

# Corporate Financial Monitoring, Quarter 2 2023/24

Cabinet 14<sup>th</sup> November 2023



# Revenue Headlines

- Quarter 2 Monitoring – Forecast overspend of **£16.102m** (Q1 was £20.335m)
- Savings forecast to be delivered total c£18.7m (against a target of £19.8m)
- Total Useable Reserves forecast to be **c£35** by 31<sup>st</sup> March 2024 of which:
  - Unallocated reserves forecast to be **£16m** (Minimum working balance assessed at £15m using risk-based approach)
  - Earmarked Reserves forecast to be **£19m** – *includes £9.4m returned WYCA levy to be used in 2024/25 to mitigate against the use of other reserves to balance the budget*



# Quarter 2 Revenue Monitoring

	Revised Budget Q2 £000	Forecast at Q2 £000	Variance Q2 £000	Variance Q1 £000	Change from Q1 £000
Children and Families	83,232	88,496	5,264	7,368	(2,104)
Adults and Health	130,896	133,087	2,191	3,024	(833)
Growth and Regeneration	53,374	56,076	2,702	3,248	(546)
Corp Strategy, Comm and Public Health	58,328	62,343	4,015	4,150	(135)
Central Budgets	54,870	56,800	1,930	2,545	(615)
<b>General Fund</b>	<b>380,700</b>	<b>396,802</b>	<b>16,102</b>	<b>20,335</b>	<b>(4,233)</b>



# Directorate Budget Variances

## Children and Families

### Children and Families Totals

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
£83.232m	£88.496m	+£5.264m	-£2.104m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Education Psychology/SENDACT	+£300k	+£566k	+£266k	Increased staffing pressure due to the requirement to adhere to statutory timescales/capacity of these teams, plus increased unit cost of Education Psychology locums.	
Strategic Leadership in Education	+£600k	+£300k	-£300k	Partially caused by the removal of the School Improvement Grant	An overspend reduction proposal has been put forward as part of the 24/25 budget process to reduce this overspend.
Children's Disability Service Placements	+£700k	+£1.0m	+£300k	Demand, complexity and significant cost of living increases have driven costs up and resulted in the projected overspend.	Existing and new support packages are subject to scrutiny and the service is developing a multi-agency review of funding to ensure appropriate contributions are received from partners
Looked After Children and Care Leaver Service	+£1.4m	+£1.8m	+£400k	A result of increased numbers and complexity of need, plus £300k inflation uplift for contract provision	Review and plans in place for all over 18's to be moved to suitable accommodation – monitored on a weekly basis. For those approaching 18 plans are being made to ensure they transition to accommodation safely and securely
Financial Support for Care Leavers	+£300k	+£350k	+£50k	Demand led pressure	An audit has been scheduled to look at areas of spend to help manage these.

# Directorate Budget Variances

## Children and Families

### Children and Families Totals

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£83.232m	£88.496m	+£5.264m	-£2.104m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Special Guardianship Order	+£900k	+£900k	Nil Change	Increases in numbers and application of inflationary uplifts.	The cost associated to SGO financial support is a positive outcome for children and means that they do not need to remain in care. It is anticipated that this cost will continue to rise.
External Residential Placements	+£3.2m	+£2.3m	-£900k	Due to price and volume (increased need and complexity) increases.	Opening/Re-Opening of Magdale House and Healds Road will provide more local capacity to reduce the number of ERP's. Heald's Rd begins phasing children is from 18 <sup>th</sup> October and Magdale is anticipated to welcome the first child by the beginning of November. Existing placements continue to be reviewed regularly and where possible children are matched to local placements. Updates to Childrens SLT on a weekly basis. There is a plan to purchase an additional "small home" with a shortlist of 3 homes due to be shortlisted by the end of the week commencing 17 <sup>th</sup> October 2023.
Commissioned Services	+£500K	+£520k	+£20k	Pressure on commissioned contracts.	

# Directorate Budget Variances

## Children and Families

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£83.232m	£88.496m	+£5.264m	-£2.104m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Underspend</b>					
Service Wide Vacancy Management	-£400k	-£500k	-£100k	Projected over achievement of existing £0.5m savings target	
Internal and External Fostering Placements	-£300k	-£1.2m	-£900k	The improvement is due to the anticipated receipt of Home Office Grant in respect of UASC Placements in Internal/External foster placements.	We are seeing an increase in demand for placements for children. This is a national challenge, and we are facing enormous difficulties to place children in residential or fostering placements. Despite national searches being made we are repeatedly being told children cannot be matched. As a result, we are having to pay for very high-cost unregulated provision

# Directorate Budget Variances

## Adults and Health

### Adults and Health Totals

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
£130.896m	£133.087m	-+2.191m	-£0.833m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Independent Sector Home Care	+£1.1m	+£1.4m	+£300k	Increased activity/demand levels on all client cohorts. Also, higher unit costs on Learning Disability and Mental Health.	Ongoing work to manage pathways, working with the market.
Self-Directed Support	+£800k	+£800k	No change	OP is underspending (seeing underspends on Direct Payments, commissioned services and higher than anticipated client income), but PD, LD and MH are overspending (the latter three driven by overspends on commissioned services).	Ongoing work to manage pathways, working with the market.
Increase in bad debt provision	+£100k	+£400k	+£300k	Growing level of potential bad debt coverage required.	Work ongoing to review reasons and processes.
<b>Income Underachievement</b>					
Catering	+£500k	+£500k	No change	Shortfall in income and food price inflation	Management of food contracts. Control on all spending. Maximising income.
Town Halls and Public Halls	+£450k	+£500k	+£50k	Shortfall in income.	Charging for room hire to re-commence, mainly external use. Spend controls.
Markets	+£300k	+£200k	-£100k	Shortfall in income.	Holding vacancies, spending controls, maximising income.

# Directorate Budget Variances

## Adults and Health

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£130.896m	£133.087m	-+2.191m	-£0.833m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Underspend</b>					
Residential and Nursing Placements	+£500k	+£100k	-£400k	OP and LD are up on activity but with lower unit net costs, and PD and MH are both under on activity but up on net unit cost.	Ongoing work to manage pathways, working with the market.
Employees	-£400k	-£800k	-£400k	Agency staffing is £+0.8m but direct staffing is £-1.6m. Also includes recent decision around funding/income for in-house provision (employees).	Ongoing work around recruitment and retention.
Caretaking & Cleaning	-£350k	-£350k	No change	Additional ad-hoc and specialist cleaning and a charging review	



# Directorate Budget Variances

## Growth and Regeneration

### Growth and Regeneration Totals

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
£53.374m	£56.076m	+£2.702m	-£0.546m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Corporate Landlord	+£638k	+£209k	-£429k	Building running & maintenance costs	Essential spend (health, safety & compliance) only.
Assets and Estates	+£163k	+£412k	+£249k	Overspend staffing and piazza (previously funded by reserve)	The aim is to reduce this overspend on staffing by use of a 4% capital receipts top slice. £2-3m of sales income is expected imminently.
Highways Maintenance	+£200k	-	-£200k	Delayed revision to the current Highways Grounds Maintenance (GM) SLA due to a wider review of the GM team.	Monthly monitoring and workshops continue. Additional income generation(staffing) has been accelerated to offset for October 23.
Transport (fleet)	+£400k	+£600k	+£200k	Limited capital funding exists to deliver a future vehicle replacement programme. The age of the current fleet is now approaching end of economic life(% of) and repair costs have increased significantly within 23/24. Fuel costs have also increased in recent months and inflation is now out performing the base budget for fuel.	A Vehicle Replacement Capital Report is developed and a capital profile produced to 2032. The Capital Assurance Board will consider the report and impact. Currently the services(waste, GM, Highways, Winter) are hiring vehicles at the cost of £1.9m to offset vehicle downtime/disposal. Transport Assurance Board has been set up to review vehicle utilisation and repair costs.

# Directorate Budget Variances

## Growth and Regeneration

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£53.374m	£56.076m	+£2.702m	-£0.546m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Waste Services – Hired Fleet/Agency/POPs	Nil	+£850k	+£850k	Changes to disposal of Persistent Organic Pollutant(POP's) in 2023. No base budget to offset what is a significant cost to KMC c£750k. Increased landfill tax levy £250k. Inflation realised for the purchase of IPPC which is an essential chemical used to reduce emissions for the EfW Plant. disposal legislation & significant cost increase of chemicals to reduce emissions £200k. * Hired fleet approx. £20k/wk.	The final batch of (funded) replacement vehicles have been delayed but are now arriving in service to reduce hired fleet costs.  Acceleration savings proposals from 24/25 to mitigate the overspend in IPPC, POPs, Fuel.
<b>Income Underachievement</b>					
Planning and Building Control	£1.0m	+£535k	-£465k	Demand suppressed for Planning & Building Control.	Acceleration of 24/25 proposals should bring in additional income to 23/24
Parking	+£100k	+£400k	+300k	Shortfall in income.	
<b>Underspend</b>					
Housing GF Services	+£36k	-£138k	-£174k	Delivery of DFG charge to capital early	
Various	-£23k	-£779k	-£756k	Net staffing, including -£0.5m Major Projects.	

# Directorate Budget Variances

## Corporate Strategy, Commissioning and Public Health

### Corporate Strategy, Commissioning and Public Health Totals£

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
£58.328m	£62.343m	<b>+£4.015m</b>	<b>-£0.135m</b>

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Strategy & Innovation	<b>+£1.0m</b>	<b>+£400k</b>	<b>-£600k</b>	Largely inflationary pressures on IT through increased costs of software and hardware, as well as pressure on volumes of IT kit used across the authority.	Vacancies are being held across the majority of the Strategy and Innovation services, which has helped to reduce the current overspend. Ongoing costs with IT are also being reduced wherever possible.
Public Health & People	<b>+£100k</b>	<b>+£200k</b>	<b>+£100k</b>	Staffing overspends due to succession planning, and Physio/counselling costs through employee healthcare.	OD vacancies being held to help improve the situation, as well as vacancies being held as much as possible throughout the service.
Finance	<b>+£1.0m</b>	-	<b>-£1.0m</b>	Staffing overspends and lower than anticipated court cost recovery, offset by grant funding and keeping vacancies where possible.	Utilisation of grant funding, and vacancy management factor applied across all services.
Schools Transport	<b>+£200k</b>	<b>+£100k</b>	<b>-£100k</b>	Overspend – Inflation & demand on routes, offset by transformation.	Transformation projects ongoing to reduce costs

# Directorate Budget Variances

## Corporate Strategy, Commissioning and Public Health

### Corporate Strategy, Commissioning and Public Health Totals

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
£58.328m	£62.343m	+£4.015m	-£0.135m

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Income Underachievement</b>					
Housing Benefit Subsidy loss	+£2.5m	+£3.5m	+£1.0m	Spend on Homelessness and Supported Accommodation which is not eligible for Housing Subsidy grant.	Additional temporary accommodation is being sourced including using Berry Brow and Ashenhurst (previously student accommodation)
Licensing Income shortfall	+£150k	+£200k	+£50k	Shortfall in income.	
<b>Underspend</b>					
Governance & Commissioning	-£800k	-£400k	+£400k	Legal Services increased income through charges against capital works/HRA, offset by external costs. Vacancies in Risk and Governance. Insurance premiums increased.	Further options being investigated to charge to capital.

# Directorate Budget Variances

## Central Budgets

### Central Budgets Totals

Agreed 23/24 budget	Forecast at month Quarter 2	Total variance at Quarter 2	Change from last quarter
£64.299m	£66.501m	<b>+£1.930m</b>	<b>-£0.615m</b>

Service area	Variance Q1	Variance Q2	+/- change from last month	Reason for variance	Mitigating actions
<b>Overspend</b>					
Additional Debt Charges	<b>+£2.5m</b>	<b>+£2.3m</b>	<b>-£200k</b>	Additional debt charges	To consider what scope there is to reduce debt charges in the current and future years, a review of the Council's Treasury Strategy (and related debt charges) is currently underway in conjunction with the review of the Capital Programme.
<b>Underspend</b>					
Energy Inflation	-	<b>-£300k</b>	<b>-£300k</b>	Re-payment from Gas supplier after reconciliation of 2022/23 fluctuating prices.	

# Analysis of Council Reserves (excl Statutory Reserves)

	Unallocated *1 £000	Earmarked £000	Total £000
<b>At 1<sup>st</sup> April 2023</b>	<b>(47,108)</b>	<b>(36,942)</b>	<b>(84,050)</b>
<b><i>Planned Use</i></b>			
Earmarked Reserves		3,268	3,268
Unallocated Reserves	24,648		24,648
Budgeted Contribution to Reserves for Collection Fund Deficit	-	(2,500)	(2,500)
	<b>(22,460)</b>	<b>(36,174)</b>	<b>(58,634)</b>
<b><i>In Year Adjustments – Quarter 2</i></b>			
- Forecast Drawdown of Unallocated Reserves	19,499	-	19,499
- Forecast Use of Earmarked Reserves		13,165	13,165
- Reallocation of Demand Reserve	(10,750)	10,750	-
- Reallocation of Collection Fund Deficit Reserve	(2,500)	2,500	-
- WYCA returned levy		(9,400)	(9,400)
<b>Balance of Reserves at 31<sup>st</sup> September 2023</b>	<b>(16,211)</b>	<b>(19,159)</b>	<b>(35,370)</b>

\*1 – includes Minimum Working Balance of £15m



# HRA Quarter 2

	Revised Budget Q2 £000	Forecast Q2 £000	Variance Q2 £000	Variance Q1 £000	Change from Q1 £000
Repairs & Maintenance	30,325	30,773	448	0	448
Housing Management	44,496	43,937	(559)	(972)	413
Property Services	(0)	(0)	(0)	(0)	0
Other Expenditure	29,936	29,925	(11)	(2)	(9)
<b>Total Expenditure</b>	<b>104,757</b>	<b>104,635</b>	<b>(122)</b>	<b>(974)</b>	<b>852</b>
Rent & Other Income	(99,206)	(99,118)	88	160	(72)
Revenue Contribution to Capital Funding	0	0	0	0	0
Planned transfer from HRA Reserves	(5,551)	(5,551)	0	0	0
<b>Total</b>	<b>(0)</b>	<b>(34)</b>	<b>(34)</b>	<b>(814)</b>	<b>780</b>



# HRA Reserves

	Balance at 31 March 2023 £000	Approved Movement in reserves £000	Balance at 31 March 2024 £000
Set aside for business risks	(4,000)	(9,500)	<b>(13,500)</b>
Set aside to meet investment needs (as per HRA business plan)	(38,916)	28,242	<b>(10,674)</b>
Working Balance	1,500	-	<b>(1,500)</b>
<b>Total</b>	<b>(44,416)</b>	<b>18,742</b>	<b>(25,674)</b>





# HRA Budget Variances

## Growth and Regeneration Totals

Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
-	-£814K	-£34K	+£780K

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Overspend</b>					
Repairs and Maintenance	£0	+£448K	+£448K	Additional cost of repairs agreed increased price per property of £528k	Focus on damp and mould backlog as a priority savings to be achieved from other areas.
Policy and Management	+£324K	+£702k	+£378k	Forecast overspend for PFI extra care scheme unitary charge £166k, Abortive costs for GF schemes £600k to be recovered through sales.	Policy and Management review of continuation of catering service and abortive costs payments to be agreed when sites are sold
Council services bought in	+£102K	+£336K	+£234K	Increased legal costs due to disrepair claims of £299k	Council services bought in Review of process and controls for disrepair claims and compensation payments need to be budgeted for
Community facilities	+£641K	+£596K	-£45K	Increased cost of communal lighting £242k and sheltered heating £259k	Community facilities

# HRA Budget Variances

Growth and Regeneration Totals			
Agreed 23/24 budget	Forecast at Quarter 2	Total variance at Quarter 2 +/-	Change from Last Quarter +/-
-	-£814K	-£34K	+£780K

Service area	Variance Quarter 1	Variance Quarter 2	+/- change from last Quarter	Reason for variance	Mitigating actions
<b>Underspend</b>					
H&N Management costs	-£2,039K	-£2,194K	-£155K	Vacancies remained vacant for longer	Additional resources allocated for staffing for Assets and Building Safety. Planned approach to recruiting to the team.
<b>Income</b>					
Rental Income	+£159K	+£207K	+£48K	Void rent loss through time taken to turnaround empty properties	Updated process in place to better manage turnaround times
Other Income	-£2K	-£147K	-£145K	Investment income	Additional income through balances held

# Capital Headlines

- Quarter 2 Capital Monitoring – Forecast underspend **£57.9m** (Q1 £6.5m)
- Capital budget **£259.1m** (reduction since Q1 £0.6m: +£0.7m grants, - £1.3m re-profile)
- Majority of underspend is due to slippage and will be factored in as part of the corporate review and affordability assessment currently underway
- Slippage will be re-profiled into future years as part of the Council Budget Report

# Capital – Project Approval

## Transport programme

- Cabinet approval requested for £0.32m to purchase 3 Highways Tipper vehicles with delivery expected before April 2024
- Savings in hire costs from revenue budget
- Forward profile £0.32m from future years into 2023/24

# Q2 Capital Monitoring (mapped to Council Outcomes)

	Revised Budget £'000	Actuals to Date £'000	Forecast £'000	Variance £'000	Variance %	Variance Q1 £'000	Change from Q1 £'000
<b>General Fund</b>							
Aspire & Achieve	20,970	5,232	16,713	(4,257)	(20%)	0	(4,257)
Best Start	2,980	420	1,028	(1,952)	(66%)	0	(1,952)
Independent	8,105	1,788	7,697	(408)	(5%)	0	(408)
Sustainable Economy	155,069	40,467	117,863	(37,206)	(24%)	(16)	(37,190)
Well	5,159	1,058	3,517	(1,642)	(32%)	500	(2,142)
Safe & Cohesive	49	0	49	0	0%	0	0
Clean and Green	11,218	3,262	10,132	(1,086)	(10%)	(1,309)	(223)
Efficient & Effective	6,787	413	5,476	(1,311)	(19%)	0	(1,311)
<b>GENERAL FUND TOTAL</b>	<b>210,337</b>	<b>52,640</b>	<b>162,475</b>	<b>(47,862)</b>	<b>(23%)</b>	<b>(825)</b>	<b>(47,037)</b>
<b>Housing Revenue Account</b>							
Strategic Priorities	21,420	5,934	18,269	(3,151)	(15%)	(250)	(2,901)
Baseline	27,302	6,899	20,438	(6,864)	(25%)	(5,381)	(1,483)
<b>HOUSING REVENUE TOTAL</b>	<b>48,722</b>	<b>12,833</b>	<b>38,707</b>	<b>(10,015)</b>	<b>(21%)</b>	<b>(5,631)</b>	<b>(4,384)</b>
<b>CAPITAL PLAN TOTAL</b>	<b>259,059</b>	<b>65,473</b>	<b>201,822</b>	<b>(57,877)</b>	<b>(22%)</b>	<b>(6,456)</b>	<b>(51,421)</b>



# Q2 Capital Monitoring (Directorate)

	Revised Budget Q2	Actual Costs	Forecast at Q2	Variance Q2	Variance Q1	Change from Q1
	£'000	£'000	£'000	£'000	£0	£0
Children and Families	23,523	5,633	17,721	(5,802)	0	(5,802)
Adults, Housing & Health	8,581	1,808	7,766	(815)	0	(815)
Regeneration & Growth	125,889	29,271	93,520	(32,369)	0	(32,369)
Environment & Climate Change	46,127	15,360	37,257	(8,870)	(1,309)	(7,561)
Corp Strat, Commiss & Public Health	6,217	568	6,211	(6)	484	(490)
<b>General Fund</b>	<b>210,337</b>	<b>52,640</b>	<b>162,475</b>	<b>(47,862)</b>	<b>(825)</b>	<b>(47,037)</b>
HRA	48,722	12,833	38,707	(10,015)	(5,631)	(4,384)
<b>TOTAL</b>	<b>259,059</b>	<b>65,473</b>	<b>201,182</b>	<b>(57,877)</b>	<b>(6,456)</b>	<b>(51,421)</b>



# Q2 Capital Monitoring – Funding Summary

	Q2 Budget £'000	Q2 Forecast £'000
<b><u>General Fund</u></b>		
Capital Grants/Contributions	98,649	76,415
Earmarked Capital Receipts	7,023	5,023
Service Funded Prudential Borrowing	13,340	13,117
Revenue Contributions	348	150
Non-Earmarked Capital Receipts	4,000	4,000
Corporate Prudential Borrowing	86,977	63,770
<b>GENERAL FUND FUNDING</b>	<b>210,337</b>	<b>162,475</b>
<b><u>Housing Revenue Account</u></b>		
Capital Grants/Contributions	6,041	4,510
Earmarked Capital Receipts	4,728	4,360
Reserves / Revenue Contributions	21,685	13,225
Reserves - MRR	14,258	14,602
Corporate Prudential Borrowing	2,010	2,010
<b>HRA FUNDING</b>	<b>48,722</b>	<b>38,707</b>

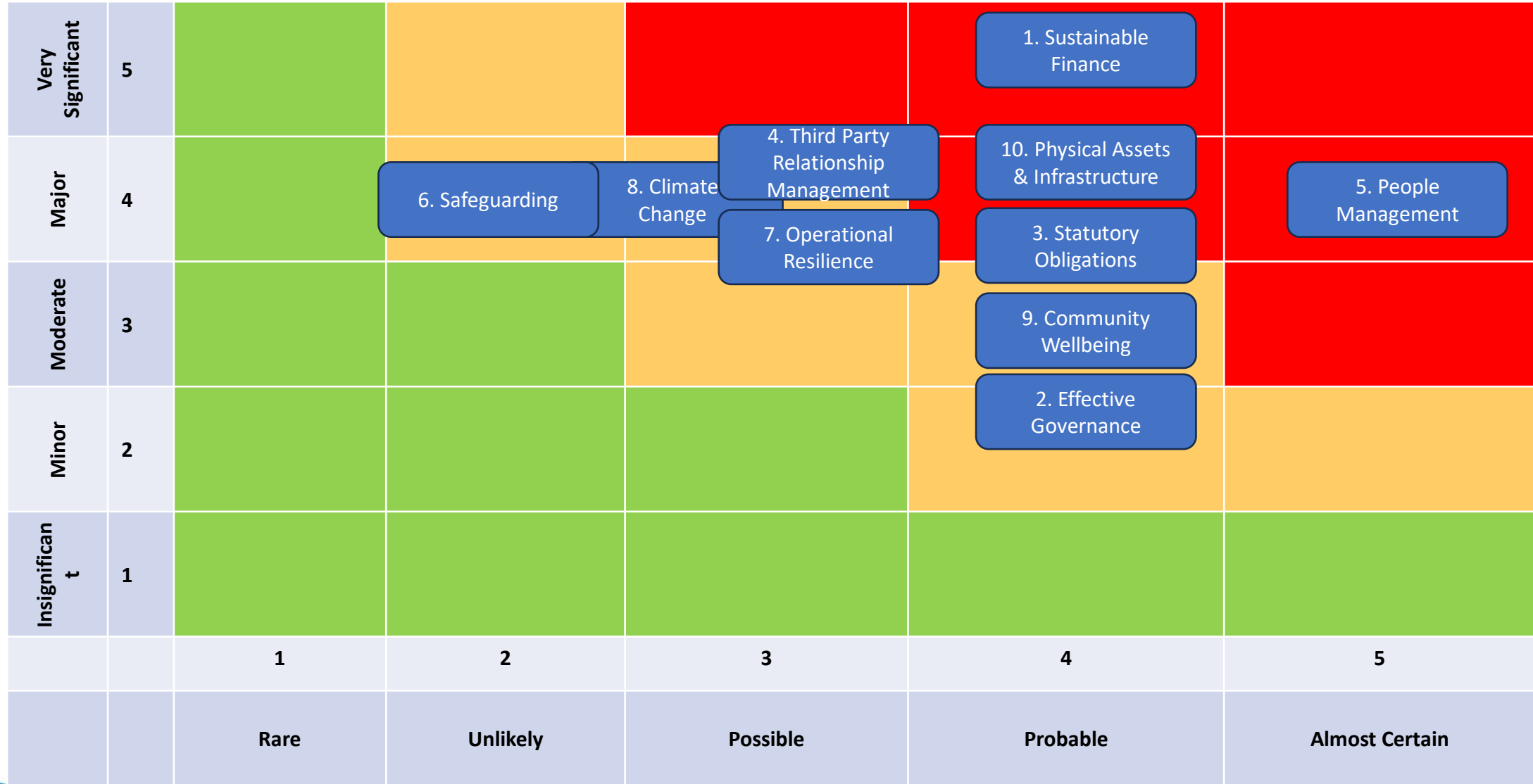


# Risk Register Quarter 2 2023/24





# Risk Heat Map & Summary Q2 2023/24



# Risk Heat Map & Summary Q2 2023/24

		Previous quarter	Current quarter	Drivers of change
KCR 1	Sustainable Finance	20 (4x5)	20 (4x5)	Increased risk of not delivering against the 23-24 agreed budget outturn position, despite enhanced monitoring and management focus. Greater assurance is required over the deliverability of some of the savings proposals for 24-25, both in isolation and as a cumulative package, acknowledging that initiatives identified still do not meet the required savings target.
KCR 2	Governance Frameworks	9 (3x3)	12 (4x3)	The Council needs to balance corporate control and strong oversight with a risk that this creates delays over implementation affecting the effectiveness of achieving the savings targets. The extent of public consultation activity that is required to support implementation of savings proposals is resource intensive and provides additional challenge.
KCR 3	Statutory Obligations	16 (4x4)	16 (4x4)	Close partnership working and strengthened relationships across the market has reduced the risk associated with service provider failure - whilst the risk still exists processes to ensure early visibility are in place. Demand continues to be high and meeting statutory deadlines for SEND assessments is challenging with associated financial and reputational risks
KCR 4	Third Party Management & Oversight	12 (3x4)	12 (3x4)	The external economic environment continues to present challenges to operators within the third sector with impacts on service provision on behalf of the Council, coupled with increased demand. Activity is underway to validate the control framework that exists across contract management within the council and highlight areas for improvement.
KCR 5	People Management	20 (5x4)	20 (5x4)	For the roles which the council chooses to recruit to the labour market pressure has eased somewhat however key specialised roles remain in high demand. Capacity issues challenge the ability of the organisation to deliver required outcomes particularly where they are dependent on key individuals.
KCR 6	Safeguarding	12 (3x4)	8 (2x4)	Safeguarding risks continue to be well controlled, with embedded processes and procedures in place to ensure vulnerable adults and young people are safe from harm. Reassessment of the adequacy and effectiveness of the controls in place across Adult Social Care has resulted in a reduction to this risk score.
KCR 7	Operational Resilience	12 (3x4)	12 (3x4)	Management of Health & Safety continue to be well controlled with a focus on maximising the benefits of the new council wide online reporting system both centrally and within operational areas. Work continues on an ongoing basis to ensure the Council's defences are operating effectively to identify, prevent and recover from any hostile cyber activity.
KCR 8	Climate Change	12 (3x4)	12 (3x4)	Progress continues to be made on the Environmental Sustainability Strategy and the prioritisation of actions agreed as part of the Climate Change Action Plan. The need to identify further budget savings is expected to have an impact on the extent to which climate adaptations and mitigations can be prioritised in the short term.
KCR 9	Community Wellbeing	12 (4x3)	12 (4x3)	Weekly monitoring continues to suggest that issues around violent extremism and community tension are well controlled. Continuing cost of living issues will impact on demand for services provided by the community sector and some council services. The ability of the council to provide additional support is constrained by its financial position.
KCR 10	Physical Assets & Infrastructure	12 (3x4)	16 (4x4)	There are still concerns about elements of fire safety in residential properties and ability to demonstrate sufficient progress. Emergence of concerns about the use of RAAC in all types of council property creates the need to undertake specialist investigation and depending on outcomes to potentially take action to mitigate, with associated costs.

# Prudential & Treasury Management Indicators

## Quarter 2 2023-24



# Prudential Indicators

- The Council measures and manages its **capital expenditure, borrowing and commercial and service investments** with reference to the following indicators.
- It is now a requirement of the **CIPFA Prudential Code** that these are reported on a quarterly basis.
- **Information contained includes:**
  - Capital Expenditure
  - Capital Financing Requirement
  - Gross Debt and the Capital Financing Requirement
  - Debt and the Authorised Limiting and Operational Boundary
  - Net Income from Commercial and Service Investments to Net Revenue Stream
  - Proportion of Financing Costs to Net Revenue Stream



# Prudential Indicators

## Capital Expenditure

- The Council has undertaken and is planning capital expenditure as summarised in the table below.
- The main General Fund capital projects to date have included spend on Highways baseline schemes, West Yorkshire plus Transport Schemes and Huddersfield Town Centre Action Plans. HRA capital expenditure is recorded separately and to date includes supporting a Council House Building programme and Housing Growth. The Council also incurred £2 million of capital expenditure on investment relating to service loans relating to town centre regeneration.

	2022/23 £m actual	2023/24 £m forecast	2024/25 £m budget	2025/26 £m budget
General Fund	116.9	157.3	176.3	151.5
Housing Revenue Account	27.1	38.7	56.5	54.1
Capital investments	2.2	5.8	1.8	0.0
<b>Total Capital expenditure</b>	<b>146.2</b>	<b>201.8</b>	<b>234.6</b>	<b>205.6</b>



# Prudential Indicators

## Capital Financing Requirement

- The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP, loan repayments and capital receipts used to replace debt. The actual CFR is calculated on an annual basis.
- The effect from the change in the accounting for leases has not yet been reflected in the CFR.

	2022/23 £m actual	2023/24 £m forecast	2024/25 £m budget	2025/26 £m budget
General Fund	650.3	695.4	756.5	791.1
Housing Revenue Account	210.7	210.2	209.1	213.1
Capital investments	2.2	5.8	0.0	0.0
<b>Total Capital Financing Requirement</b>	<b>863.2</b>	<b>911.4</b>	<b>965.6</b>	<b>1,004.2</b>



# Prudential Indicators

## Gross Debt and the Capital Financing Requirement

- Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	2022/23 Actual £m	2023/24 forecast £m	2024/25 Budget £m	2025/26 Budget £m	Debt at 30.9.2023 £m
Debt (incl. PFI & leases)	695.5	797.5	748.0	788.4	731.9
Capital Financing Requirement	863.2	911.4	965.6	1,004.2	



# Prudential Indicators

## Debt and the Authorised Limit and Operational Boundary

- The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower Operational Boundary is also set as a warning level should debt approach the limit.
- Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt did not go above the operational boundary.

	Maximum debt Q2 2023/24	Debt at 30.9.23	2023/24 Authorised Limit	2023/24 Operational Boundary	Complied
Borrowing	650.2	650.2	865.5	845.5	Yes
PFI and Finance Leases	81.7	81.7	82.8	77.8	Yes
<b>Total debt</b>	<b>731.9</b>	<b>731.9</b>	<b>948.3</b>	<b>923.3</b>	





# Prudential Indicators

## Net Income from Commercial and Service Investments to Net Revenue Stream

- The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2022/23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m
Total net income from service and commercial investments	-1.3	-1.5	-1.8	-1.8
Proportion of net revenue stream	-0.4%	-0.4%	-0.5%	-0.5%



# Prudential Indicators

## Proportion of Financing Costs to Net Revenue Stream

- Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.
- The net annual charge is known as financing costs; this is compared to the net revenue stream, ie the amount funded from Council tax, Business rates and general government grants.

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget
General Fund - Financing costs (£m)	21.4	28.9	44.9	49.3
General Fund – Proportion of net revenue stream (with reduced MRP)	6.6%	8.1%	13.1%	13.6%
General Fund – Proportion of net revenue stream	10.8%	11.9%	13.1%	13.6%
HRA – Financing costs (£m)	29.6	29.5	29.6	29.6
HRA - Proportion of net revenue stream	31.7%	31.1%	28.6%	28.5%



# Treasury Management Indicators

- **Indicators include:**
  - Liability Benchmark
  - Maturity Structure of Borrowing
  - Long Term Treasury Management Investment
  - Interest Rate Exposures



# Treasury Management Indicators

## Liability Benchmark

- This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £30.0m required to manage day-to-day cash flow.
- Following on from the medium term forecast below, the long the long-term liability benchmark assumes capital expenditure funded by borrowing of £57 million in 2023-24, minimum revenue provision on new building capital expenditure based on a 50-year asset life and reduction in balance sheet resources of £67 million.

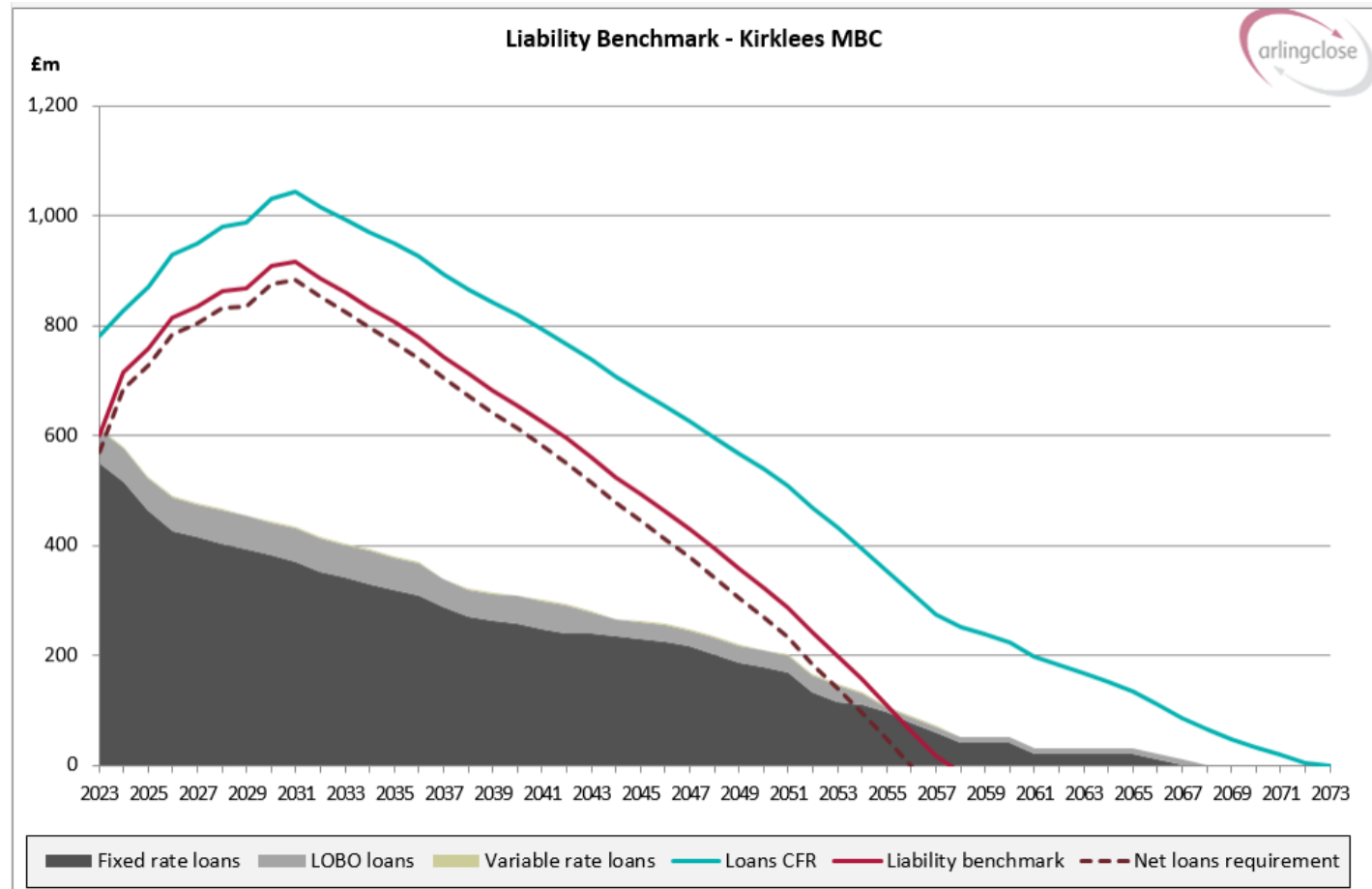
	31.03.23 actual £m	31.03.24 forecast £m	31.03.25 forecast £m	31.03.26 forecast £m
Loans CFR	781.5	833.6	883.5	947.5
Less: Balance sheet resources	210.6	143.8	143.8	143.8
Net loans requirement	570.9	689.8	739.7	803.7
Plus: Liquidity allowance	30.0	30.0	30.0	30.0
Liability benchmark	600.9	719.8	769.7	833.7
Existing borrowing	613.8	578.1	526.0	489.1



# Treasury Management Indicators

## Liability Benchmark

The total liability benchmark is shown in the chart, together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark reaching a peak in 2032 highlighting the gap between current borrowing identified in grey, which is reducing over time with repayments, and the additional borrowing required to fund the capital plan.



# Treasury Management Indicators

## Maturity Structure of Borrowing

- This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper limit	Lower limit	30.9.23 actual	Complied
Under 12 months	20%	0%	23%	No
12 months and within 24 months	20%	0%	5%	Yes
24 months and within 5 years	60%	0%	8%	Yes
5 years and within 10 years	80%	0%	8%	Yes
10 years and above	100%	20%	55%	Yes

- Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. LOBO options of £60 million have a potential repayment date during 2023-24 and have been included in the under 12 months line.



# Treasury Management Indicators

## Long term Treasury Management Investments

- The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	n/a	n/a	n/a	n/a
Actual principal invested beyond year end	£10.0m	£10.0m	£10.0m	£10.0m
Complied	Yes	Yes	Yes	Yes

- Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.



# Treasury Management Indicators

## Interest Rate Exposures

Bank Rate rose by 1.25% from 4.25% on 1st April to 5.25 by 30th September.

For context, the changes in interest rates during the quarter were:

	<b>31/3/23</b>	<b>30/9/23</b>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%
10-year PWLB certainty rate, maturity loans	4.33%	5.26%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%

