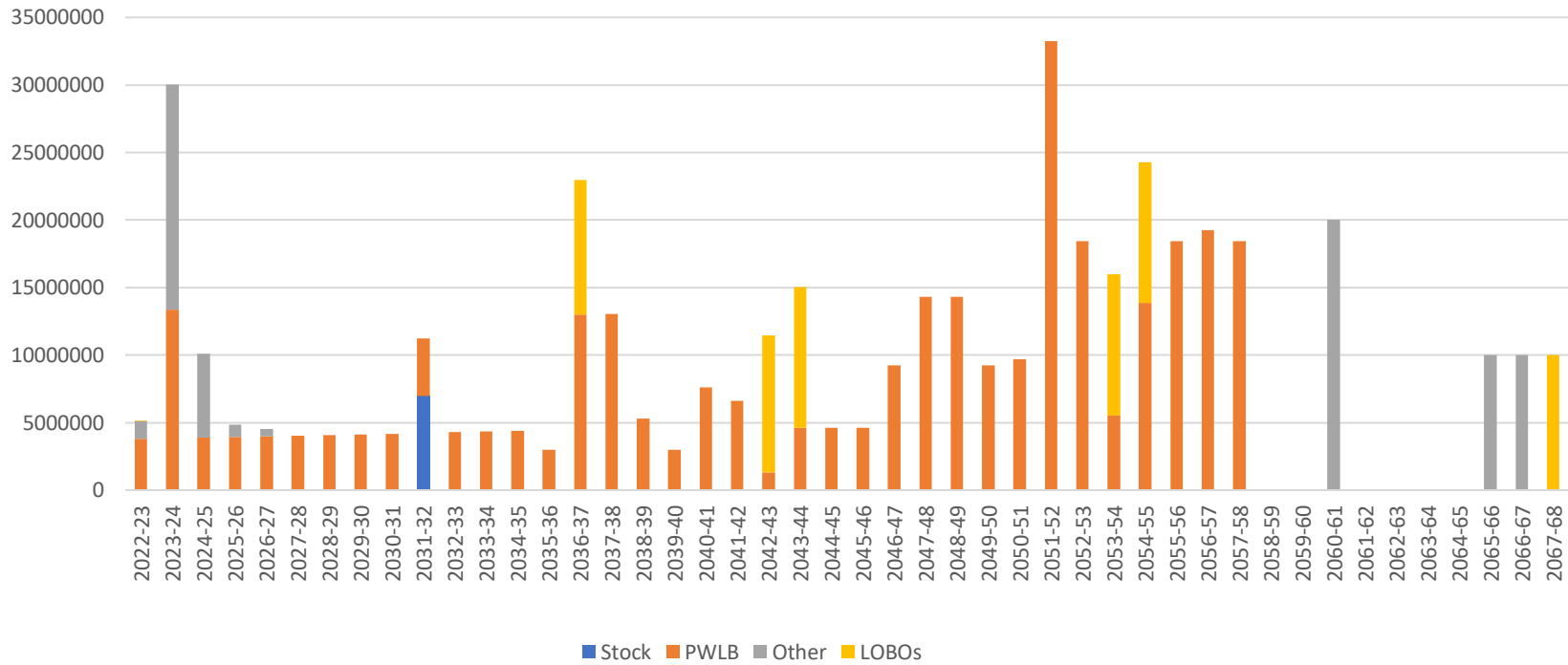
	Amount £000s	Rate %	Date repaid
<b>Repayments on maturity</b>			
PWLB (475156)	6,458	8.625	14 Feb 22
<b>Repayments on annuity loans</b>			
PWLB (496956)	386	4.58	29 Sep 21
PWLB (496956)	395	4.58	29 Mar 22
<b>Repayments on EIP loans</b>			
PWLB (313112)	250	1.64	6 Sep 21
PWLB (340221)	250	1.63	27 Oct 21
PWLB (373440)	250	1.46	12 Jan 22
PWLB (313112)	250	1.64	4 Mar 22
<b>Total</b>	<b>8,239</b>		

#### Short-term loans outstanding 31 March 2022

	Amount £000s	Rate %	Length (days)
<b>Temporary borrowing from the Money Market</b>			
Liverpool City Region Combined Authority	5,000	0.40	62
Middlesbrough Council	5,000	0.13	54
Greater Manchester Combined Authority	5,000	0.45	89
Oxfordshire County Council	5,000	0.70	184
<b>Local lenders/Trust Funds</b>	1,492		
<b>Total Temporary borrowing</b>	<b>21,492</b>		
<b>Long-term loans due to mature in the next twelve months</b>	5,167		
<b>Total</b>	<b>26,659</b>		

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

**Appendix 3**



**Appendix 4**

**Kirklees Council - Borrowing and Investment Trends**

<b>At 31 March</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<u>Investments</u>	78.9m	37.1m	52.0m	39.1m	36.1m	31.3m
ST Borrowing (excl interest accrued)	26.6m	50.0m	53.2m	11.8m	20.8m	37.7m
LT Borrowing	442.3m	375.8m	373.7m	384.1m	392.4m	400.5m
<b>Total Borrowing</b>	<b>468.9m</b>	<b>425.8m</b>	<b>426.9m</b>	<b>395.9m</b>	<b>413.2m</b>	<b>438.2m</b>
Deferred liabilities (non PFI)	3.5m	3.6m	3.7m	3.9m	4.1m	4.1m
<b>Net debt position</b>	<b>393.5m</b>	<b>392.3m</b>	<b>378.6m</b>	<b>360.7m</b>	<b>381.2m</b>	<b>411.0m</b>
<u>Capital Financing Requirement (excl PFI)</u>						
General Fund	556.1m	500.1m	461.6m	436.6m	420.3m	412.8m
HRA	166.0m	170.3m	175.3m	175.3m	182.8m	186.2m
<b>Total CFR</b>	<b>722.1m</b>	<b>670.4m</b>	<b>636.9m</b>	<b>611.9m</b>	<b>603.1m</b>	<b>599.0m</b>
Balances "internally invested"	249.6m	240.9m	206.1m	212.1m	185.8m	156.7m
Ave Kirklees' investment rate for financial year	0.1%	0.1%	0.7%	0.7%	0.3%	0.4%
Ave Base rate (Bank of England)	0.2%	0.1%	0.7%	0.7%	0.3%	0.3%
Ave LT Borrowing rate (1)	1.9%	2.3%	2.4%	2.5%	2.5%	2.5%

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



## APPENDIX 5

### **Treasury Management Prudential Indicators**

#### Interest Rate Exposures

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

	Limit Set 2021/22	Actual 2021/22
Interest at fixed rates as a percentage of net interest payments	60% - 100%	86%
Interest at variable rates as a percentage of net interest payments	0% - 40%	14%

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 2021/22	Actual Levels 2021/22
Under 12 months	0% - 20%	1%
12 months to 2 years	0% - 20%	8%
2 years to 5 years	0% - 60%	5%
5 years to 10 years	0% - 80%	7%
More than 10 years	20% - 100%	79%

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

#### Total principal sums invested for periods longer than 364 days

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

**APPENDIX 6**

