

**Name of meeting:** Cabinet

**Date:** 27 June 2023

**Title of report:** Council Financial Outturn & Rollover Report 2022/23 incorporating General Fund Revenue, Housing Revenue Account, Capital and Treasury Management

**Purpose of the Report**

To receive information on the Council's 2022/23 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for revenue and capital rollover from 2022/23 to 2023/24. 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</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Dean Langton – Yes</b>
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning?</b>	<b>Julie Muscroft – Yes</b>
<b>Cabinet member portfolio - Corporate</b>	<b>Cllr Paul Davies</b>

**Electoral wards affected:** All

**Councillors Consulted:** None

**Public or private:** Public

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

## 1. Summary

### 1.1 General Fund

- 1.1.1 The Council's revised General Fund controllable (net) revenue budget for 2022/23 was **£350.5m**. The budget included planned (net) revenue savings in-year of £2.5m.
- 1.1.2 The revised budget is net of a number of planned transfers to and from reserves during the year, with the most significant being £2.7m from Specific Risk reserves, £2.1m from COVID reserves, £2.1m from Development Funding reserves, £1.4m from the Demand reserve and £1.3m from the Social Care reserve.
- 1.1.3 Council spend was £377.5m in 2022/23, which reflects an overspend of £27.0m; equivalent to 7.7%. This was attributable in part to specific Cost of Living pressures above budgeted assumptions that are set out in detail in this report.
- 1.1.4 The revenue outturn position is summarised at Appendix 1 and in Table 1 below. Headline variances are described in more detail in sections 1.2 to 1.8.

**Table 1 - Overview of 2022/23 General Fund revenue outturn position**

	Revised Budget	Outturn	Total variance	Variance split:	
				Cost of Living	Other
	£000	£000	£000	£000	£000
Children & Families	97,321	103,844	6,523	2,875	3,648
Adults & Health	116,709	118,153	1,444	-	1,444
Environment & Climate Change	38,556	48,549	9,993	915	9,078
Growth & Regeneration	20,905	23,484	2,579	-	2,579
Corporate Strategy, Commissioning & Public Health	52,091	54,168	2,077	712	1,365
Central Budgets	24,898	29,300	4,402	10,553	(6,151)
<b>General Fund Total</b>	<b>350,480</b>	<b>377,498</b>	<b>27,018</b>	<b>15,055</b>	<b>11,963</b>

### 1.2 Cost of Living Pressures - Context

- 1.2.1 The 2022/23 budget plans were approved on 16 February 2022 and reflected the Administration's priorities and Council ambition in the Council Plan, including acknowledgement of the impact of the global pandemic and emerging global recovery, global supply issues, pent up consumer demand pressures on cost inflation, and labour supply recruitment and retention issues across all sectors of the economy.
- 1.2.2 Based on prevailing national and international macro-economic forecasts, it was anticipated that a number of these pressures would be transitory rather than structural in nature and this was factored accordingly into Council forward budget plans.

- 1.2.3 However, the Russian invasion in Ukraine in February 2022 delivered a further global shockwave with significant structural global and national macro-economic and societal impacts that are continuing to have an impact.
- 1.2.4 As at April 2023, Consumer Price Index (CPI) inflation was 8.7%; by far in excess of the Government's 2% target. The Bank of England bank rate also increased by 0.25 percentage points to 4.5% on 11 May 2023; the twelfth rise recorded since December 2021. This has pushed the rate to its highest since 2008. There is potential for further rises in the remainder of 2023 to attempt to counteract inflationary pressures in the economy.
- 1.2.5 A finance update report to Corporate Scrutiny Panel (CSP) on 5 July 2022 set out an early review of a number of key macro-economic factors that were likely to impact on the Council's in-year financial position, including significant price uplifts to gas and electricity, fuel and food.
- 1.2.6 The report presented to CSP also recognised the significant impact of Cost of Living pressures on residents, households, communities and businesses, and made reference to a range of current national government and Council 'hardship' support measures for the district's residents and businesses.
- 1.2.7 Subsequently, the Quarterly Financial Monitoring reports to Cabinet and the MTFS Update report and annual Budget Report to Cabinet and Council have set out projected impacts from the range of Cost of Living pressures on the Council's bottom line; whilst also recognising the ongoing volatility of forecasts in the current economic environment. The final cost of living impacts in 2022/23 amounted to a total of £15.1m as per Table 1. The pressures are considered in more detail below.

#### Pay award +£8.6m

- 1.2.8 The local government sector national employer representatives agreed a pay award for 2022/23 of a flat rate £1,925 to directly employed Council employees. This resulted in an overspend of £8.6m when compared to the budgeted uplift level of 2%.

#### Energy inflation +£5.6m

- 1.2.9 Unprecedented inflationary increases in energy prices resulted in an overspend of £2.0m for Council direct costs, shown within Central Budgets. Initial in-year projections were greater than this, but forecasts gradually reduced over time to year-end reflecting the relative stabilisation of the energy market, the impact of the Government's Energy Bill Relief Scheme on estimated bills, and a review of energy consumption estimates including in-year management actions to reduce energy consumption across a number of Council buildings.
- 1.2.10 There was a further overspend of £2.9m within Children & Families (Learning Services) due to costs borne by the Council in excess of annual RPI relating to energy charges for PPP 1 and 2 contracts with 19 schools. While there is a base budget available, the unprecedented energy price uplift in 2022/23 significantly increased these costs.
- 1.2.11 There was also a £0.7m energy pressure on Kirklees Active Leisure (KAL) budgets; aligned to Corporate Services (Sports and Physical Activity). The Council has provided extensive support to KAL through the pandemic period 2020-22 and also in 2022/23, with earmarked Government COVID funding totalling £9.5m to date, alongside a Sports England grant of around £1m.

## Fuel/Food inflation +£0.9m

- 1.2.12 Within Environment & Climate change, there was a catering pressure of £0.3m due to increasing food costs, and a further £0.6m pressure on Transport services due to high fuel prices.
- 1.2.13 In addition to the Cost of Living pressures noted above, there were other pressures across Directorates in 2022/23. These are summarised in sections 1.3 to 1.8 below.

## **Directorate Outturn Overview**

- 1.2.14 In addition to the Cost of Living pressures noted above, which affected directly the Council's own cost base, there were other similar pressures across Directorates in 2022/23 which resulted in an overspend of c£12m. Some of these pressures were:-
- i) also related to the broader impact of the Cost of Living crisis on residents ability to afford to use Council services or which created additional demand for those services;
  - ii) a consequence of the continuing recovery from the impacts of the COVID Pandemic. This was particularly the case with car parking where, in addition to there being less capacity, there was less than anticipated use;
  - iii) due to the additional costs of transformation where the Council is taking action to reduce costs in the longer term but which require short term additional costs. An example of this is in relation to the Corporate Landlord where the Council is taking action to reduce its longer term property costs but is incurring additional holding costs pending the disposal of properties.
- 1.2.15 In recognition of the expectation that some of these pressures would persist into the current financial year, additional budget provision was made as part of the approved Budget for 2023/24. At the same time, action was taken in advance of the budget to increase various fees and charges which, at this stage, appear to be delivering additional income in line with budgeted levels. These matters aside, however, there remain various structural budget issues that will need to be considered in the development of the Council's budget for 2024/25.
- 1.2.16 Further detail of the variances by each Directorate is provided in sections 1.3 to 1.8 below.

## **1.3 Children & Families +£3.6m**

### High Needs

- 1.3.1 There was an in-year spend on High Needs spend in excess of the Dedicated Schools Grant (DSG) funding allocation of £13.6m (equivalent in-year deficit in 2021/22 was £12.8m). The overall DSG Deficit was £28.8m at 31 March 2023. This is off track with the Safety Valve modelled projections by £5.8m. The increase in costs was mainly due to rising complexity and demand in mainstream schools. The latest 5 year management plan projection still reflects an overall in-year balanced budget position by 2026/27 with a projected remaining balance of DSG deficit now at £1.4m; significantly reduced from the baseline starting point £35m deficit projection at year end 2021/22 prior to the Council's participation in the Safety Valve Round 2

Programme in February 2022.

- 1.3.2 Quarterly reports are submitted to the ESFA to highlight the progress towards the safety valve planned position and the Council continues to have regular meetings with the ESFA Safety Valve Team to track progress. The management plan also allows for some flexibility to review spend and funding profiles over the lifetime of the Plan, with appropriate DfE Safety Valve agreement where circumstances permit.
- 1.3.3 Costs continue to increase in relation to High Needs expenditure. The two main areas with additional cost pressures are Mainstream Top-Ups and Independent School Places. Mainstream top ups have increased by £1.5m due to increases in complexity and top up rates to reflect pay awards. The vast majority of Education, Health & Care Plans (EHCP) awarded are now at Band A or Band A exceptional which is the highest level of funding provided. Independent School Places costs are increasing by approximately £0.5m due to rising numbers and placement costs; including an element of placement costs that relates to Cost of Living impacted inflationary increases.
- 1.3.4 As part of the signed DSG deficit agreement, and the Council's continuing contribution towards the in-year DSG deficit savings target, £1.4m of costs that would otherwise have been recharged from Learning & Early Support to the High Needs block have instead been absorbed. Due to the timing of the management agreement, the 2022/23 costs have been offset from demand reserves drawdown, and the intention is to build the additional cost absorption into subsequent service budget development for 2023/24 onwards.

#### Learning +£2.3m

- 1.3.5 The School Improvement Grant reduced significantly in 2022/23 (£429k 21/22, £175k 2022/23). To mitigate the impact of this, the service is developing a new Challenge and Support approach with the Education and Learning Partnership Board and exploring ways to maximise income generation.
- 1.3.6 Traded Service income has reduced since the pandemic. The service is looking to redesign its offer.
- 1.3.7 Post 16 Transport continues to be a pressure. Additional budget of £0.6m was invested for 2022/23, but the activity was still £0.8m overspent in-year. Increases in fuel costs contributed in part to this overspend position. At the end of March 2023, 388 children use the service; an increase of 174, or 81%, since the end of March 2022. The increase in Post 16 Transport costs has been netted off from vacancy management across the service.
- 1.3.8 There was an overspend of £0.7m in the Special Educational Needs and Disability Assessment and Commissioning Team (SENDACT). This was primarily due to the use of agency staff to cover vacancies and sickness absence. It should be noted that agency usage is now at a minimum and has ended in March 2023 as the substantive posts have now been successfully recruited to.
- 1.3.9 There was also an overspend of £0.8m on Special Educational Needs and Disability Inclusion Fund (SENDIF). The overspend was a result of the continued increase in the numbers of children accessing the system and a rising complexity of need in these cases. Work is ongoing within the service to redesign the approach to SENDIF which will be co-produced with partners.

- 1.3.10 Educational services for Vulnerable Children (Education Psychologists) overspent by £0.3m at year end. This was due to the use of Locum Educational Psychologists to cover substantive vacancies and provide additional support to help manage the increasing workload for this team as a result of the continuing increase in the number of requests for EHCP assessments.

#### Family Support & Child Protection +£1.0m

- 1.3.11 The £1.0m overspend within Child Protection and Family Support was largely a result of increased volumes and complexity of need on demand led Children with Disability Service (CDS) Agency Homecare Packages. The main area of this budget relates to Demand Led Sufficiency. Costs also increased because of Orchard View being unavailable at the moment and alternative placements needing to be utilised. The service is also experiencing increasing numbers of UASC (Unaccompanied Asylum Seeking Children).
- 1.3.12 The service continues to ensure that children only become looked after when this is necessary resulting in the number of looked after children (LAC) reducing during 2022/23 from 610 to 603. This is testament to the quality of practice from early support services, social work interventions and other creative and innovative practice. It is important to note that LAC numbers have been maintained at the same position as they were 12 months ago at 63.3 per 10,000 which must be seen in the context of significant demand increases being experienced in many local authorities currently. Kirklees performance remains strong as highlighted in our 12-month average rate which is 62.9 per 10,000 compared to Statistical Neighbours (SN) rate of 92 and England at 70.
- 1.3.13 It is also important to note that decision making about children entering care continues to be overseen by senior managers providing scrutiny and challenge to children's plans. In addition, there is robust oversight of children's permanence plans which prevents children remaining in care unnecessarily. Over the previous 12 months the Council continued to see a large number of children living with carers through special guardianship orders and Kirklees performance, when compared to SN and England, above average.
- 1.3.14 The service also achieved an in-year vacancy management saving of £1.4m; this has helped to mitigate other in year pressures across the service.

#### Resources, Improvements & Partnerships +£0.3m

- 1.3.15 There was an overspend of £0.3m within Resources, Improvements and Partnerships. This was a result of increased costs in Internal Residential Homes due to staff shortages, sickness and the use of agency, casual bank and overtime to manage these shortages. In-year measures were put in place to manage this situation and the costs were reduced demonstrated by a lower overspend than anticipated earlier in the year. The service will continue to look at ways to reduce the use of agency and overtime to control the overspend with a view to significantly reducing this in 2023/24. In addition to these increases in costs, an uplift to foster carer payments is included in the figures.

## 1.4 Adults and Health +£1.4m

- 1.4.1 The overall position for Adults was an overspend of £1.4m. Variances have been seen across key demand-led headings, notably on Independent Sector Home Care, on Independent Sector Residential & Nursing Placements, and on Self Directed Support.
- 1.4.2 One of the main headline demand led variances was around Self-Directed Support, with an underspend of £3.4m. Significant elements of this related to Older People (£1.5m under), predominantly on Direct Payments, and also on Learning Disability (£1.9m under), largely on commissioned services. Against these, the Physical Disability client group was overspent against its budget by £0.5m, mainly on Direct Payments.
- 1.4.3 An overspend was seen on Independent Sector Residential & Nursing placements of £1m. This was mainly on the Learning Disability cohort at £0.7m (due to higher prices), and on the Older People cohort (£0.6m) around increased volumes. Work continues with providers in the care home market around key pressures, and trends in the short and long term. Working with partners continues to be important.
- 1.4.4 Independent Sector Home Care also overspent by £1.1m. Within this variance Learning Disability was £0.4m over (due to activity levels and on unit costs) and Older People was £0.7m over (higher unit costs).
- 1.4.5 Other headline variances were around employees (with an overspend of £1.4m). Pressures have continued in relation to recruitment and retention in the workforce, resulting in the use of agency staff where necessary. There were also smaller variances across a number of other headings, and an overspend of £0.8m due to the need to cover an increase in the level of bad debts being seen.
- 1.4.6 There has been significant work carried out as part of the Market Sustainability and Fair Cost of Care national programme, which was focused on the markets for Home Care and for Independent Sector Residential and Nursing Placements. Work around this will continue into next year.
- 1.4.7 The year also saw activity and spend around discharge funding. This has been a programme undertaken with Health partners to enable more timely discharge from hospitals. Work around this also continues into 2023/24.
- 1.4.8 There is also work being undertaken to understand the timing and impact of the national Charging Policy Reforms, and to ensure best use of the national funding allocations for Social Care. Alongside the increased Cost of Living impacts on providers there is a sustained impetus for working collaboratively in a strategic manner, ensuring that the Council continues to address the issues in the market, whilst bringing the best outcomes for the residents of Kirklees.

## 1.5 Environment and Climate Change +£9.1m

### Environmental Strategy and Climate Change +£3.3m

- 1.5.1 There was an overspend of £2.9m on Schools Transport in the main linked to an increase in the number of routes to out of area schools and increased costs. A further £3.2m was built into Schools Transport base budgets as part of the approved 2023/24 Budget Report to Council to address these pressures. It should be noted that this additional budget also relates to the Post 16 elements of Schools Transport; referred to at paragraph 1.3.7.

- 1.5.2 There was also a £0.3m overspend within Licensing resulting from a shortfall of income.

#### Highways and Streetscene +£3.2m

- 1.5.3 There was an overspend of £1.2m within Highways, with approximately £0.6m of the additional costs relating to hired vehicles, materials and subcontractors within Highways operations. The remaining £0.6m pressure was on General Maintenance reactive works.
- 1.5.4 There were also pressures of £1.1m within parking largely due to multi storey and other site closures and lower than budgeted parking fees and fines income. Adverse Weather budgets were overspent by £0.6m due to above average gritting, night patrol actions and snowfall.
- 1.5.5 Within Waste services there was a net underspend of £0.2m. This was attributable to an underspend in the waste contract due to reduced tonnage sent to landfill, offset in part by additional costs for hired staff and external hire vehicles for recycling and waste strategy initiatives. Transport Services had an overspend of £0.5m due to the increased costs of running an aging fleet.

#### Culture and Visitor Economy +£2.6m

- 1.5.6 Within Catering there was a pressure of £1.2m due to a shortfall in income.
- 1.5.7 There were also overspends of £0.8m in Markets, £0.3m in Town & Public Halls and £0.3m in Bereavement largely due to reduced income. It should be noted that the income base budget for Markets was adjusted downwards by £0.3m as part of the approved 2023/24 Budget Report to Council.
- 1.5.8 Caretaking and Cleaning had an underspend £0.4m; mainly because of additional ad hoc and specialist cleaning.

### **1.6 Growth and Regeneration +£2.6m**

#### Development +£2.2m

- 1.6.1 Within Development, there was an overspend of £2.5m on Property. This included overspends in Corporate Landlord due to greater than expected cost of repairs (£0.2m), cleaning of council buildings (£0.2m) and compliance inspections (£0.1m). There are also some residual costs related to COVID, including the PPE store (£0.3m) and homeworker furniture (£0.1m).
- 1.6.2 A further £0.9m of the overspend relates to Commercial Properties. This includes rents that are unachievable (£0.7m), greater than expected NNDR charges (£0.3m) & repairs (£0.1m).

#### Skills & Regeneration +£0.4m

- 1.6.3 There was a £1.0m overspend in Planning and Building control due to lower than expected demand for planning and inspections. This was largely offset by smaller underspends elsewhere within Skills & Regeneration including Major Projects (£0.3m) and Employment and Skills (£0.4m).

## **1.7 Corporate Strategy, Commissioning and Public Health +£1.4m**

### Strategy & Innovation (break-even)

- 1.7.1 There was an overspend of £0.5m within IT. This related to annual application and infrastructure contract inflation, plus inflation on other spend areas; offset in part by temporary underspending on staffing.
- 1.7.2 There was also an overspend of £0.5m within Intelligence and Performance, relating to hired staff costs and consultancy spend to cover some vacancies.
- 1.7.3 The 2023/24 Annual Budget report noted proposals to implement a Council flexible capital receipts policy from 2022/23 onwards. This included the anticipated use of in-year capital receipts against 2022/23 transformation related base budget costs, thereby releasing equivalent revenue resource. This was actioned at year end, resulting in a £0.9m underspend within Transformation.

### Public Health & People +£0.9m

- 1.7.4 There was an overspend of £0.9m within People Service. This largely related to staffing overspends within both HR, with regards to succession planning, and HD-One, for specific projects.

### Governance & Commissioning -£0.2m

- 1.7.5 Within Governance and Commissioning, there was an underspend of £0.5m in relation to increased charges to capital and reduced external costs. This was offset in part by directorate savings targets unachieved.

### Finance -£0.2m

- 1.7.6 Within Finance there was a £0.4m underspend in Welfare and Exchequer. This included underspends on grant payments, due to alternative sources of funding, and lower than budgeted staffing costs.

### Benefit Payments +£0.9m

- 1.7.7 There was a £0.9m overspend on subsidy benefit payments relating to homelessness. The underlying cost pressure of £2.3m was offset by £1.4m of Homelessness Grant.

## **1.8 Central Budgets -£6.2m**

- 1.8.1 The 2022/23 Annual Budget Report included a provision of £4.0m, reducing by £1.0m per annum over the subsequent 2 years, reflecting the protracted recovery of service income from sales fees and charges and commercial rents as a result of COVID over the medium term. The full £4.0m contingency was released from central budgets in-year to offset service losses held within Directorates.
- 1.8.2 There was also a pressure of £0.5m from a review of central budget income targets. This was offset in full by a £0.5m underspend resulting from the mini budget announcement in September of the reversal in the National Insurance 1.25% uplift from 6 November 2022.
- 1.8.3 As part of the Final Local Government Finance Settlement on 6 February 2023, it was announced that £100m would be distributed across councils from the 2022/23

business rates levy account. Kirklees' allocation was £0.7m, and this income is recognised in central budgets in 2022/23.

- 1.8.4 The Council's revenue budget includes estimates of various un-ringfenced grants from government which can be used to support overall general fund spend priorities. A surplus of £0.6m of these grants was received in 2022/23 compared to the budgeted estimates. This surplus is held within central budgets.
- 1.8.5 There was also an underspend of £0.8m in relation to anticipated returned levy funding from the Leeds City Region business rates pool and a £0.3m surplus on the Insurance Fund that was transferred to general fund at year end.
- 1.8.6 Within Joint Committees, there was an overspend of £0.3m. In the main, this related to pressures within the Coroners budget.
- 1.8.7 In line with last year's closedown process, an exercise was conducted to capitalise £1.3m of costs previously allocated to revenue in-year, within allowable accounting rules and existing Council policies. This released revenue within Central Budgets, which was then transferred into earmarked reserves. (see also paragraph 1.12.14).

#### Flexible Capital Receipts

- 1.8.8 The Council's flexible capital receipts strategy was applied in relation to £2.9m of transformation related spend (see also paragraph 1.12.15). 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 3 of the Flexible Capital Receipts strategy which can be found at Appendix 10.

### **1.9 General Fund Reserves**

- 1.9.1 General Fund reserves and balances have decreased through 2022/23 by £70.2m; from £166.8m at the start of the year to £96.6m as at 31 March 2023. This compares to a projected year end figure of £98.8m assumed in the 2023/24 Annual Budget Report; equating to a difference of only £2.2m.
- 1.9.2 The difference from the Budget Report projections reflects additional net drawdowns of £5.5m in-year, including £3.8m from School balances, offset by a lower than anticipated revenue overspend. Estimates in the budget report assumed an overspend of £30.3m, in line with Quarter 2 projections. The final overspend position of £27.0m reflects a £3.3m reduction from this estimate; thereby reducing the impact on general balances by this amount.
- 1.9.3 Of the £70.2m in-year reduction in General Fund Reserves, £27.7m relates to transfers approved in the 2022-27 Annual Budget report. The remaining £42.5m balance of movement is broken down as follows:
- i) £11.4m planned net drawdowns from reserves during the year, including the £3.8m from Schools Balances as noted in 1.9.2 above. The most significant drawdowns to support Directorate spending were £2.7m from Specific Risk reserves, £2.1m from COVID reserves, £2.1m from Development Funding reserves and £1.3m from the Social Care reserve.
  - ii) Drawdown of £1.4m from the demand reserve to offset annual General Fund costs previously recharged to High Needs block, now absorbed by Learning

Services as part of the Council contribution to the overall Safety Valve funding agreement (paragraph 1.3.4).

- iii) Drawdown of £2.7m from Specific Risk reserves to fund the creation of a bad debt provision with regards to KSDL, as currently negotiations are taking place between shareholders regarding restructuring.
- iv) Transfer of the 2022/23 overspend of £27.0m against unallocated reserves at year end.

1.9.4 The reserves summary, as set out in Appendix 2, also reflects the re-direct in year of £27.0m from existing earmarked reserves into unallocated reserves to offset the in-year overspend.

1.9.5 The unallocated reserves balance at 31<sup>st</sup> March 2023 was £47.1m; equivalent to 12.6% of the 2023/24 net revenue budget. There is also a further planned drawdown of £24.6m of unallocated reserves in 2023/24 to balance the overall budget position; approved in the Annual Budget report to Cabinet and Council in February and March 2023 respectively. This leaves a remaining unallocated reserves balance of £22.5m, or 6.0%, of the 2023/24 net revenue budget.

1.9.6 Unallocated reserves within the range of 5% to 10% are considered adequate from an external auditor's perspective, to manage a typical range of budget risks relative to a Council's size and complexity. However, over-reliance on one off revenue reserves to support annual balanced budgets over the medium term is not a financially sustainable strategy and the significant depletion in reserves over time leaves the Council very exposed to financial risks.

1.9.7 The s151 Officer's view is that 5%, or £18.7m, has to be considered the absolute minimum level of unallocated reserves for this council to hold at any one time. For a Council of this size and complexity, every opportunity must be taken over the next couple of years to replenish unallocated reserves further, thereby reducing the council's exposure to financial risks over the medium term.

## 1.10 Collection Fund

1.10.1 The Collection Fund accounts separately for council tax and business rates income and payments. Table 2 below summarises the financial performance of the Collection Fund in 2022/23.

**Table 2 – Collection Fund Summary**

<b>Collection Fund Outturn (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 2022</b>	<b>744</b>	<b>13,398</b>	<b>14,142</b>
Re-payments to/(from) General Fund 22/23	(1,026)	(15,135)	(16,161)
In year Financial Position	1,729	490	2,219
<b>(Surplus)/Deficit at 31 March 2023</b>	<b>1,447</b>	<b>(1,247)</b>	<b>200</b>
Planned Repayments to general fund 23/24	282	1,737	2,019
<b>Adjusted (Surplus)/Deficit</b>	<b>1,729</b>	<b>490</b>	<b>2,219</b>

1.10.2 The in-year Council Tax performance was a £1.7m deficit (0.8% of budgeted income). This position was largely due to reduced income because of higher than budgeted

exemptions and Single Person Discounts. There was also an increased bad debt provision requirement, resulting from slower than anticipated debt repayments linked to Cost of Living pressures on residents.

- 1.10.3 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.
- 1.10.4 At the end of March 2023 the working age CTR claimant numbers were in the region of 23,400. This represents a reduction of 1,100 since 31 March 2022, however this is also an increase since January 2023; where the numbers had dipped to around 23,100. CTR figures remain volatile going forwards into 2023/24, with the potential of a further rise over time as prevailing economic conditions are likely to mean increased unemployment rates and further growth in households eligible for CTR.
- 1.10.5 The in-year Business Rates performance was a net £0.5m deficit (1.0% of budgeted income).
- 1.10.6 Budget plans assumed an element of post-COVID recovery in Business Rates income in 2022/23. However, this estimated growth was not seen in-year, with Kirklees' total non domestic rateable value increasing by only 0.1% between 31 March 2022 and 31 March 2023. Approximately £1.5m of additional budgeted Business Rates income was therefore not achieved. Moving forwards, the 2023/24 Business Rates budget does not include this element of growth, and so this pressure is not expected to wash through to next financial year.
- 1.10.7 Furthermore, there was a requirement at year end to add an additional £0.4m (Kirklees share) into the appeals provision in relation to a reduction in RVs for museums. Similar reductions are expected to be happening nationwide, in response to a successful precedent case against the Valuation Office.
- 1.10.8 Government continued to provide further expanded reliefs in 2022/23 due to the economic impacts of COVID on specific business sectors. Eligible occupied retail, hospitality and leisure properties received a 50% relief, up to a cash limit of £100,000 per business. The overall amount of reliefs awarded in-year, including these expanded reliefs, was less than budgeted; thereby resulting in an underspend on this element of in the region of £1.5m for Kirklees. This offset, in part, the pressures outlined in the paragraphs above.
- 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 approved 2023/24 revenue budget included a repayment of £2.0m from the Collection Fund to General Fund in 2023/24; based on the estimated Collection Fund performance in 2022/23, as outlined in the above paragraph.
- 1.10.11 The net effect of the above adjustments leaves a Collection Fund deficit of £2.2m at the start of 2023/24.

## 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.
- 1.11.2 The HRA is reporting a deficit of £1.7m after a transfer from reserves of £4.5m. The deficit follows a review of inflationary pressures, where there was an increase in the contribution from HRA reserves by £1.8m and a commitment to in-year efficiency savings of £3m.
- 1.11.3 The main variances are as follows:
- i) Repairs and Maintenance – Deficit of £1.7m (Deficit of £2.5m less in year budget increase of £936k for inflation).
  - ii) Homes and Neighbourhoods Management costs underspend of £2.2m (Surplus of £1.4m following in year budget increase of £736k for inflation)
  - iii) Special services overspend of £1.3m which includes sheltered heating, communal cleaning, and concierge where charges should be passed on to tenants and leaseholders as part of a service charge. This is being reviewed further.
  - iv) Overspend for depreciation where the forecast is £1.1m more than initially budgeted for. This is based on the increased valuation of HRA properties and the increased cost of asset replacements.
  - v) Increased loss of rental income due to void properties of £832k. This is due to the time properties are left empty, but a piece of work is being carried out to assess how much of the void rent loss relates to properties where tenants have been decanted for the purpose of future demolition.
- 1.11.4 HRA reserves balance at 31 March 2023, which includes providing for business risks and investment needs, is £44.4m. A summary of the HRA outturn and reserves position can be found at Appendix 3.

## 1.12 Capital

- 1.12.1 The Council's revised capital budget programme for 2022/23 totalled **£179.3m** 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 £184.2m was reported as part of the Quarter 3 Corporate Financial Monitoring Report on 14 March 2023. Subsequent application of the FPR flexibility in-year through quarterly financial monitoring reporting largely contributed to a revised capital budget of £179.3m. The budget has decreased by £4.9m since Quarter 3 due to budget being re-profiled into latter years of the plan (-£10.7m) offset by increased grants and contributions (+£5.8m). A breakdown of the budget changes including the re-profiling requests since Quarter 3 can be found in Appendix 5.

- 1.12.4 The 2022/23 capital outturn was £146.2m, which is about £18m higher than equivalent capital outturn spend in 2022/23 of £128.2m. The variance at year end is £33.1m.
- 1.12.5 The capital outturn position is summarised in Table 3 below and Appendix 4. Headline variances are described in more detail in sections 1.12.8 to 1.12.13. Of the total £146.2m actual spend, £72.6m relates to strategic priorities, £67.2m relates to baseline capital spend, the balance of £6.4m to projects of a one-off nature.

**Table 3 – Capital Outturn 2022/23**

<b>By Category</b>	<b>Revised Capital Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Aspire & Achieve	14,886	11,464	(3,422)
Best Start	1,504	991	(513)
Independent	5,992	3,413	(2,579)
Sustainable Economy	114,953	90,193	(24,760)
Well	3,612	3,257	(355)
Safe & Cohesive	5	0	(5)
Clean & Green	5,097	4,601	(496)
Efficient & Effective	4,580	5,191	611
<b>General Fund</b>	<b>150,629</b>	<b>119,110</b>	<b>(31,519)</b>
Strategic Priorities	9,395	8,842	(553)
Operational	19,320	18,260	(1,060)
<b>Housing Revenue Account</b>	<b>28,715</b>	<b>27,102</b>	<b>(1,613)</b>
<b>Total Capital Budget</b>	<b>179,344</b>	<b>146,212</b>	<b>(33,132)</b>

- 1.12.6 Capital expenditure at year end was funded by the following sources of finance; borrowing £67.2m (46%), grants and contributions £48.1m (33%), capital receipts at £7.7m (5%), General Fund Reserves at £0.3m, Major Repairs Reserve (HRA) at £18.8m (13%) and HRA reserves/revenue contributions at £4.1m (3%). This is shown in more detail at Appendix 7 (a).
- 1.12.7 Actual borrowing costs incurred in 2022/23 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.

Sustainable Economy -£24.8m

- 1.12.8 Headline rollover proposals relate to underspends mainly within Sustainable Economy. The majority of this relates to Strategic Priority schemes. The Cultural Heart programme underspent by £8.5m due to Gateway 3 being pushed back from January 2023 to June 2023 and consequently the expenditure profile has been slower than the original forecast and approved budget.
- 1.12.9 Huddersfield Town Centre Action Plan underspend of £6.1m, was made up of various under and overspends, the largest underspends being £3.5m on the Huddersfield Station Gateway and £1.9m on Estate Buildings HAZ scheme. Dewsbury Town Centre Action Plan's (£2.5m) largest variance was on Sustainable Transport which is funded by grant. The underspend of £1.3m was due to awaiting payment now anticipated in

April. The Transforming Cities Fund underspend of £2.7m is a result of significant slippage on achieving planning consent and the subsequent development of full business case on the Heckmondwike Bus Station scheme (£0.6m).

- 1.12.10 Underspends within Baseline Capital plans are largely found within the Highways Capital Plan which is funded mainly via CRSTS grant. Highways underspent by £2.5m, with the majority of slippage within the Principal Roads programme area. Corporate Landlord Asset Management baseline plan experienced delays in the programming of several schemes due to longer lead in times from material shortages in the market and limited internal and external design and delivery resourcing availability, leading to an underspend of £2.2m.

Aspire and Achieve -£3.4m

- 1.12.11 An underspend of £1.1m relates to New Pupils Places in Primary/Secondary Schools linked to delays in programme delivery on Manor Croft, an outstanding final account agreement on King James's Academy Schools and denied lender consent on the Thornhill Community Academy PPP scheme. Also disputes in final accounts, holding retention payments on contracts and lack of resources both internally and in the external market has led to the deferral of schemes from the Capital Maintenance programme leading towards an underspend of £2.1m.

Independent -£2.6m

- 1.12.12 Slippage on the Knowl Park House new build scheme of £1.4m contributed towards the overall underspend within the Adults capital plan. There were also delays on the Carephones Digital Switchover (£0.6m) and Carefirst System Replacement (£0.4m) projects, requiring these underspends to be rolled forward into the following financial year.

Housing Revenue Account -£1.6m

- 1.12.13 There was an underspend within Compliance of £0.6m due to slippage but all works are contractually committed. The Adaptations programme underspend of £0.5m was due to delays in not clearing out the backlog as quickly as anticipated. The Remodelling/High Rise variance of £0.4m underspend was due to the commencement of the Harold Wilson Court scheme being delayed, with the start on site now projected for June 2023. Council House Building however overspent by £0.4m as a result of works being completed sooner than anticipated.
- 1.12.14 In line with last year's closedown process, an exercise was conducted to capitalise £1.3m 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 2023/24 and beyond (see paragraph 1.8.7). Funding of this additional capitalisation year end spend was met via un-ringfenced capital receipts.
- 1.12.15 Under the flexible capital receipts policy, £3m for Transformation Capitalisation was set aside in the budget for transformation costs. At year end £2.9m revenue transformation costs were capitalised, an underspend of £0.1m. These were funded from in-year capital receipts (see also paragraph 1.8.8).
- 1.12.16 Capital rollover proposals total £34.5m. The £1.4m difference between the £34.5m capital rollover requested and the overall outturn variance of £33.1m relates to the in-year revenue capitalisation exercise (£1.3m), the underspend on the Capitalisation

Transformation line (£0.1m) and grant schemes funded by resources in year whereby the overspend is not rolled forward. The Revenue Capitalisation and Capitalisation Transformation expenditure were met via uncommitted capital receipts corporately, they do not affect original service rollover proposals.

### **Capital Rollover Proposals**

- 1.12.17 When the Council approved the Capital Investment Plan on 8th March 2023 for the multi year period from 2022/23 to 2030/31, it made provision for a level of investment of £1.1bn within the Annual Budget Report (£829.8m General Fund, £273.3m HRA) for the period 2023/24 to 2030/31.
- 1.12.18 The proposal is to effectively re-profile planned spend totalling £34.5m from 2022/23 to 2023/24; £32.9m General Fund and £1.6m HRA. This largely reflects deferred spend against existing schemes rolled forward into future years.
- 1.12.19 The capital plan has now been updated to take account of the capital rollover totalling £34.5m from 2022/23 and changes in the estimated levels of resources available. The revised multi-year capital plan for 2023-24 to 2030/31 set out in this report, including re-profiled planned spend, stands at £1.2bn.
- 1.12.20 The draft capital plan 2023/24 including slippage, rephasing and any new planned investment, is shown at Appendix 7(a) and 8(b) and summarised in Table 4 below:

**Table 4 – Updated Capital Plan 2023/24-2030/31**

Capital Plan – Primary Outcomes	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 – 30/31 £m	Total £m
Aspire & Achieve	21.0	22.4	25.0	11.0	4.3	<b>83.7</b>
Best Start	2.9	0.0	0.0	0.0	0.0	<b>2.9</b>
Independent	8.1	2.8	4.5	4.7	1.3	<b>21.4</b>
Sustainable Economy	154.6	156.5	130.2	71.0	200.7	<b>713.0</b>
Well	5.3	2.6	1.7	0.7	0.0	<b>10.3</b>
Clean & Green	12.5	10.4	11.1	0.1	8.4	<b>42.5</b>
Efficient & Effective	6.8	6.0	1.0	1.0	0.9	<b>15.7</b>
General Fund	<b>211.2</b>	<b>200.7</b>	<b>173.5</b>	<b>88.5</b>	<b>215.6</b>	<b>889.5</b>
HRA - Independent	<b>48.7</b>	<b>51.1</b>	<b>63.4</b>	<b>58.3</b>	<b>90.6</b>	<b>312.1</b>
<b>Council Total</b>	<b>259.9</b>	<b>251.8</b>	<b>236.9</b>	<b>146.8</b>	<b>306.2</b>	<b>1201.6</b>

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

- 1.12.21 Updated Capital budget plans include significant investment within the Sustainable Economy outcome (£713m). This reflects the Council’s ambition to regenerate and celebrate the heritage of Huddersfield Town Centre as part of the Cultural Heart programme (£254m). Progress on the Cultural Heart is regularly reviewed by Cabinet through the gateway process with key milestones for progressing the programme. There is also significant investment on transport schemes totalling £101m, of which £95m is 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.
- 1.12.22 As part of Round 2 of government’s flagship Levelling Up Fund to create jobs and boost the economy, the government pledged £5.6 million for a public-private sector

regeneration which will see the derelict former textile mill in Marsden turned into retail, office and apartments complex. Plans include retaining the mill's façade with the remainder of the building being partially demolished to create a new building, which would support both local businesses and the town centre. The additional funding is reflected in the Regeneration of Smaller Town Centres Capital Plan which stands at £28m overall.

- 1.12.23 In October 2022, Cabinet approved a package of funding known as UK Shared Prosperity Fund (UKSPF) from the Mayoral Combined Authority to Kirklees Council to deliver local communities, and place and business initiatives. In addition to last year, a total of £0.9m has been added across the Capital Plan (£0.2m 2023/24, £0.7m 2024/25) to support schemes for Safe and inclusive Town Centres, St Peters Garden, Digital Hub investment, Playzone Ravensthorpe, Town Centre Business Advisor Programme and New English project.
- 1.12.24 In November 2022 the Department for Education announced an additional £447m in capital allocations for Energy Efficiency for schools on top of the Devolved Formula Capital (DFC) already allocated to eligible establishments in 2022-23. Kirklees received an additional £1.68m in 2022/23 which is now built into the revised 2023/24 DFC Capital Plan.
- 1.12.25 The Changing Places Fund is intended to invest up to £30 million nationally over 3 financial years from 2021/22 to increase the number of Changing Places toilets in existing buildings that are accessible to the public and small-scale infrastructure which are not covered by new building rules introduced in 2020. As part of the government's plans to increase the provision of Changing Places toilets, Kirklees was awarded £0.3m funding (£89k as part of Round 1 and £0.2m as part of Round 2) toward toilet provision to meet the needs of disabled children and adults with complex care needs who need carer support, appropriate equipment and more space, allowing all disabled people being able to take part in everyday activities with the same dignity as everyone else.
- 1.12.26 The Department for Education allocates funding each year to help maintain and improve the condition of school buildings and grounds. The school condition allocations (SCA), with funds paid to eligible bodies responsible for maintaining school buildings, have been announced with the Council receiving an additional £0.2m this financial year. The government grant allocations built into the 5 year Capital Plan approved by Council in March 2023 have been reviewed. Previously indicative annual grant assumptions for Capital Maintenance grant allocations have been revised from 2024/25 onwards within the updated Plan (+£0.1m p.a.). The principle to be adopted in applying the Capital Plan is that annual expenditure must be within the confirmed grant allocation (once received) rather than the current indicative Capital Plan figure.
- 1.12.27 A part of the Budget 2023, the Department of Transport (DfT) announced £200m for highways maintenance for the financial year 2023/24. £6.5m was allocated to the West Yorkshire Combined Authority and Kirklees was awarded £1.3m from this allocation. The additional Pot-hole funding is reflected in the updated Highways Plan in 2023/24, under Local Community Roads.
- 1.12.28 The Housing Revenue Account (HRA) multi-year capital plan stands at £312.1m, split £121.6m strategic priorities and £190.5m baseline allocations. The main elements of the multi-year HRA capital plan are:

High Rise	£56.1m
Additional Council Houses	£49.4m (Council Housing and Housing Growth)

Housing Capital Plan	£74.6m (Inc Estate Improvements & Fuel Poverty)
Building Safety	£98.7m (Inc six storeys, Low rise and RLS)
Ashbrow	£9.6m

- 1.12.29 To help address growing demand for affordable housing needs in Kirklees, the capital plan supports a Council House Building and Housing Growth programme (£49.4m). This programme has been reprofiled to address capacity and delivery. The Local Authority Housing Fund, for the provision of Refugee Housing accommodation for families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes is shown separately within the Plan at £4.7m.
- 1.12.30 The capital baseline includes the revised building safety investment of £98.7m overall, reflecting the Council's commitment to safe and compliant housing stock delivered in accordance with regulatory requirements within the HRA. A report was taken to Cabinet on 11 April 2023 seeking approval for a revised approach to the procurement and delivery of fire safety remedial works to 6-storey (£36m), low rise (£25m) and retirement living scheme blocks (£25m) and to endorse the direct award of contract for Hebden Court and Buckden Court to Fortem Solutions Limited.
- 1.12.31 The HRA plan also includes Adaptations at £17.3m; to give disabled people better freedom of movement into and around their homes and to give access to essential facilities within the home. It enables people to live safely and independently and prevents or delays the need for residential care. The balance of baseline funding supports a range of life cycle investment in existing housing stock in line with longer term HRA business plan requirements. Continued investment in a new replacement assets and maintenance system at £1.8m is also included in the overall plan.

### **Additional Borrowing Proposals**

- 1.12.32 The Council's Capital Assurance Board acts as a strategic group, overseeing all capital projects to ensure sound governance and project management is applied to both initial development of proposals and delivery of schemes. This report includes a number of specific capital schemes reviewed by the Board which are recommended for Cabinet approval in line with Council Financial procedure Rules. All the proposals detailed below request additional borrowing.

#### **Parking Machines +£0.9m**

- 1.12.33 Approval and investment are sought to replace the bulk of the Council's estate of parking ticket machines, to protect an income stream, reduce costs, enhance capabilities and functionality and reduce carbon emissions. Kirklees Council operates an estate of around 140 parking ticket machines in pay and display on and off-street parking areas in Huddersfield, Dewsbury and Holmfirth. This tangible asset has not had an overall refresh for many years, rather machines have been replaced and repaired ad-hoc often with second-hand parts. Consequently, the Council operates 10 different types of machines.
- 1.12.34 It is proposed to upgrade and replace our machine estate of approximately 140 parking machines in 10 tranches, over the next 2 years, at a cost of £910k. This would involve the immediate replacement of 24 obsolete machines which are no longer supported and for which parts are no longer available as well as the replacement of a further 26 machines for which parts are becoming very difficult to source. Further tranches would involve subsequent replacement of machines lacking functionality such as coin payment only, solar powered, no data management software. Further expansion of pay

and display machines will be identified as part of the Parking Strategy. An Executive Summary is appended to this report (Appendix 8).

- 1.12.35 Cabinet is requested to approve £0.9m for replacement parking ticket machines (£0.3m 2023/24, £0.6m 2024/25). The replacement of parking machines is seen in the context of the Huddersfield and Dewsbury Blueprints for regeneration, as well as the development of a broader parking strategy for Kirklees.

#### Burial provision in North Kirklees +£0.5m

- 1.12.36 An Immediate pressure point has been identified at Dewsbury Cemetery which will be full to new muslim burials by the end of 2023. The construction of a new burial ground is required to ensure the Council is able to continue to provide burial services within the north of the district for its residents. The development of a new burial ground will help to meet the identified shortfall in Burial capacity in the north of the district, to meet the burial needs of residents and communities.
- 1.12.37 The initial investment required for planning Authority fees and development support is needed in stages as the project progresses. Drawdown of this funding will be controlled via gateway decisions from a project board under delegated authority. The income received from a new cemetery is not additional income, but a continuation of existing income which is already part of the budget. An Executive Summary is appended to this report (Appendix 9).
- 1.12.38 Cabinet is requested to approve £0.5m for the land acquisition and development of a new cemetery in North Kirklees (£0.1m feasibility 2023/24, £0.4m land acquisition 2024/25). Provision of a new cemetery will bring some certainty to communities that there is a provision for loved ones and a facility that respects cultural values and requirements.

#### New Street Public Realm +£0.5m

- 1.12.39 The improvement to New Street (Ramsden Street to Cloth Hall Street), was identified in the recently published 'Huddersfield Blueprint' as the street is considered to be strategically important to the regeneration of the town centre. The main objectives of the scheme are to enhance the public space by creating a safe, modern and vibrant street to encourage shoppers and retail activity. Improvements include the introduction of new CCTV cameras, decorative lighting, high quality granite paving, bespoke street furniture, as well as trees and landscaping with works being delivered by the Highway Operations team.
- 1.12.40 The New Street Public Realm scheme is currently on site with an original allocation of £5.3m in the Capital Plan. The initial scheme did not include decorative lighting, the inclusion of which was agreed to after the initial budget had been approved by Cabinet in October 2018. Also, the rise in inflation has seen a significant increase on the costs of materials which is contributing to the current budget pressure of £0.5m required to complete the scheme. The final scheme which is currently being constructed on site has been consulted on and agreed with key stakeholders and businesses within the town centre. The scheme will significantly enhance this town centre public space with the provision of new granite paving, decorative lighting, new CCTV cameras and bespoke street furniture including landscaped planters and trees.
- 1.12.41 Cabinet is requested to approve the additional £0.5m funding for the existing project, in order to complete the landscaped public space on New Street contributing to the delivery of the Huddersfield 'Blueprint'.

1.12.42 A number of amendments to the Capital Plan which have no additional borrowing attached, were also approved by the Capital Assurance Board. These are noted below:

- i) As part of the Cultural Heart programme, Kirklees traded services provide technical support to the external consultants, ensuring that when the scheme is transferred back to the Council, the Council can maintain and operate it. The proposal is to top slice £1m (£0.4m 2023/24, £0.3m 24/25, £0.3m 25/26) from the overall programme to address internal fees.
- ii) The A62 Smart Corridor is predicted to overspend by £1.7m overall. In order to manage this, sufficient borrowing will be diverted from the Huddersfield Southern Corridors scheme within the WYTF plan to ensure scheme project completion.
- iii) £60k was released from the Asset Strategy Plan towards an Accessibility to Public Spaces and Places scheme in Kirklees. The scheme involves 90 accessibility reviews conducted over a three-year contract period, the production of a set of Design Principles specific to Kirklees Council and a consultant based future skills programme.

1.12.43 Cabinet is requested to approve the £1m top slice from the Cultural Heart programme for internal fees, transfer of £1.7m from Huddersfield Southern Corridors to manage the overspend for the A62 Smart Corridor, and £60k for Accessibility to Public Spaces and Places project, all with net nil borrowing additionality.

1.12.44 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 2023/24, 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.

1.12.45 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.

1.12.46 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.

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

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

Appendix 1 summarises, by service area, the General Fund revenue outturn position in 2022/23;

Appendix 2a summarises the General Fund reserves and balances movements in-year;

Appendix 2b details the purpose of each reserve;

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

Appendix 4 summarises by Council priority Outcome, the capital outturn position in 2022/23

Appendix 5 sets out the key capital budget changes between Quarter 3 financial monitoring report and outturn, for 2022/23

Appendix 6 provides a schedule of prudential indicators for 2022/23, applicable to affordability and prudence;

Appendix 7a summarises the updated capital plan 2023/24, taking into account rollover, grant changes and additions. A funding summary is also included;

Appendix 7b shows the detailed capital plan updated for 2023/24 including rollover, by Council Priority Outcome;

Appendix 8 sets out the proposal for £0.9m additional borrowing to be added to the Capital Plan for procurement of the replacement parking ticket machines;

Appendix 9 sets out the proposal for £0.5m additional borrowing to be added to the Capital Plan for new burial provision within North Kirklees;

Appendix 10 details the Council flexible capital receipts strategy;

Appendix 11 is the Annual Report on Treasury Management activity to Corporate Governance and Audit Committee, 16 June 2023.

### **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 2022/23, incorporating as well an overall updated capital plan for 2023-24. 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 As outlined in section 1.2 of this report, a number of key assumptions incorporated into the budget plans for 2022/23 and key spend and funding assumptions for future years were impacted by the volatile global and national economic conditions. Significant inflationary pressures affected both revenue and capital budgets, and the Cost of Living crisis and its impacts on local residents and businesses was notable in the in-year performance of the Collection fund.
- 3.8.3 The external crises of 2022/23 also compounded long-running structural challenges for the council. This included historic central government underfunding, when compared to local authorities with similar characteristics and challenges to Kirklees. The 2023/24 Local Government Financial Settlement, finalised in February 2023, continues to leave Kirklees at a relative disadvantage and failed to mitigate many of the Cost of Living cost increases faced by the Council. Government expectation is that Councils use their reserves to mitigate these pressures.
- 3.8.4 While the Council has transferred £27.0m from existing earmarked reserves into unallocated reserves to offset the in-year overspend, over-reliance on “one-off” revenue reserves to support annual balanced budgets over the medium term would not be financially sustainable, and any significant depletion in reserves over time would leave the Council very exposed to financial risks.
- 3.8.5 The approved 2023/24 budget includes sustainable savings of £18.6m, plus the utilisation of £24.6m in unallocated reserves as a short-term stability measure largely to address the unprecedented Cost of Living pressures.
- 3.8.6 The Council must ensure that it delivers the £18.6m savings proposals in 2023/24, alongside maintaining overall plans within the approved budget envelopes. This will be supported by appropriate and robust member and officer stewardship, monitoring and review, and will form the basis of overall in-year financial reporting in the corporate member arena through established annual Council planning cycle and governance processes.
- 3.8.7 Preparation must also begin early to formulate further budget proposals for 2024/25. The approved 2023/24 Annual Budget report included a forecast £25.2m budget gap for 2024/25, in addition to £11.5m of identified savings in view.
- 3.8.8 An updated baseline position for both revenue and capital multi-year plans will be incorporated into the Council’s medium term financial strategy (MTFS) report to be presented to Council later in the year. This will then provide the financial planning framework for the development of subsequent budget proposals to inform 2024/25 and future years.
- 3.8.9 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 2023/24, 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 2022/23 including Cost of Living impacts;
- 7.2 note the application of the Councils flexible capital receipts strategy to the value of £2.9m applied against eligible transformation in 2022/23; as approved in the 2023/24 Annual Budget report in March 2023;
- 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 note the year end position on corporate reserves and balances;
- 7.5 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
- 7.6 note the regular monitoring and review of corporate reserves in 2023/24 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;

##### Collection Fund

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

##### HRA

- 7.8 note the HRA revenue outturn and reserves position 2022/23;

##### Capital

- 7.9 note the Council capital outturn position for 2022/23;
- 7.10 approve the £34.5m capital rollover from 2022/23 to 2023/24;
- 7.11 approve the revised capital plan for the period 2023/24 onwards after taking into account rollover, the re-phasing of schemes and changes to grant assumptions;

- 7.12 approve £0.9m for replacement parking ticket machines (£0.3m 2023/24, £0.6m 2024/25).
- 7.13 approve £0.5m for the land acquisition and development of new burial provision in North Kirklees for (£0.1m feasibility 2023/24, £0.4m land acquisition 2024/25).
- 7.14 approve an additional £0.5m funding for the existing New Street Public Realm project, in order to complete the landscaped public space contributing to the delivery of the Huddersfield 'Blueprint'.
- 7.15 approve £1m top slice of the Cultural Heart programme for internal fees, transfer of £1.7m from Huddersfield Southern Corridors to manage the overspend for the A62 Smart Corridor, and £60k for Accessibility to Public Spaces and Places project, all with net nil borrowing additionality.

### Treasury Management

- 7.16 note the Review of Treasury Management activity for 2022/23

## **8 Contact Officer**

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Safaira Majid, Senior Finance Officer  
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## **9 Background papers and History of Decisions**

Annual budget report 2023-28 to Budget Council, March 2023  
Budget Strategy Update Report to Council, September 2022  
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**

Dean Langton, Service Director Finance.  
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## Corporate Revenue Budget Monitoring 2022/23 – Outturn

	Annual					Variance breakdown:	
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Outturn	Variance	Cost of Living Pressures	Business as Usual
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	43,838	176	44,014	45,057	1,043		1,043
Resources, Improvements & Partnership	17,827	309	18,136	18,391	255		255
Learning & Early Support & Schools	29,642	5,529	35,171	40,396	5,225	2,875	2,350
<b>Sub Total (Children &amp; Families)</b>	<b>91,307</b>	<b>6,014</b>	<b>97,321</b>	<b>103,844</b>	<b>6,523</b>	<b>2,875</b>	<b>3,648</b>
Customers and Communities	9,904	(2,792)	7,112	7,168	56		56
ASC - Older People and Physical Disabilities	14,944	2,643	17,587	19,983	2,396		2,396
ASC - Learning Disabilities and Mental Health	78,083	244	78,327	78,769	442		442
Adults Sufficiency	12,741	942	13,683	12,233	(1,450)		(1,450)
<b>Sub Total (Adults &amp; Health)</b>	<b>115,672</b>	<b>1,037</b>	<b>116,709</b>	<b>118,153</b>	<b>1,444</b>	<b>-</b>	<b>1,444</b>
Environmental Strategy & Climate Change	7,798	628	8,426	11,728	3,302		3,302
Highways & Streetscene	32,565	1,062	33,627	37,441	3,814	624	3,190
Culture & Visitor Economy	(3,908)	411	(3,497)	(620)	2,877	291	2,586
E&CC Management & Support	-	-	-	-	-		-
<b>Sub Total (Environment &amp; Climate Change)</b>	<b>36,455</b>	<b>2,101</b>	<b>38,556</b>	<b>48,549</b>	<b>9,993</b>	<b>915</b>	<b>9,078</b>

## Corporate Revenue Budget Monitoring 2022/23 – Outturn

	Annual					Variance breakdown:	
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Outturn	Variance	Cost of Living Pressures	Business as Usual
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Skills & Regeneration	3,447	2,908	6,355	6,755	400		400
Homes & Neighbourhoods	-	-	-	-	-		-
Development	14,368	188	14,556	16,729	2,173		2,173
Management & Support	(6)	-	(6)	-	6		6
<b>Sub Total (Regeneration &amp; Growth)</b>	<b>17,809</b>	<b>3,096</b>	<b>20,905</b>	<b>23,484</b>	<b>2,579</b>	<b>-</b>	<b>2,579</b>
Strategy & Innovation	17,103	290	17,393	17,405	12		12
Public Health & People	8,106	689	8,795	10,404	1,609	712	897
Governance & Commissioning	13,960	652	14,612	14,410	(202)		(202)
Finance	7,331	2,173	9,503	9,291	(212)		(212)
Benefit Payments	1,787		1,787	2,657	870		870
Former KNH Resources	-	-	-	-	-		-
<b>Sub Total (Corporate Strategy, Commissioning &amp; Public Health)</b>	<b>48,287</b>	<b>3,804</b>	<b>52,091</b>	<b>54,168</b>	<b>2,077</b>	<b>712</b>	<b>1,365</b>
Central	25,469	(571)	24,898	29,300	4,402	10,553	(6,151)
<b>General Fund Total</b>	<b>334,999</b>	<b>15,481</b>	<b>350,480</b>	<b>377,498</b>	<b>27,018</b>	<b>15,055</b>	<b>11,963</b>



## Appendix 2a

### Revenue Reserves Summary

	Reserves position as at 1st April 2022	Budget report Approved Movements	Revised reserves position at 1st April 2022	MTFS Approved Transfers	Planned Net Drawdown in-year	Unplanned use of Reserves (Forecast Variance)	Transfer to unallocated reserves	Reserves position as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>								
Schools Balances	(15,503)	-	(15,503)		3,836	-	-	(11,667)
Public Health	(1,442)	-	(1,442)		538	-	-	(904)
<b>Total Statutory</b>	<b>(16,945)</b>	<b>-</b>	<b>(16,945)</b>	<b>-</b>	<b>4,374</b>	<b>-</b>	<b>-</b>	<b>(12,571)</b>
<b>Earmarked</b>								
Ward Based Activity	(1,286)	-	(1,286)		47	-	-	(1,239)
Active Travel	(2,000)	-	(2,000)		15	-	1,900	(85)
Mental Health	(639)	-	(639)		460	-	-	(179)
Place Standard	(1,000)	-	(1,000)		41	-	-	(959)
<b>Sub Total (member led)</b>	<b>(4,925)</b>	<b>-</b>	<b>(4,925)</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>1,900</b>	<b>(2,462)</b>
Apprenticeship Levy	(2,915)	-	(2,915)		(216)	-	-	(3,131)
Transformation	(4,166)	-	(4,166)		(548)	-	875	(3,839)
Demand Reserve	(17,352)	-	(17,352)		1,400	-	5,202	(10,750)
Development Funding	(12,186)	4,641	(7,545)	(1,500)	2,149	-	6,048	(848)
Revenue Grants	(18,821)	-	(18,821)	-	616	-	8,869	(9,336)
Stronger Families Grant	(1,524)	-	(1,524)		384	-	-	(1,140)
Social Care Reserve	(1,285)	-	(1,285)		1,285	-	-	-
Other	(3,645)	-	(3,645)	-	652	-	1,297	(1,696)
Specific Risk Reserves	(5,860)	1,000	(4,860)	-	2,700	-	2,160	-
COVID Reserves	(30,062)	22,033	(8,029)	1,500	2,122	-	667	(3,740)

	Reserves position as at 1st April 2022	Budget report Approved Movements	Revised reserves position at 1st April 2022	MTFS Approved Transfers	Planned Net Drawdown in-year	Unplanned use of Reserves (Forecast Variance)	Transfer to unallocated reserves	Reserves position as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Earmarked reserves sub-total</i>	<i>(102,741)</i>	<i>27,674</i>	<i>(75,067)</i>	-	<i>11,107</i>	-	<i>27,018</i>	<i>(36,942)</i>
<i>Unallocated reserves</i>	<i>(47,108)</i>	-	<i>(47,108)</i>	-	-	<i>27,018</i>	<i>(27,018)</i>	<i>(47,108)</i>
<i>Total usable reserves (excludes statutory)</i>	<i>(149,849)</i>	<i>27,674</i>	<i>(122,175)</i>	-	<i>11,107</i>	<i>27,018</i>	<i>(0)</i>	<i>(84,050)</i>
<i>Grand Total All Reserves</i>	<i>(166,794)</i>	<i>27,674</i>	<i>(139,120)</i>	-	<i>15,481</i>	<i>27,018</i>	<i>(0)</i>	<i>(96,621)</i>

## Appendix 2b

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>Place Partnership</b>	To encourage Place specific local initiatives
<b>Mental Health (including Domestic abuse)</b>	To support a number of local area based mental health initiatives.
<b>Place Standard</b>	Set aside to support the resourcing of emerging Place Standard action plans.
<b>Apprenticeship Levy</b>	Set aside to fund future payments into the Apprenticeship levy
<b>Transformation</b>	Set aside for strategic transformation developments over the next 12 to 24 months.
<b>Demand Reserve</b>	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
<b>Development Funding</b>	To address the scale of development costs required to support targeted development and the upscaling of capital investment activity and major project activity over the MTFP.
<b>Revenue Grants</b>	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been incurred.
<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>Specific Risk Reserves</b>	Set aside to manage specific risks, including the potential risk of future loan defaults and managing 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>COVID Reserves</b>	Specific reserve set aside to cover the costs of the Council's COVID response including specific COVID grants recognised in the Comprehensive Income and Expenditure Statement before expenditure was incurred.
<b>Other</b>	A range of smaller reserves earmarked for specific purposes.
<b>Unallocated Reserves</b>	General reserve to support Council working capital and cashflow requirements, and unbudgeted/financial resilience risks highlighted in the Council's corporate risk register.

## Appendix 3

### HOUSING REVENUE ACCOUNT 2022/23 - OUTTURN

	Annual		
	Revised Budget	Forecast	Variance
	£'000	£'000	£'000
Repairs & Maintenance	28,458	30,966	2,508
Housing Management	42,355	42,550	195
Other Expenditure	26,692	27,332	640
<b>Total Expenditure</b>	<b>97,505</b>	<b>100,848</b>	<b>3,343</b>
<b>Rent &amp; Other Income</b>	<b>(94,804)</b>	<b>(94,590)</b>	<b>214</b>
Revenue Contribution to Capital Funding	0	4,020	4,020
Planned transfer from HRA Reserves	(2,701)	(8,590)	(5,889)
<b>Total</b>	<b>0</b>	<b>1,688</b>	<b>1,688</b>

### HRA RESERVES

	Balance at 31 March 2022	Approved Movement in Reserves	Balance at 31 March 2023
	£'000	£'000	£'000
Set aside for business risks	(4,000)		(4,000)
Forecast in Year Surplus/Deficit		1,688	1,688
To support the Capital Investment Programme		0	0
Planned Drawdown from reserves		8,590	8,590
Set aside to meet investment needs (as per HRA Business Plan)	(49,200)		(49,200)
Working balance	(1,500)		(1,500)
<b>Total</b>	<b>(54,700)</b>	<b>10,278</b>	<b>(44,422)</b>

## Capital Plan 2022/23 Outturn Summary

## Appendix 4

	Revised Budget £'000	Outturn £'000	Variance £'000	Variance %
<b><u>General Fund</u></b>				
Aspire & Achieve	14,886	11,464	(3,422)	(23%)
Best Start	1,504	991	(513)	(34%)
Independent	5,992	3,413	(2,579)	(43%)
Sustainable Economy	114,953	90,193	(24,760)	(22%)
Well	3,612	3,257	(355)	(10%)
Safe & Cohesive	5	0	(5)	(100%)
Clean and Green	5,097	4,601	(496)	(10%)
Efficient & Effective	4,580	5,191	611	13%
<b>GENERAL FUND TOTAL</b>	<b>150,629</b>	<b>119,110</b>	<b>(31,519)</b>	<b>(21%)</b>
<b><u>Housing Revenue Account</u></b>				
Strategic Priorities	9,395	8,842	(553)	(6%)
Baseline	19,320	18,260	(1,060)	(5%)
<b>HOUSING REVENUE TOTAL</b>	<b>28,715</b>	<b>27,102</b>	<b>(1,613)</b>	<b>(6%)</b>
<b>CAPITAL PLAN TOTAL</b>	<b>179,344</b>	<b>146,212</b>	<b>(33,132)</b>	<b>(18%)</b>

## Breakdown of Capital Budget Changes since Q3

## Appendix 5

	£'000	£'000	£'000
<b>QUARTER 3 CAPITAL BUDGET</b>			<b>184,185</b>
<b>Increase in Grants/Contributions/Other</b>			
<b>General Fund:</b>			
<b>Sustainable Economy</b>			
Highways	1,409		
UKSPF Digital Hub	20		
<b>Clean &amp; Green</b>			
Trees for Climate	4,298		
<b>Well</b>			
Play Strategy S106	140		
<b>Total</b>		<b>5,867</b>	
<b>Re-profiling / Virements between Years</b>			
<b>General Fund:</b>			
<b>Aspire &amp; Achieve</b>			
Children and Families SEND	(550)		
<b>Sustainable Economy</b>			
Dewsbury Riverside	116		
Property Investment Fund - 103 New Street	(540)		
Vehicle Replacement Programme	(1,468)		
Housing Growth - Site Development	(149)		
Highways	(2,392)		
Leeds City Region Revolving Fund	(300)		
SURP	(245)		
<b>Clean &amp; Green</b>			
Waste Strategy	(160)		
Trees for Climate	(4,524)		
Climate Emergency - Green Travel	(100)		
Huddersfield Heat Network	(100)		
<b>Well</b>			
Play Strategy-Playable Spaces/S106	(230)		
<b>Efficient &amp; Effective</b>			
One Venues (One Venues Development)	(20)		
One Venues (Sustainability of Major Town Halls - Service funded)	(46)		
<b>Total Re-profiling</b>		<b>(10,708)</b>	
<b>Total Change in Budget</b>			<b>(4,841)</b>
<b>CAPITAL OUTTURN BUDGET</b>			<b>179,344</b>

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

## Appendix 5

	£'000	£'000	£'000
<b>Change in Budget - Funding Breakdown:</b>			
Borrowing		(3,214)	
Borrowing (self-financed)		(46)	
Revenue Reserves		(245)	
Grant (Grants & contributions/S106)		(1,336)	
<b>Change in Budget</b>			<b>(4,841)</b>

## PRUDENTIAL INDICATORS ACTUALS 2022/23

## Appendix 6

### 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.

	2021/22	2022/23	
	Actual	Strategy Estimate*	Actual
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Capital Expenditure			
General Fund	106,005	199,900	119,110
HRA	22,217	53,200	27,102
Sub-total (excl. PFI)	128,222	253,100	146,212
General Fund - PFI	1,675	1,800	1,834
HRA – PFI	201	300	336
<b>Total</b>	<b>130,098</b>	<b>255,200</b>	<b>148,382</b>
Financed by -			
Borrowing	57,316	122,700	67,239
PFI	1,876	2,100	2,170
Other	70,906	130,400	78,973
<b>Total</b>	<b>130,098</b>	<b>255,200</b>	<b>148,382</b>
CFR as at 31 March			
General Fund excl PFI	556,100	610,700	616,977
General Fund PFI	39,400	35,500	35,483
HRA excl PFI	166,000	177,300	168,015
HRA PFI	45,200	42,700	42,670
<b>Total CFR</b>	<b>806,700</b>	<b>866,200</b>	<b>863,145</b>
External debt as at 31 March			
Borrowing (excl interest accrued)	468,900	586,600	613,802
Other LT Liabilities	88,300	81,800	81,700
<b>Total debt</b>	<b>557,200</b>	<b>668,400</b>	<b>695,502</b>

\*From 22/23 strategy.

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.

	2021/22	2022/23	
	Actual (max) <u>£m</u>	Limits/ Boundary <u>£m</u>	Actual (max) <u>£m</u>
<u>Authorised limit for external debt (per strategy)</u>			
Borrowing	726.7	804.4	804.4
Other Long Term Liabilities	93.3	86.8	86.8
<b>Total</b>	<b>820.0</b>	<b>891.2</b>	<b>891.2</b>
<u>Operational boundary for external debt</u>			
Borrowing	468.9	784.4	613.8
Other Long Term Liabilities	88.3	81.8	81.7
<b>Total</b>	<b>557.2</b>	<b>866.2</b>	<b>695.5</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 2023 is £168.0 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).

	2021/22	2022/23	
	Actual	Estimate	Actual
<u>Ratio of financing costs to net revenue stream</u>			
General Fund	5.63%	6.52%	6.60%
General Fund excl PFI	3.42%	4.67%	4.65%
HRA	32.15%	31.25%	31.70%
HRA excl PFI	30.96%	30.26%	30.74%

The actual for the General Fund in 2022/23 compared to 2021/22 is significantly larger due to an increase in financing costs from the additional borrowing in the capital plan with the net revenue stream remaining on a similar level to the previous year.

## Capital Plan Expenditure Summary

Capital Plan Expenditure Summary	Outturn 2022/23 £'000	Revised Capital Plan					2027/28- 2030/31 £'000	Total £'000
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000			
<b>General Fund:</b>								
Aspire & Achieve	11,464	20,970	22,434	25,022	11,000	4,250	83,676	
Best Start	991	2,890	50	0	0	0	2,940	
Independent	3,413	8,105	2,797	4,550	4,650	1,322	21,424	
Sustainable Economy	90,193	154,668	156,498	130,158	71,005	200,695	713,024	
Well	3,257	5,312	2,539	1,693	725	0	10,269	
Clean & Green	4,601	12,502	10,351	11,075	100	8,444	42,472	
Efficient & Effective	5,191	6,787	5,993	982	980	900	15,642	
<b>General Fund Capital Plan</b>	<b>119,110</b>	<b>211,234</b>	<b>200,662</b>	<b>173,480</b>	<b>88,460</b>	<b>215,611</b>	<b>889,447</b>	
<b>Housing Revenue Account:</b>								
Independent - Strategic Priorities	8,842	21,420	17,298	31,379	25,550	25,937	121,584	
Independent - Baseline	18,260	27,302	33,855	32,010	32,760	64,610	190,537	
<b>HRA Capital Plan</b>	<b>27,102</b>	<b>48,722</b>	<b>51,153</b>	<b>63,389</b>	<b>58,310</b>	<b>90,547</b>	<b>312,121</b>	
<b>TOTAL EXPENDITURE</b>	<b>146,212</b>	<b>259,956</b>	<b>251,815</b>	<b>236,869</b>	<b>146,770</b>	<b>306,158</b>	<b>1,201,568</b>	

## Capital Plan Funding Summary

Appendix 7 a)

General Fund Funding Summary	Outturn 2022/23 £'000	Revised Capital Plan					2027/28- 2030/31 £'000	Total £'000
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000			
<i>Direct / Earmarked Contributions to Schemes</i>								
Capital Grants/Contributions	46,931	98,503	111,425	85,024	38,207	33,618	366,777	
Earmarked Capital Receipts	3,387	7,021	7,540	7,990	9,591	990	33,132	
Service Funded Prudential Borrowing	1,213	13,340	8,050	7,626	100	2,050	31,166	
Revenue Contributions	255	348	349	0	0	0	697	
<i>Pooled Resources</i>								
Non-Earmarked Capital Receipts	1,298	4,000	4,000	4,000	4,000	4,000	20,000	
Corporate Prudential Borrowing	66,026	88,022	69,298	68,840	36,562	174,953	437,675	
<b>GENERAL FUND FUNDING</b>	<b>119,110</b>	<b>211,234</b>	<b>200,662</b>	<b>173,480</b>	<b>88,460</b>	<b>215,611</b>	<b>889,447</b>	

Housing Revenue Account Funding Summary	Outturn 2022/23 £'000	Revised Capital Plan					2027/28- 2030/31 £'000	Total £'000
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000			
Capital Grants/Contributions	1,159	6,041	1,488	3,446	3,896	5,746	20,617	
Earmarked Capital Receipts	3,037	4,728	4,144	7,240	4,500	1,835	22,447	
Reserves / Revenue Contributions	4,020	21,685	20,902	22,479	23,507	61,385	149,958	
Reserves - MRR	18,886	14,258	19,417	19,724	20,017	20,269	93,685	
Corporate Prudential Borrowing	0	2,010	5,202	10,500	6,390	1,312	25,414	
<b>HRA FUNDING</b>	<b>27,102</b>	<b>48,722</b>	<b>51,153</b>	<b>63,389</b>	<b>58,310</b>	<b>90,547</b>	<b>312,121</b>	

# Multi-Year Capital Plan

# Appendix 7 b)



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	
<b>ASPIRE &amp; ACHIEVE</b>									
<b>Strategic Priorities</b>									
	New Special School for Woodley @ Almondbury	B/G	216	2,334	3,250	11,184	5,000	500	<b>22,268</b>
	New Special School for J.Norton @ Deighton	B/G	251	1,349	9,378	3,485	500	0	<b>14,712</b>
	District Sufficiency	T	<b>467</b>	<b>3,683</b>	<b>12,628</b>	<b>14,669</b>	<b>5,500</b>	<b>500</b>	<b>36,980</b>
	Additionally Resourced Provisions / Satellite Provisions	G	0	2,100	1,950	4,150	0	0	<b>8,200</b>
	Brambles Primary Academy	G	1,753	600	0	0	0	0	<b>600</b>
	King James High School	G	579	260	0	0	0	0	<b>260</b>
	Scissett Middle School	S10 6	92	116	0	0	0	0	<b>116</b>
	Birkby Junior Expansion	G	4	6	0	0	0	0	<b>6</b>
	Beaumont Academy	G	80	16	0	0	0	0	<b>16</b>
	North Huddersfield Trust School	G	146	2,024	700	150	0	0	<b>2,874</b>
	Manor Croft Academy	G/ Cont	2,255	780	0	0	0	0	<b>780</b>
	Thornhill Community Academy	G	105	567	0	0	0	0	<b>567</b>
	Secondary Places Basic Need	G/B	0	0	702	1,500	1,500	0	<b>3,702</b>
	<i>New Pupil Places in Primary/Secondary Schools</i>	T	<b>5,014</b>	<b>4,369</b>	<b>1,402</b>	<b>1,650</b>	<b>1,500</b>	<b>0</b>	<b>8,921</b>
	Libraries & Public Buildings	B	290	372	1,954	303	0	0	<b>2,629</b>
	Almondbury Library	B		55	0	0	0	0	<b>55</b>
	<i>Libraries &amp; Public Buildings</i>	T	<b>290</b>	<b>427</b>	<b>1,954</b>	<b>303</b>	<b>0</b>	<b>0</b>	<b>2,684</b>
	<b>Strategic Priorities Total</b>		<b>5,771</b>	<b>10,579</b>	<b>17,934</b>	<b>20,772</b>	<b>7,000</b>	<b>500</b>	<b>56,785</b>

GENERAL FUND CAPITAL PLAN			Funding	Outturn 2022/23 £'000	Revised Capital Plan					Total £'000
					2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	
<b>ASPIRE &amp; ACHIEVE</b>										
	<b>Baseline</b>									
	Basic Need	G	432	562	500	500	500	500	500	2,562
	Capital Maintenance	G/B	3,785	6,774	3,300	3,100	2,900	2,700	2,700	18,774
	Devolved Formula Capital	G	837	2,453	700	650	600	550	550	4,953
	<b>Baseline Total</b>		<b>5,054</b>	<b>9,789</b>	<b>4,500</b>	<b>4,250</b>	<b>4,000</b>	<b>3,750</b>	<b>3,750</b>	<b>26,289</b>
	<b>One Off Projects</b>									
	SEND Provision	G	639	602	0	0	0	0	0	602
	<b>One Off Projects Total</b>		<b>639</b>	<b>602</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>602</b>
	<b>ASPIRE &amp; ACHIEVE TOTAL</b>		<b>11,464</b>	<b>20,970</b>	<b>22,434</b>	<b>25,022</b>	<b>11,000</b>	<b>4,250</b>	<b>4,250</b>	<b>83,676</b>
<b>BEST START</b>										
	<b>Strategic Priorities</b>									
	Homes for Children	B	0	1,049	0	0	0	0	0	1,049
	Homes for Children (Magdale House)	B	257	18	0	0	0	0	0	18
	Childrens Home - Healds Road	B	105	145	0	0	0	0	0	145
	Our Space Grant Scheme	B	519	452	0	0	0	0	0	452
	Young Peoples Activity Team Reprovision - Ravensthorpe	B	24	1,226	50	0	0	0	0	1,276
	<b>Strategic Priorities Total</b>		<b>905</b>	<b>2,890</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,940</b>
	<b>One Off Projects</b>									
	Liquid Logic Portal	B*	86	0	0	0	0	0	0	0
	<b>One Off Projects Total</b>		<b>86</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>BEST START TOTAL</b>		<b>991</b>	<b>2,890</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,940</b>



GENERAL FUND CAPITAL PLAN			Revised Capital Plan					
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>INDEPENDENT</b>								
<b>Strategic Priorities</b>								
Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	1	10	24	0	0	0	34
Cherry Trees	B	11	0	0	0	0	0	0
Knowl Park House	B	1,978	5,172	223	0	0	0	5,395
Red Laithes Court	B	5	95	0	0	0	0	95
Havelock St, Ravensthorpe	B	3	0	0	0	0	0	0
In-house Residential Old People homes	B	124	0	0	0	0	0	0
Day Services Support for Vulnerable Adults	B	128	500	2,500	4,500	4,500	1,322	13,322
<b>Strategic Priorities Total</b>		<b>2,250</b>	<b>5,777</b>	<b>2,747</b>	<b>4,500</b>	<b>4,500</b>	<b>1,322</b>	<b>18,846</b>
<b>One Off Projects</b>								
Adults Assistive Technology / IT	G/B	62	290	50	50	150	0	540
Carefirst System Replacement	B/R/G	782	967	0	0	0	0	967
Carephones - Digital Switchover	B	310	1,071	0	0	0	0	1,071
Highfields	B	1	0	0	0	0	0	0
Infection Prevention Control	B	8	0	0	0	0	0	0
<b>One Off Projects Total</b>		<b>1,163</b>	<b>2,328</b>	<b>50</b>	<b>50</b>	<b>150</b>	<b>0</b>	<b>2,578</b>
<b>INDEPENDENT TOTAL</b>		<b>3,413</b>	<b>8,105</b>	<b>2,797</b>	<b>4,550</b>	<b>4,650</b>	<b>1,322</b>	<b>21,424</b>



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000		
	Funding	Outturn 2022/23 £'000							
<b>SUSTAINABLE ECONOMY</b>									
<b>Strategic Priorities</b>									
West Yorkshire plus Transport Schemes:									
A62 to Cooper Bridge Corridor Improvements	G	484	5,086	12,689	38,313	18,573	0	<b>74,661</b>	
A653 Leeds to Dewsbury Corridor (M2D2L)	G	459	3	0	0	0	0	<b>3</b>	
A629 Halifax Road Phase 5	G/B	669	1,834	5,218	1,853	0	0	<b>8,905</b>	
UTMC Urban Traffic Management	G	39	78	0	0	0	0	<b>78</b>	
Huddersfield Southern Corridors	G/B	1,430	7,716	280	0	66	0	<b>8,062</b>	
North Kirklees Orbital Route (NKOR)	G	4	0	0	0	0	0	<b>0</b>	
A641 Bradford Road Area 5 / Hudds Station Gateway Phase 1	G	60	0	0	0	0	0	<b>0</b>	
Corridor Improvement Programme:									
Holmfirth Town Centre Access Plan	G/B	505	4,092	1,900	16	5	6	<b>6,019</b>	
A62 Smart Corridor	G/B	11,789	2,148	963	0	0	0	<b>3,111</b>	
Fenay Lane	G	246	0	0	0	0	0	<b>0</b>	
CityConnect:									
CityConnect Cooper Bridge	G	206	9	0	0	0	0	<b>9</b>	
CityConnect Huddersfield Town Centre	B	4	60	0	0	0	0	<b>60</b>	
WYTF Rolling Fund	B	0	55	0	0	0	0	<b>55</b>	
<i>West Yorkshire plus Transport Schemes</i>	T	<b>15,895</b>	<b>21,081</b>	<b>21,050</b>	<b>40,182</b>	<b>18,644</b>	<b>6</b>	<b>100,963</b>	



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000		
	Funding	Outturn 2022/23 £'000							
<b>SUSTAINABLE ECONOMY</b>									
<b>Strategic Priorities</b>									
Emergency Active Travel	G	934	691	0	0	0	0	691	
Transforming Cities Fund:									
<i>Rail-Bus Better Connected Stations:</i>									
Huddersfield Rail Station Access	B	37	452	0	0	0	0	452	
<i>TCF Main scheme:</i>									
Heckmondwike Bus Station	G	606	2,000	1,908	0	0	0	3,908	
Dewsbury/Cleckheaton Sust Travel Corridor	G	1,027	1,000	8,000	1,454	0	0	10,454	
Dews TC Walking & Cycling Imps	G/B	774	750	6,500	3,521	0	0	10,771	
Dewsbury Bus Station	G	36	0	0	0	0	0		
Huddersfield Rail Station Access	G/B	459	750	7,500	6,661	0	0	14,911	
A629 Wakefield Rd Sust Travel Corridor	G	295	158	0	0	0	0	158	
Huddersfield Bus Station	G	238	600	4,000	2,412	0	0	7,012	
Dewsbury/Batley/Tingley Sus Travel Corridor	G/B	397	1,000	4,000	1,103	0	0	6,103	
TCF SOC Development/Other	G/B	(214)	0	0	0	0	0	0	
<i>Transforming Cities Fund</i>	T	<b>3,664</b>	<b>6,710</b>	<b>31,908</b>	<b>15,151</b>	<b>0</b>	<b>0</b>	<b>53,769</b>	
<b>Integrated Transport &amp; Active Travel</b>									
Transpennine Route Upgrade (Network Rail)	G	106	684	475	0	0	0	1,159	
Other WYCA Schemes	G	301	0	0	0	0	0	0	

GENERAL FUND CAPITAL PLAN			Revised Capital Plan					
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>SUSTAINABLE ECONOMY</b>								
<b>Strategic Priorities</b>								
	Aspirational Regeneration of Major Town Centres - Feasibility	B	5	138	0	0	0	138
<i>Regeneration of Strategic Town Centres - Huddersfield :</i>								
	Holding pot	B	0	90	0	0	0	90
<u>Huddersfield Town Centre Schemes</u>								
	Huddersfield TC - Shop Front Grants	B	50	302	400	31	0	733
	The Northumberland Street Regeneration Project	B	1,221	685	0	0	0	685
	Huddersfield Market LUF match funding	R	0	2,000	0	0	0	2,000
	Huddersfield TC Design Framework	B	661	62	0	0	0	62
	Cultural Interventions - Growing Seeds	B	0	9	0	0	0	9
		T	1,932	3,058	400	31	0	3,489
<i>The George Hotel HAZ Scheme</i>								
	The George Hotel	B/G	3,382	116	322	0	0	438
	The George Hotel	B*	0	12,455	7,750	0	0	20,205
	Estate Buildings HAZ Scheme	B/G	1,759	3,791	0	0	0	3,791
	HAZ Complementary Initiatives	B/G	75	0	0	0	0	0
		T	5,216	16,362	8,072	0	0	24,434
<u>Huddersfield Public Realm Works</u>								
	New Street Public Realm Development	B	1,441	3,186	13	0	0	3,199
*	New Street Public Realm Development	B	0	500	0	0	0	500
	Huddersfield Town Centre Cameras	B	23	69	25	0	0	94
	Refurb of 2 New Street, Huddersfield	B	2	16	0	0	0	16





GENERAL FUND CAPITAL PLAN			Revised Capital Plan					
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>SUSTAINABLE ECONOMY</b>								
<b>Strategic Priorities</b>								
	Huddersfield Public Realm Works	T	1,466	3,771	38	0	0	3,809
	Public Realm - Golden Route	B/G	120	950	65	27	0	1,042
	Huddersfield Town Centre	T	8,734	24,231	8,575	58	0	32,864
<i>Regeneration of Strategic Town Centres – Dewsbury:</i>								
	Better Spaces Strategy:		171					
	BS Phase 2 - Town Park	B/R/G	202	1,676	4,280	7,995	0	13,951
	BS Phase 2 - Public Art	B	87	21	0	0	0	21
		T	460	1,697	4,280	7,995	0	13,972
	Town Fund Accelerated Grant (TFAG)	G	6	0	0	0	0	0
	Heritage Action Zone	B/G	837	3,108	0	0	0	3,108
	Daisy Hill Neighbourhood	B/R/G	0	1,189	1,000	1,000	1,900	5,089
	Dewsbury Market Upgrade	B/R/G	682	0	7,275	5,215	0	12,490
	The Arcade	B/G	286	2,619	3,289	0	0	5,908



GENERAL FUND CAPITAL PLAN			Revised Capital Plan					
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>SUSTAINABLE ECONOMY</b>								
<b>Strategic Priorities</b>								
<i>Regeneration of Strategic Town Centres - Dewsbury</i>								
Fibre Capability	G/R	2	296	0	0	0	0	296
Construction Skills Village	G/R	3	197	2,050	0	0	0	2,247
Creative Culture	G	0	816	459	309	0	0	1,584
Sustainable Transport	G	7	1,318	0	0	0	0	1,318
Building Revival	G/B	148	2,270	1,180	708	0	0	4,158
Dewsbury Town Centre	T	<b>2,431</b>	<b>13,510</b>	<b>19,533</b>	<b>15,227</b>	<b>1,900</b>	<b>0</b>	<b>50,170</b>
<i>Town Centre Action Plans</i>	T	<b>11,170</b>	<b>37,879</b>	<b>28,108</b>	<b>15,285</b>	<b>1,900</b>	<b>0</b>	<b>83,172</b>
<i>Smaller Towns &amp; Villages</i>								
Batley Smaller Towns & Villages	B/G	102	5,898	8,359	0	0	0	14,257
Cleckheaton Smaller Towns & Villages	B	141	89	1,365	0	0	0	1,454
Holmfirth Smaller Towns & Villages	B	58	127	240	1,055	0	0	1,422
Heckmondwike Smaller Towns & Villages	B	45	215	300	935	0	0	1,450
Marsden New Mills Redevelopment Scheme	G	0	100	2,000	3,504	0	0	5,604
Other - Our Local Centres	B	167	0	0	0	0	0	0
<i>Regeneration and Greening of Smaller Towns and Villages</i>	T	<b>513</b>	<b>6,649</b>	<b>12,514</b>	<b>6,494</b>	<b>1,000</b>	<b>1,380</b>	<b>28,037</b>

# Multi-Year Capital Plan

# Appendix 7 b)



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000	
<b>SUSTAINABLE ECONOMY</b>									
<b>Strategic Priorities</b>									
	Cultural Heart	B	9,403	12,151	18,500	25,300	22,727	175,556	<b>254,234</b>
	Strategic Acquisition Fund	B	2,608	1,989	0	0	0	0	<b>1,989</b>
	Property Investment Fund:								
	103 New Street	B**	2,220	542	0	0	0	0	<b>542</b>
	Kingsgate Phase 2	B**	0	5,702	1,800	0	0	0	<b>7,502</b>
	<i>Property Investment Fund</i>	T	<b>2,220</b>	<b>6,244</b>	<b>1,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,044</b>
	Start Up and Retention Policy Capital Grants	Res	255	349	349	0	0	0	<b>698</b>
	Dewsbury Riverside	B	1,158	2,920	2,000	2,000	600	0	<b>7,520</b>
	Site Development	G/R cont	26	500	300	200	0	0	<b>1,000</b>
	Public Realm Improvements	B	26	107					<b>107</b>
*	Car Park Meters	B	0	320	590	0	0	0	<b>910</b>
	<b>Strategic Priorities Total</b>		<b>48,440</b>	<b>99,034</b>	<b>117,770</b>	<b>104,788</b>	<b>45,047</b>	<b>177,118</b>	<b>543,757</b>



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	
<b>SUSTAINABLE ECONOMY</b>									
	<b>Baseline</b>								
	Housing Private	G/R	4,096	3,854	4,151	4,151	4,292	4,150	<b>20,598</b>
	<b>Highways</b>								
	Maintenance								
	Principal Roads	B/G	1,862	9,693	6,678	3,678	3,678	3,678	<b>27,405</b>
	Roads Connecting Communities	G	1,327	1,389	1,096	1,096	1,097	1,096	<b>5,774</b>
	Local Community Roads	B/G	8,170	7,481	5,483	4,453	4,453	5,012	<b>26,882</b>
	Structures	G	1,073	2,001	1,200	1,200	1,200	1,200	<b>6,801</b>
	Active Travel / PROW	B/G	150	0	0	0	0	0	<b>0</b>
	Streetlighting	B*/ G	1,864	1,354	1,000	1,000	1,000	0	<b>4,354</b>
	Locality Based U Roads Improvements	B	7,216	1,603	3,000	3,000	2,878	1,531	<b>12,012</b>
	<i>Highways Maintenance</i>	T	<b>21,662</b>	<b>23,521</b>	<b>18,457</b>	<b>14,427</b>	<b>14,306</b>	<b>12,517</b>	<b>83,228</b>
	<b>Integrated Transport</b>								
	Network Management	B/G	824	1,169	815	815	815	815	<b>4,429</b>
	Safer Roads	B/G	1,556	2,171	1,175	1,175	1,175	1,175	<b>6,871</b>
	Flood Management and Drainage Improvements	B/G s278	735	632	450	450	450	450	<b>2,432</b>
	Developer Funded Schemes	s278	1183	623	0	0	0	0	<b>623</b>
	<i>Highways Integrated Transport</i>	T	<b>4,298</b>	<b>4,595</b>	<b>2,440</b>	<b>2,440</b>	<b>2,440</b>	<b>2,440</b>	<b>14,355</b>
	<i>Highways Total</i>	T	<b>25,960</b>	<b>28,116</b>	<b>20,897</b>	<b>16,867</b>	<b>16,746</b>	<b>14,957</b>	<b>97,583</b>

# Multi-Year Capital Plan

# Appendix 7 b)



GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	
<b>SUSTAINABLE ECONOMY</b>									
	<b>Baseline</b>								
	Corporate Landlord Asset Investment	B	8,811	9,865	8,083	1,000	933	1,020	20,901
	Corporate Landlord Compliance	B	340	1,996	1,450	1,000	1,000	1,000	6,446
	<i>Corporate Landlord</i>	T	<b>9,151</b>	<b>11,861</b>	<b>9,533</b>	<b>2,000</b>	<b>1,933</b>	<b>2,020</b>	<b>27,347</b>
	Corporate Landlord Suitability Programme	B	438	897	1,995	1,000	1,000	1,000	5,892
	Sustainability of Huddersfield Town Hall - Conditions	B	241	2,259	200	700	100	0	3,259
	<i>Corporate Landlord Asset Strategy Review</i>	T	<b>679</b>	<b>3,156</b>	<b>2,195</b>	<b>1,700</b>	<b>1,100</b>	<b>1,000</b>	<b>9,151</b>
	Bereavement	B	352	295	0	0	0	0	295
*	Burial Provision	B	0	100	400	0	0	0	500
	Vehicle Replacement Programme	B	838	4,433	66	0	1,250	1,250	6,999
	School Catering	B	90	494	200	200	200	200	1,294
	<b>Baseline Total</b>		<b>41,166</b>	<b>52,309</b>	<b>37,442</b>	<b>24,918</b>	<b>25,521</b>	<b>23,577</b>	<b>163,767</b>
	<b>One-Off Projects</b>								
	UKSPF Digital Hub / New to English / Business Advisor	G	20	24	72	0	0	0	96
	Housing (Regeneration)	R	500	24	0	0	0	0	24
	Strategic Asset Utilisation	B	2	1,027	55	15	0	0	1,097
	Operational Services Asset Mngt	B	0	1,008	276	276	276	0	1,836
	Asset Management Property Database	B	10	135	61	61	61	0	318
	Changing Places	G	0	189	122	0	0	0	311

GENERAL FUND CAPITAL PLAN			Revised Capital Plan						Total £'000
			Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	
<b>SUSTAINABLE ECONOMY</b>									
<b>One-Off Projects</b>									
	Leeds City Region Revolving Fund	B	0	661	550	0	0	0	1,211
	School Catering - Compliance Essential Works	B*	55	241	150	100	100	0	591
	Ward Based Activity	B	0	16	0	0	0	0	16
	<b>One-Off Projects Total</b>		<b>587</b>	<b>3,325</b>	<b>1,286</b>	<b>452</b>	<b>437</b>	<b>0</b>	<b>5,500</b>
<b>SUSTAINABLE ECONOMY TOTAL</b>			<b>90,193</b>	<b>154,668</b>	<b>156,498</b>	<b>130,158</b>	<b>71,005</b>	<b>200,695</b>	<b>713,024</b>
<b>WELL</b>									
<b>Strategic Priorities</b>									
	Spensborough Valley Leisure Centre	B	1,865	0	0	0	0	0	0
	Huddersfield Leisure Centre	B	13	4	0	0	0	0	4
	Dewsbury Sports Centre Priorities	B	0	54	185	0	0	0	239
	<b>Strategic Priorities Total</b>		<b>1,878</b>	<b>58</b>	<b>185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>243</b>
<b>Baseline</b>									
	Kirklees Active Leisure	B*/ B	(1)	331	150	0	0	0	481
	Play Strategy	B/G S106	1,380	4,923	2,204	1,693	725	0	9,545
	<b>Baseline Total</b>		<b>1,379</b>	<b>5,254</b>	<b>2,354</b>	<b>1,693</b>	<b>725</b>	<b>0</b>	<b>10,026</b>
<b>WELL TOTAL</b>			<b>3,257</b>	<b>5,312</b>	<b>2,539</b>	<b>1,693</b>	<b>725</b>	<b>0</b>	<b>10,269</b>



GENERAL FUND CAPITAL PLAN			Funding	Outturn 2022/23 £'000	Revised Capital Plan					Total £'000
					2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	
<b>CLEAN AND GREEN</b>										
<b>Strategic Priorities</b>										
	Depot Works	B	4	0	0	0	0	0	0	0
	Waste Strategy	B	14	1,062	25	25	0	0	0	1,112
	Waste Management Plant/ Infrastructure	B	1,633	2,911	2,100	2,774	0	0	0	7,785
	Climate Emergency - Green Travel	B	45	987	0	0	0	0	0	987
	Air Quality	B	47	278	0	0	0	0	0	278
	Huddersfield Heat Network	G/B/ B*	221	1,076	7,200	7,526	0	2,050	0	17,852
	Trees for Climate Programme	G	2,527	5,805	926	650	0	6,294	0	13,675
	<b>Strategic Priorities Total</b>		<b>4,491</b>	<b>12,119</b>	<b>10,251</b>	<b>10,975</b>	<b>0</b>	<b>8,344</b>	<b>0</b>	<b>41,689</b>
<b>Baseline</b>										
	Environment & Strategic Waste	B	99	101	100	100	100	100	100	501
	<b>Baseline Total</b>		<b>99</b>	<b>101</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>501</b>
<b>One Off Projects</b>										
	Electric Vehicle Charge Points	G	11	282	0	0	0	0	0	282
	<b>One Off Projects Total</b>		<b>11</b>	<b>282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>282</b>
	<b>CLEAN AND GREEN TOTAL</b>		<b>4,601</b>	<b>12,502</b>	<b>10,351</b>	<b>11,075</b>	<b>100</b>	<b>8,444</b>	<b>0</b>	<b>42,472</b>



GENERAL FUND CAPITAL PLAN			Revised Capital Plan					
	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>EFFICIENT AND EFFECTIVE</b>								
<b>Baseline</b>								
Information Technology	B	1,148	909	900	900	900	900	4,509
One Venue Development	B	19	670	250	0	0	0	920
Sustainability of Major Town Halls - Service Development	B*	116	306	0	0	0	0	306
<b>Baseline Total</b>		<b>1,283</b>	<b>1,885</b>	<b>1,150</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>5,735</b>
<b>One Off Projects</b>								
Transformation Capitalisation	R	2,873	4,000	4,000	0	0	0	8,000
Information Technology (Digital)	B	1,035	902	843	82	80	0	1,907
<b>One Off Projects Total</b>		<b>3,908</b>	<b>4,902</b>	<b>4,843</b>	<b>82</b>	<b>80</b>	<b>0</b>	<b>9,907</b>
<b>EFFICIENT AND EFFECTIVE TOTAL</b>		<b>5,191</b>	<b>6,787</b>	<b>5,993</b>	<b>982</b>	<b>980</b>	<b>900</b>	<b>15,642</b>
<b>GENERAL FUND CAPITAL PLAN TOTAL</b>		<b>119,110</b>	<b>211,234</b>	<b>200,662</b>	<b>173,480</b>	<b>88,460</b>	<b>215,611</b>	<b>889,447</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

\*= Borrowing Addition

			Revised Capital Plan					
HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	Outturn 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28- 2030/31 £'000	Total £'000
<b>INDEPENDENT</b>								
<b>Strategic Priorities</b>								
Housing Growth	H / R	2,835	2,260	1,138	600	600	2,400	6,998
LAHF - Refugee Housing	H / G	0	4,700	0	0	0	0	4,700
New Build Phase 1 - Ashbrow Extra Care	H/R/ Cont/ S106	1,472	6,210	3,390	0	0	0	9,600
Remodelling / High Rise	H/G	850	4,400	3,500	12,600	14,300	21,350	56,150
IT System (Universal Housing Replacement)	H	388	500	600	679	0	0	1,779
Council House Building	B/R	3,297	3,350	8,670	17,500	10,650	2,187	42,357
<b>Strategic Priorities Total</b>		<b>8,842</b>	<b>21,420</b>	<b>17,298</b>	<b>31,379</b>	<b>25,550</b>	<b>25,937</b>	<b>121,584</b>
<b>Baseline</b>								
Housing Capital Plan	H	12,800	12,450	12,650	12,812	12,812	12,812	63,536
Estate Improvements (Neighbourhood Investment)	H	422	958	990	1,100	1,100	1,100	5,248
Building Safety	H	1,787	3,613	2,263	2,263	2,263	2,263	12,665
Six Storey Blocks	H / G	0	4,518	8,382	5,500	5,500	12,100	36,000
Low Rise Blocks	H	0	500	2,500	2,500	2,500	17,000	25,000
Retirement Living Schemes	H	0	0	1,500	3,750	4,500	15,250	25,000
Fuel poverty	H	255	1,465	1,849	825	825	825	5,789
Adaptations	H	2,996	3,798	3,721	3,260	3,260	3,260	17,299
<b>Baseline Total</b>		<b>18,260</b>	<b>27,302</b>	<b>33,855</b>	<b>32,010</b>	<b>32,760</b>	<b>64,610</b>	<b>190,537</b>
<b>HRA CAPITAL PLAN TOTAL</b>		<b>27,102</b>	<b>48,722</b>	<b>51,153</b>	<b>63,389</b>	<b>58,310</b>	<b>90,547</b>	<b>312,121</b>

## FUNDING KEY:

H = HRA revenue contribution/major repairs reserve  
R = Capital receipts

S106 = Section 106 developer contributions  
Cont = Other external contributions

B = Borrowing  
G = Grant



## Executive Summary

### Procurement of Parking Machines

#### Background

- The Council's estate of around 140 parking machines in Huddersfield and Dewsbury is largely obsolete; in many cases machines are no longer supported by manufacturers and cannot be repaired, whilst in many others machines lack basic functionality including the facility to take contactless payments. Most machines are mains powered which has ongoing cost and carbon emission implications.
- The condition of the machines means that a major income stream is at risk and many of our machines can no longer take payment. This is in the context of an increased demand for parking revenue generation.
- As part of the developing parking strategy, and in order to both generate required additional income and realise other benefits around air quality and town centre design, it is likely that within the next 4 years the extent of the Council's pay & display areas will expand into new areas requiring further parking machine procurement and infrastructure

Through discussions with the Capital Assurance Board, £910k has been allocated for the purpose of procuring new parking machines. It is anticipated that a spend of £320k in 2023/24 and £590k in 2024/25 would be entailed.

#### Short Term Approach

Replacement of existing parking machines will take place over a two-year period commencing at the end of June 2023. Based on the Parking Services Operations Team's capacity to receive, install and commission machines we expect to take delivery in around 10 tranches of 14 machines at intervals.

#### Outcomes

- Replacement of existing machines will protect and maintain a primary income stream
- Intended replacement machines have improved functionality enabling users to make contactless payments whilst retaining the option to pay by cash in all locations
- New machines will also communicate data to the back office team alerting them to faults and issues, thereby making the overall parking operations function more efficient
- Intended replacement machines will be solar powered thereby reducing carbon emissions – currently most machines are mains powered
- The wider expansion of pay & display will enable the Service to fulfil its requirements for additional revenue in the current financial climate

#### Impact/Risk

- Within the current estate of obsolete parking machines there are around 50 which are either defunct or failing. These machines, if functional, would account for income of around £550k per annum so income to that amount is now being lost or is at immediate risk

- The overall income from the existing estate is around £1.5 million per annum. As the estate becomes progressively more derelict this entire income stream is ultimately at risk
- There is an expectation that Parking Services will deliver an *additional* £1.7 million by the end of 2024/25. Expansion of the pay & display estate is one of the most likely mechanisms to achieve this target, which will not be deliverable without the necessary investment in machines and infrastructure

### Timescales

The following aspirational timeline is based around the approach to replace to existing estate of parking machines in Huddersfield and Dewsbury and thereafter to expand pay & display to other areas in line with the developing parking strategy

<p><b>2023/24</b></p>	<p>Securing funds to progress</p> <p>Procurement and installation of initial tranches of parking machines to replace those currently inoperative or about to fail (approximately 50 machines in batches of 14 – 4 batches)</p> <p>Ongoing development of parking strategy and identification of further pay &amp; display areas; consideration of any further required expansion of pay &amp; display machines</p>
<p><b>2024/25</b></p>	<p>Procurement of further 6 batches of machines (approximately 90 machines) to replace those lacking required functionality</p> <p>Ongoing development of parking strategy and identification of further pay &amp; display areas; consideration of any further required expansion of pay &amp; machines.</p>

### Financial

The scope for this proposal is as previously outlined i.e. total capital investment of £910k. Breakdown of the investment is as follows:

- 2023/24 - £320k for initial tranches of parking machines
- 2024/25 – £590k for remaining tranches of parking machines

## Executive Summary

### Development of a New Burial Provision within the Dewsbury Locality

#### Background

- Dewsbury Cemetery is now approximately 12 months from reaching capacity on muslim burials.
  - Christian and other faith burials have between 10-15 years capacity based on current burial rates.
- In 2022 the Council sold off a parcel of land (adjacent to Dewsbury Cemetery) to the North Kirklees Muslim Burial Committee to help facilitate future muslim burial capacity within the Dewsbury locality.
  - Estimates would indicate that this parcel of land may provide up to 600 muslim burials, giving around 6 years of capacity.

Through discussions with the Capital Assurance Board, it has been agreed that the Council should initially consider providing alternative burial space within the Dewsbury locality, by first utilising a smaller site of around 1 hectare, facilitating up to 1,500 muslim only burials, which at current burial rates would secure around 10 years of additional capacity. Longer term there would still be a need to develop a much larger site in the North of the District, which may require the Council to acquire land in the absence of suitable Council owned land.

**Short Term Approach** – To develop a smaller parcel of land within the Dewsbury locality of around 1 hectare in size by 2024-26. Estimated cost: £500,000. Two sites identified (both sites would need detailed investigation to determine suitability):

- Dewsbury Crematorium, 0.6 Hectares (1.5 acres) & Long Lane, Dewsbury, 0.76 Hectares (1.87 Acres)

*Note: This would be to a Muslim only burial provision, each individual site would provide around 1,500 burial plots (giving around 10+ years capacity at current burial rates).*

#### Outcomes

- Provision of any new /additional burial capacity/cemetery irrespective of its size would bring some certainty to communities and demonstrate that the Council's commitment to future burial provision and a facility that respects cultural values and requirements.
- All aspects of this project (from inception to delivery) would be developed together with colleagues across other Directorates to enhance service delivery and deliver improved outcomes for communities, as well as providing work for internal Council services.
- This project fits with the Councils strategic asset strategy objectives to provide operational assets that would enable the delivery of effective and efficient services, working closely with partners and residents to deliver the best outcomes possible for our communities.
- A Cemetery is viewed as an essential requirement in many localities, with communities looking to the Council to provide such facilities. It is therefore important to provide a good quality environment and service to the customers choosing to use this service.

## Impact/Risk

- Dewsbury Cemetery is within 12 months of capacity for Muslim burials, the implications of not been able to provide additional burial capacity would mean that Dewsbury based Muslims would have to travel to one of the Councils other cemeteries (Batley, Heckmondwike or Hey Lane all have dedicated Muslim burial sections), potentially having a detrimental impact on the Councils Environmental aspirations to achieve net zero, as it would be effectively increasing car journeys across the North of the district.

## Timescales

The following aspirational timeline is based around the approach to develop a smaller site prior to progressing to a larger site a point in the future.

<b>2023/24</b>	Securing funds to progress Identification/narrowing of options = Preferred site/s. Land acquisitions (if required) Environmental RA and other necessary requirements to navigate.
<b>2024/25</b>	Designs/layout/planning and ALL approvals secured. Commencement of works on site.
<b>2025/26</b>	New smaller site opens to Muslim only burials.
<b>2026/27</b>	Back in scope: Determine feasibility of a larger site within North Kirklees.

## Financial

The scope for this proposal has changed from the initial bid seeking over £1.5m funding for a large multi faith Cemetery to now seeking a smaller amount of £500,000 to provide a much-reduced burial provision specifically for Muslims, due to the immediate pressure identified. Breakdown of the £500,000 investment requested is as follows:

- 2023/24 - £100,000 (to cover: Site investigation works, suitability analysis, design, fees, and some approvals)
- 2024/25 - £400,000 (to cover: construction, fees, materials, and contingencies)

On average around 135 burials are undertaken in Dewsbury Cemetery per year of all faiths, generating around £310,000. Muslim burials account for around £250,000 of this figure.

- A Capital allocation of £500,000 is estimated to be required to enable the development/creation of a basic, yet practicable small (1 hectare) Muslim burial provision within the Dewsbury locality.
- By investing £500,000 in additional Muslim burial capacity would enable the Council to recover £750,000 over 3 years.

### 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. The original DCLG guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021/22, following the Autumn Statement announcement on November 17th, 2017. The Local Government Finance Settlement for 2021/22 extended these capital receipts flexibilities for a further three years, which will cover the period up to and including 2024/25.
2. Local authorities are given the power to use capital receipts from the sale of general fund land and buildings received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of qualifying projects.
3. Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."
4. 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.
5. The Council will use the powers under the DCLG guidance on the flexible use of capital receipts to fund up to £3m qualifying transformation expenditure in 2022/23 and £4m in 2023/24 on the projects summarised in the table below. The proposals set out 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.
6. The capital receipts described above are not built into the Council's current/proposed capital programme and so the utilisation of these receipts for capital receipts flexibility will not have a detrimental impact on the Council's prudential indicators, as set out in the Council's Treasury Management Strategy. All schemes which are eventually deemed to qualify for capitalisation would have the required costs funded through capital receipts rather than revenue.
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.

**Table - Flexible Use of Capital Receipts Strategy**

Project	Project Description	Service Transformation / Savings	Directorate	Actual Use of Receipts 2021/22 (£k)	Planned Use of Receipts 2022/23 (£k)	Planned Use of Receipts 2023/24 (£k)
Transformation Project Team	Delivery of Transformation Programme for Adult Social Care to achieve the medium term financial plan savings and bring about sustainable change in the way adult social care is delivered by the council.	Service transformation and efficiency savings	Adults	287	375	400
Demand & Capacity	Restructuring and reconfiguring of Adult Social Care services to meet current and forecast levels of demand.	Service transformation and cost reduction	Adults	220	100	150
Replacement of Adult Social Care case management system	Implementation of integrated customer-led social care case management system, delivering efficiency improvements and improved data, thereby achieving more positive results for service users.	Service transformation and efficiency savings	Adults	63	102	100
Occupational therapy & Moving and Handling staff	Funding for additional staff to reduce demand for more costly social care support over long term	Cost reduction	Adults	0	0	150
SEND Transformation - salary and consultancy costs	Implementation of SEND Transformation Plan. A comprehensive SEND Transformation Plan has been established and implementation of the multi-year programme is well underway. Work is founded on outcome / financial trajectories and the plans will continue to evolve over the lifetime of the 5 year programme.	Service transformation and cost reduction	Childrens	1,041	656	700
Resources and Waste Strategy - staff costs	Development of the council's Waste Strategy transformation agenda over the medium term.	Environmental improvements	Environment & Climate Change	129	140	200

Project	Project Description	Service Transformation / Savings	Directorate	Actual Use of Receipts 2021/22 (£k)	Planned Use of Receipts 2022/23 (£k)	Planned Use of Receipts 2023/24 (£k)
School Transport Transformation	Delivery of Transformation programme to achieve cost savings in delivery of School Transport	Efficiency savings	Environment & CC	0	0	150
Transformation Team Costs	Funding for Transformation and Culture Change team, providing council wide support in the delivery of service transformation and financial savings aligned to existing improvement programmes and the delivery of service reviews.	Transformational activity and efficiency savings	Corporate	1,090	1,570	1,700
Digital Transformation - staff costs, IT software & equipment	Identify opportunities to improve the efficiency of Information Government systems, including scanning of documents (procurement and training), development of new online resources to deliver thematic IG training, SAR digitalisation project, and other additional IG activity	Efficiency savings	Corporate	88	36	400
New Council Programme	Staff coaching in the delivery of Organisational Change	Transformational activity	Corporate	31	12	20
Business Transformation Partnership	Commissioning of consultants to support transformation projects, in particular the broader transformation and investment proposals in relation to SEND	Transformational activity	Corporate	143	0	0
The Knowledge Academy	Project Management training - transformation projects	Transformational activity	Corporate	34	0	0
NDC Capitalisation - pension costs		Cost reduction	Central	24	14	30
NDC Capitalisation - severance costs		Cost reduction	Corporate	11	0	0
				<b>3,161</b>	<b>3,005</b>	<b>4,000</b>



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

**Date:** 16 June 2023

**Title of report:** Annual Report on Treasury Management 2022/23

**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 is considered by Cabinet and Council.

<b>Key Decision - Is it likely to result in spending or saving £500k 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</b>	<b>Dean Langton 8 June 2023</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 8 June 2023</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 16 February 2022. Investments averaged £61.1 million and were largely deposited in instant access accounts earning an average interest rate of 1.92%.
- 1.2 Total external borrowing at 31 March 2023 increased by £144.9 million to £613.8 million (£468.9 million as at 31 March 2022). The Council took £70.0 million new Government long term loans from the Public Works Loan Board (PWLB) (see paragraph 2.6.3 for more detail) and an additional £35.0 million Local Authority medium term 2 to 3 year loans (see paragraph 2.6.4 for more detail). Temporary borrowing increased for the year by £60.5 million to £82.0 million (£21.5 million 31st March 2022). The average long-term borrowing rate for 2022/23 relating to all long-term debt on the balance sheet was 3.67%. Short-term borrowing rates averaged 1.34%.
- 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 2022/23. 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 2022/23 was £13.7 million. The actual MRP calculation for 2022/23 was £17.2 million and hence the maximum unwind allowable. However, in 2022/23 the actual unwind was in-line with the budget at £13.7 million.
- 1.6 Treasury management costs incurred in the year include £10.8 million on net interest payments. The Council complied with its treasury management prudential indicators in the year.

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

### **2.1 Background**

- 2.1.1 The Council has adopted the CIPFA 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 2022/23 performance, reference will be made to the Treasury Management Strategy Report approved by Budget Council on 16 February 2022.

## **2.2 Borrowing and Investment Strategy 2022/23**

- 2.2.1 The Council's overall Treasury Management Strategy prioritises security and liquidity of its investments before seeking a higher rate of return. which was adhered to in 2022/23. The Council aims to invest externally, balances of £30 million, largely for the purpose of managing day-to-day cash flow requirements. The investment strategy is designed to minimise risk and the Council's 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 As outlined in the Treasury Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower 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. The borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing.

## **2.3 The Economy and Interest Rates\_**

- 2.3.1 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

- 2.3.2 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

- 2.3.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

- 2.3.4 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so

throughout most of the year.

- 2.3.5 Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly Gross Domestic Product was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 2.3.6 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.3.7 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.
- 2.3.8 Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.
- 2.3.9 Local Authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of Authorities with specific issues. While Arlingclose's advice for Local Authorities on its counterparty list remains unchanged, a degree of caution is merited with certain Authorities.

## **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 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represent balances that need to be invested until the cash is required for use in the course of business.

- 2.4.2 The Council's treasury management investments totalled £44.0 million as at 31 March 2023 (£78.9 million 31 March 2022). The Council invested an average balance of £61.1 million externally during the year (£37.9 million 2021/22). Interest income of £0.983 million was generated through these investments (£0.034 million 2021/22) and £0.379 million dividend income from the CCLA Property Fund (£0.349 million 2021/22). Appendix 1 shows where investments were held at the beginning of April 2022, the end of September 2022 and the end of March 2023, by counterparty, by sector and by country. The Council's average lending rate for the year was 1.92% (0.12% 2021/22).
- 2.4.3 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.
- 2.4.4 The bank rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% to 1.5% at the beginning of April, rose by around 3.5% for overnight and 7 day maturities and 3.3% for 6 to 12 month maturities. By the end of March 2023, the rates on DMO deposits ranged between 4.05% and 4.15%.
- 2.4.5 The Council continues to hold £10 million investment 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 2023 there are assets under management of £1,203 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.
- 2.4.6 The fund returned a gross dividend yield of 3.09% in 2022/23 (3.25% 2021/22), which compares favourably with an average 1.92% on other short-term investments (see paragraph 2.4.2 above). Net income of £0.379 million was received by the Council in 2022/23 (£0.349 million in 2021/22).
- 2.4.7 Rapid rises in yields caused damage to property fund valuations with tighter financial conditions and challenges in some segments of commercial estates such as offices and high street shops which saw commercial property values fall during 2022, with a large fall in the final quarter.
- 2.4.8 Strategic fund investments are made in the knowledge that capital values will move both up and down over time. Unrealised cumulative capital losses of £1.1 million will not have an impact on the General Fund as the Council is utilising a Government statutory override for pooled investment funds. Under the Regulations, gains and losses resulting from unrealised fair value movements, that otherwise must be recognised in the income and expenditure account under IFRS9, are not currently charged to the revenue account, and must be taken into an unusable reserve account.
- 2.4.9 The DHLUC published a consultation on the IFRS9 pooled investment fund statutory override for English Authorities which was due to expire with effect from 31 March 2023. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years.

## **2.5 Borrowing Update**

- 2.5.1 CIPFA's 2021 Prudential Code is clear that Local Authorities must not borrow to invest primarily for financial return and that it is not prudent for Local Authorities to make any investment or spending decision that will increase the Capital Finance Requirement (CFR) and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 2.5.2 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. There are no aspects of the Council's current multi-year plan that are expected to be in breach of the Code.
- 2.5.3 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 over 3.0pp higher than those at the beginning of April 2022. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. PWLB rates remain volatile and well above historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31 March 2023, 20 years at 4.70% and 30 years at 4.66%.
- 2.5.4 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15 March 2023. The discounted rate is to support Local Authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available from June 2023, initially for a period of one year.

## 2.6 Borrowing Activity

- 2.6.1 In terms of borrowing, long-term loans maturing greater than one year totalled £512.8 million and short-term loans maturing within 12 months (excluding interest accrued) totalled £101.0 million (£442.3 million and £26.6 million 31 March 2022), an overall increase of £144.9 million. Appendix 2 details repayments of long-term loans during the year and short-term loans outstanding as at 31 March 2023.
- 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 £70.0 million of new long-term EIP loans from the PWLB in 2022/23. These loans were taken throughout the year.

	<b>Amount £m</b>	<b>Rate %</b>	<b>Start date</b>	<b>Maturity date</b>
PWLB (538379)	20.0	2.60	9 Aug 22	9 Aug 42
PWLB (594601)	15.0	4.10	31 Jan 23	31 Jan 38
PWLB (594848)	15.0	3.99	1 Feb 23	1 Feb 37

PWLB (608189)	20.0	4.15	21 Mar 23	21 Mar 38
<b>Total</b>	<b>70.0</b>			

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 the bank base rate rose significantly during the period along with PWLB rates, the Council took advantage of medium-term loans over a 2 to 3 year time frame, achieving slightly lower interest rates for the period compared to the PWLB and securing the funds needed. The table below shows £35.0 million of loans taken during 2022/23, there is a further 3 year loan of £5.0 million taken in 2021/22 still outstanding at 31 March 2023.

	<b>Amount £m</b>	<b>Rate %</b>	<b>Start date</b>	<b>Maturity date</b>
Crawley Borough Council	5.0	0.50	1 Apr 22	2 Apr 24
South Yorkshire Mayoral Combined Authority	10.0	1.50	1 Apr 22	1 Apr 25
Leicester City Council	5.0	0.75	13 Apr 22	12 Apr 24
Leicester City Council	10.0	2.00	15 Jul 22	15 Jul 25
Oxfordshire County Council	5.0	2.00	15 Aug 22	15 Aug 25
<b>Total</b>	<b>35.0</b>			

- 2.6.5 Fixed rate loans account for 88.02% 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 6.44% 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 71.27% 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 11.56% 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 Council 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;

	2021/22 £m actual	2022/23 £m forecast	2022/23 £m actual
General Fund CFR - Non PFI	556.1	618.0	617.0
PFI	39.4	35.5	35.5
HRA CFR - Non PFI	166.0	175.3	168.0
PFI	45.2	42.7	42.7
<b>Total CFR</b>	<b>806.7</b>	<b>871.5</b>	<b>863.2</b>
Less: PFI debt liabilities	84.6	78.2	78.2
: Other deferred liabilities	3.6	3.6	3.5
<b>Borrowing CFR</b>	<b>718.5</b>	<b>789.7</b>	<b>781.5</b>
External borrowing:			
PWLB Loans	313.3	358.9	379.0
LOBOs	61.5	61.5	61.5
Loan Stock (Fixed Rate)	7.0	7.0	7.0
Other LT Loans (Fixed Rate)	45.6	44.3	44.3
Other MT Loans (Fixed Rate)	20.0	40.0	40.0
Temporary borrowing	21.5	74.0	82.0
<b>Total External borrowing</b>	<b>468.9</b>	<b>585.7</b>	<b>613.8</b>
<b>Internal borrowing *</b>	<b>249.6</b>	<b>204.0</b>	<b>167.7</b>
Investments	78.9	30.0	44.0

\* This is the amount the Council still needs to borrow to fund its capital programme (and which is currently being funded from internal resources such as reserves and working capital)

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 2022/23.

2.6.10 The average long-term borrowing rate for 2022/23 for the Council's long-term loans outstanding was 3.67% (3.84% 2021/22).

## 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. This highlights the current trend of borrowing shorter and longer term to fund cashflow.

## 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 largest daily amount deposited in this account overnight as a result of unexpected late receipts was £2.1 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 £10.0 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 2022/23. Training was provided to Members in November 2022.

### **Looking ahead – Treasury Management developments in 2023/24**

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

- 2.9.1 As outlined within the Council approved Treasury Management Strategy 2023/24, 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 Council officers will 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.

#### **2.11 Investment Opportunities**

- 2.11.1 The Service Director Finance, supports the approach that the borrowing and investment

strategy for 2023/24 continues to place emphasis on the security and liquidity of the Council's balances.

- 2.11.2 The investment in the CCLA property fund (see paragraphs 2.4.5 to 2.4.9) 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 longer 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 longer-term borrowing. Unfortunately borrowing rates remain high and are likely to continue to rise in the near term. As short and medium-term rates remain slightly lower over a shorter time frame compared to longer-term, the Council will continue to borrow this way to minimise borrowing costs, although resulting in a higher proportion of debt that is not fixed over longer periods.
- 2.12.2 The base rate is expected to continue to rise during 2023/24. Long-term PWLB loans will be taken if gilt yields drop and the opportunity to take those fixed rate loans are presented.
- 2.12.3 The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing will be maintained considering 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 2023/24 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.

## **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**

**3.5 Improving outcomes for children - N/A**

**3.6 Financial Implications for the people living or working in Kirklees – N/A**

**3.7 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 16 June 2023 and will be submitted to Cabinet for consideration on 27 June 2023. 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 12 July 2023.

#### **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 2022/23 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 2022/23 Strategy Report approved by Council on 16 February 2022.

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

Dean Langton

01484 221000

**APPENDIX 1**

Kirklees Council Investments 2022/23											
Counterparty	Credit Rating Mar 2023*	1 April 2022				30 September 2022			31 March 2023		
		£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	
<b>Specified Investments</b>											
Barclays	Bank	F1/A+	0.0	N/A	Instant Access	0.0	N/A	Instant Access	0.5	3.57%	Instant Access
Aberdeen Standard	MMF**	AAAmf	8.9	0.51%	Instant Access	10.0	2.14%	Instant Access	0.2	4.06%	Instant Access
Aviva	MMF**	Aaa-mf	10.0	0.51%	Instant Access	10.0	1.94%	Instant Access	8.3	4.12%	Instant Access
Deutsche	MMF**	AAAmf	0.0	0.49%	Instant Access	0.0	1.78%	Instant Access	10.0	4.16%	Instant Access
Goldman Sachs	MMF**	AAAmf	3.3	0.48%	Instant Access	7.3	1.97%	Instant Access	0.0	4.01%	Instant Access
PCC for Devon & Cornwall	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
PCC for Dorset	Local Authority		10.0	0.60%	Local Authority	0.0	N/A	Local Authority	0.0	N/A	Local Authority
Leeds City Council	Local Authority		0.0	N/A	Local Authority	5.0	2.00%	Local Authority	0.0	N/A	Local Authority
PCC for West Yorkshire	Local Authority		0.0	N/A	Local Authority	3.0	2.20%	Local Authority	5.0	4.65%	Local Authority
Northamptonshire Council	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	5.0	4.50%	Local Authority
PCC for West Mercia	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	3.0	4.60%	Local Authority
PCC for Warwickshire	Local Authority		0.0	N/A	Local Authority	0.0	N/A	Local Authority	2.0	4.60%	Local Authority
Debt Management Office	Cent Govt		26.7	0.55%	Cent Govt	36.0	2.02%	Cent Govt	0.0	N/A	Cent Govt
CCLA	Property Fund		10.0	N/A	Property Fund	10.0	N/A	Property Fund	10.0	N/A	Property Fund
			<b>78.9</b>			<b>81.3</b>			<b>44.0</b>		
<b>Sector Analysis</b>											
			<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>		<b>£m</b>	<b>%age</b>	
Bank			0.0	0%		0.0	0%		0.5	1%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
Local Authorities/Cent Govt			46.7	59%		44.0	54%		15.0	34%	
Property Fund			10.0	13%		10.0	12%		10.0	23%	
			<b>78.9</b>	<b>100%</b>		<b>81.3</b>	<b>100%</b>		<b>44.0</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			56.7	72%		54.0	66%		25.5	58%	
MMF**			22.2	28%		27.3	34%		18.5	42%	
			<b>78.9</b>	<b>100%</b>		<b>81.3</b>	<b>100%</b>		<b>44.0</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	AA-		F1
		A+		
		A		
	Adequate	A-	F2	
		BBB+		
		BBB	F3	
Speculative Grade	Speculative	BBB-	B	
		Very Speculative		BB+
				BB
	Vulnerable	BB-		C
		B+		
		B		
		B-		
	Defaulting	Defaulting	CCC+	D
			CCC	
			CCC-	
CC				
C				

## Appendix 2

### Long-term loans repaid and short-term loans outstanding 31 March 2023

#### Long-term loans repaid during 2022/23

	<b>Amount £000s</b>	<b>Rate %</b>	<b>Date repaid</b>
<b>Repayments on annuity loans</b>			
PWLB (496956)	404	4.58	29 Sep 22
PWLB (496956)	413	4.58	29 Mar 23
<b>Repayments on EIP loans</b>			
PWLB (340221)	250	1.63	27 Apr 22
PWLB (439173)	250	1.66	17 May 22
PWLB (373440)	250	1.46	12 Jul 22
PWLB (487385)	250	2.28	22 Aug 22
PWLB (313112)	250	1.64	5 Sep 22
PWLB (493145)	250	1.98	9 Sep 22
PWLB (340221)	250	1.63	27 Oct 22
PWLB (439173)	250	1.66	17 Nov 22
PWLB (373440)	250	1.46	12 Jan 23
PWLB (538379)	500	2.60	9 Feb 23
PWLB (487385)	250	2.28	21 Feb 23
PWLB (313112)	250	1.64	6 Mar 23
PWLB (493145)	250	1.98	9 Mar 23
<b>Total</b>	<b>4,317</b>		

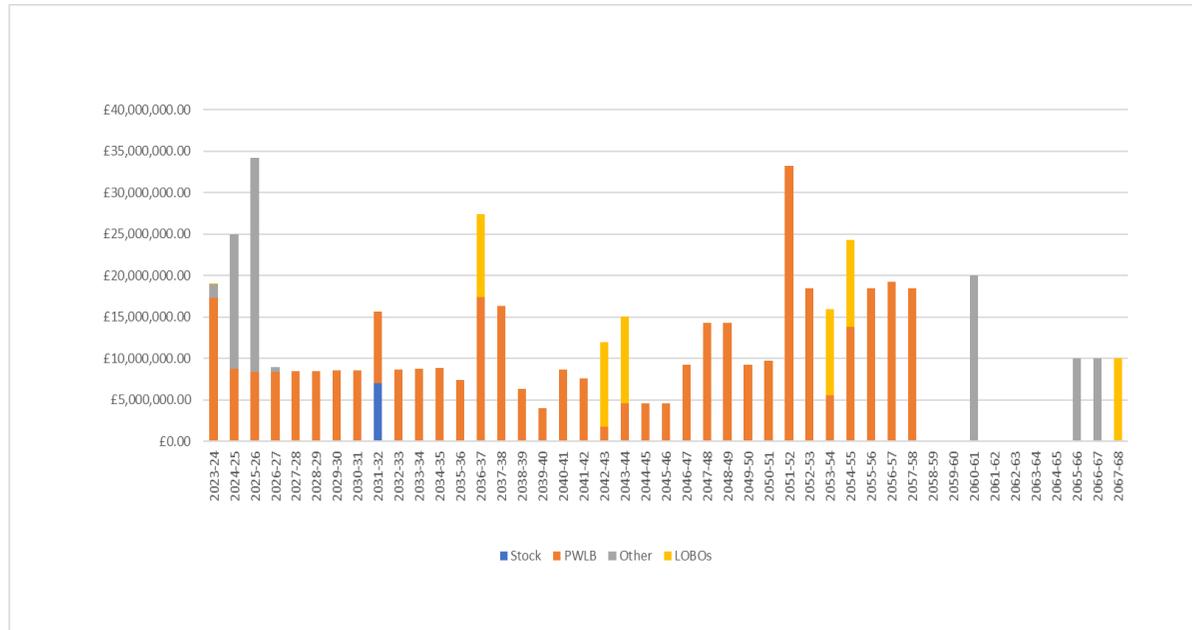
#### Short-term loans outstanding 31 March 2023

	<b>Amount £000s</b>	<b>Rate %</b>	<b>Length (days)</b>
<b>Temporary borrowing from the Money Market</b>			
West Yorkshire Combined Authority	10,000	0.80	276
West Sussex County Council	5,000	4.05	365
East Suffolk Council	5,000	3.60	182
South Lanarkshire Council	5,000	3.45	121
West Yorkshire Combined Authority	5,000	4.00	350
Spelthorne Borough Council	5,000	3.55	90
West Yorkshire Combined Authority	5,000	3.70	181
Warwickshire County Council	5,000	4.00	364
Rotherham Metropolitan Council	5,000	4.25	33
Ashfield District Council	5,000	4.55	92

Warwickshire County Council	5,000	4.50	364
Portsmouth City Council	5,000	4.50	61
Medium-term loans due to mature in the next twelve months	15,000		
Local lenders/Trust Funds	2,027		
<b>Total Temporary borrowing</b>	<b>82,027</b>		
Long-term loans due to mature in the next twelve months	18,997		
<b>Total</b>	<b>101,024</b>		

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

### Appendix 3



**Appendix 4**

**Kirklees Council - Borrowing and Investment Trends**

<b>At 31 March</b>	<b>2023 £m</b>	<b>2022 £m</b>	<b>2021 £m</b>	<b>2020 £m</b>	<b>2019 £m</b>	<b>2018 £m</b>
Investments	44.0	78.9	37.1	52.0	39.1	36.1
ST Borrowing (excl interest accrued)	101.0	26.6	50.0	53.2	11.8	20.8
LT Borrowing	512.8	442.3	375.8	373.7	384.1	392.4
Total Borrowing	613.8	468.9	425.8	426.9	395.9	413.2
<b>Net debt position</b>	<b>569.8</b>	<b>390.0</b>	<b>388.7</b>	<b>374.9</b>	<b>356.8</b>	<b>377.1</b>
<u>Capital Financing Requirement (excl PFI)</u>						
General Fund	617.0	556.1	500.1	461.6	436.6	420.3
HRA	168.0	166.0	170.3	175.3	175.3	182.8
<b>Total CFR</b>	<b>785.0</b>	<b>722.1</b>	<b>670.4</b>	<b>636.9</b>	<b>611.9</b>	<b>603.1</b>
Less deferred liabilities (non PFI)	3.5	3.6	3.6	3.7	3.9	4.1
<b>Borrowing CFR</b>	<b>781.5</b>	<b>718.5</b>	<b>666.8</b>	<b>633.2</b>	<b>608.0</b>	<b>599.0</b>
Balances “internally invested”	167.7	249.6	241.0	206.3	212.1	185.8
Ave Kirklees’ investment rate for financial year	1.9%	0.1%	0.1%	0.7%	0.7%	0.3%
Ave Base rate (Bank of England)	2.3%	0.2%	0.1%	0.7%	0.7%	0.3%
Ave LT Borrowing rate (1)	3.8%	1.9%	2.3%	2.4%	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 2022/23	Actual 2022/23
Interest at fixed rates as a percentage of net interest payments	60% - 100%	88%
Interest at variable rates as a percentage of net interest payments	0% - 40%	12%

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 2022/23	Actual Levels 2022/23
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	5%
2 years to 5 years	0% - 60%	11%
5 years to 10 years	0% - 80%	11%
More than 10 years	20% - 100%	69%

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.