Kirklees COUNCIL

Corporate Financial Monitoring, Quarter 3 2023/24

Cabinet 20th February 2024

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Revenue Headlines

- Quarter 3 Monitoring – Forecast overspend of **£9.9m** (Q2 was **£16.1m**)

- Savings forecast to be delivered at 100% against a target of £19.8m.

- Total Useable Reserves forecast to be **c£43m** by 31st March 2024 of which:

  - Unallocated reserves forecast to be **£22m** (Minimum working balance assessed at £15m using risk-based approach)

  - Earmarked Reserves forecast to be **£21m –** *includes £9.4m returned WYCA levy to be used in 2024/25 to mitigate against the use of other reserves to balance the budget*

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Quarter 3 Revenue Monitoring

	Revised Budget Q3 £000	Forecast at Q3 £000	Variance Q3 £000		Variance Q2 £000	Change from Q2 £000
Children and Families	85,545	92,679	7,134		**5,264**	1,870
Adults and Health	136,329	138,568	2,239		**2,191**	48
Growth and Regeneration	54,933	58,171	3,238		**2,702**	536
Corp Strategy, Comm and Public Health	62,819	66,265	3,446		**4,015**	(569)
Central Budgets	42,902	36,745	(6,157)		**1,930**	(8,087)
General Fund	**382,528**	**392,428**	**9,900**		**16,102**	**(6,202)**

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Directorate Budget Variances
Children and Families

Children and Families Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£85.545m	£92.679m	+£7.134m	+£1.870m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Education Psychology/SENDACT	**+£566k**	**+£616k**	+£50k	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	**+£300k**	**+£211k**	-£89k	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	**+£1.0m**	**+£1.3m**	+£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	**+£1.8m**	**+£1.8m**	No change	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	**+£350k**	**+£389k**	+£39k	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			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£85.545m	£92.679m	+£7.134m	+£1.870m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Special Guardianship Order	**+£900k**	**+£995k**	+£95k	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	**+£2.3m**	**+£3.3m**	+£1.0m	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 or ERP's. Heald's Rd began phasing children in from 18th October and Magdale began recruiting staff in December 23 whilst registrations with Ofsted are finalised. 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 property identified Dec 23.
Commissioned Services	**+£520k**	**+£538k**	+£18k	Pressure on commissioned contracts.	

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Directorate Budget Variances

Children and Families

Children and Families Totals			
Agreed 23/24 budget	**Forecast at Quarter 3**	**Total variance at Quarter 3 +/-**	**Change from Quarter 2 +/-**
£85.545m	**£92.679m**	**+£7.134m**	**+£1.870m**

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Underspend					
Service Wide Vacancy Management	**-£500k**	**-£919k**	-£419k	Projected over achievement of existing £0.5m savings target	
Internal and External Fostering Placements	**-£1.2m**	**-£1.0m**	+£200k	Actual Placements in Internal and External Fostering are lower than budgeted placements but, however an increase in the number of these has resulted in the underspend position reducing between Q2 and Q3.	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 3	Total variance at Quarter 3 +/ -	Change from Quarter 2 +/-
£136.329m	£138.568m	+£2.239m	+£48k

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Independent Sector Home Care	**+£1.4m**	**+£1.8m**	+£400k	Increased activity/demand levels on all client cohorts. Also, significantly higher unit costs on Learning Disability and Mental Health.	Ongoing work to manage pathways, working with the market.
Self-Directed Support	**+£800k**	**+£100k**	-£700k	OP is underspending (mainly higher than anticipated client income). LD and MH are overspending (the former on Direct Payments and on commissioned services, and the latter mainly on just Direct Payments).	Ongoing work to manage pathways, working with the market.
Increase in bad debt provision	**+£400k**	**+£800k**	+£400k	Growing level of potential bad debt coverage required (age and volume).	Work ongoing to review reasons and processes.
Residential and Nursing Placements	**+£100k**	**+£400k**	+£300k	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.

Directorate Budget Variances

Adults and Health

Adults and Health Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£136.329m	£138.568m	+£2.239m	+£48k

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Income Underachievement					
Catering	**+£500k**	**+£400k**	-£100k	Contract loss of 22no. Schools. Pay and food price inflation.	Management of food contracts. Control on all spending. Meal Price increase Sept 23.
Town Halls and Public Halls	**+£500k**	**+£350k**	-£150k	- Historic Budget Pressures associated with – aspects being resolved in the proposed 24/25 budget - Decision to no longer charge for internal room bookings but retained income target - Cleckheaton Closure, HTH & BTH partial closure for a period of 23/24 - Hudawi – Decision to transition the building to be operated by corporate landlord but Venues retained the income budget - Reduction in internal spend for meeting room refreshments but budget retained	- Spend controls - Underspend salaries and wages - Commercial approach being taken to meeting room hire - Fees and Charges review - Further development of the Town Hall programme - New Website Launch with enhanced sales functionality

Directorate Budget Variances
Adults and Health

Adults and Health Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£136.329m	£138.568m	+£2.239m	+£48k

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Income Underachievement					
Markets	**+£200k**	**+£140k**	-£60k	Historic Budget Pressures Dewsbury and Huddersfield – 40% Rent reductions Closed buildings continue to provide expenditure pressure – Queensgate and Holmfirth	Spend controls – Eg – Salaries and wages £100k underspend New income streams developed – Apna Bazaar / Car Boot Service Charge Increases / Implementation Fees and Charges review Reducing agency staff / contractor costs Rent reviews
Cliffe House	-	**+£180k**	+£180k	Historic Budget Pressures. Pressure on School Budgets – reduced occupancy	Full Commercial Board Review underway
Underspend					
Employees	**-£800k**	**-£800k**	No change	Agency staffing is £+1m but direct staffing is £-1.8m.	Ongoing work around recruitment and retention.
Caretaking & Cleaning	**-£350k**	**-£390k**	-£40k	Additional ad-hoc and specialist cleaning and a charging review. Pay above NLW rate.	Price increase 24/25 to contribute to pay gap.

Directorate Budget Variances

Growth and Regeneration

Growth and Regeneration Totals			
Agreed 23/24 budget	**Forecast at Quarter 3**	**Total variance at Quarter 3 +/-**	**Change from Quarter 2 +/-**
£54.933m	**£58.171m**	**+£3.238m**	**+£0.536m**

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Corporate Landlord	**+£209k**	**+£114k**	-£95k	Building running & maintenance costs	Essential spend (health, safety & compliance) only.
Assets and Estates	**+£412k**	**+£495k**	+£83k	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.
Adverse Weather	-	**+£123k**	+£123k	The 23/24 winter period has seen 6 named storms so far with a period of snowfall early in November and a current cold spell across the country(snow and temperatures down to -4) Over the festive period our teams were operational throughout reacting tree fall and flooding due to significant rainfall. As of 11.1.24 £573k remained from the original budget.	Teams have implemented the new grit bin operational procedure 'one fill' and progressing snow wardens for self-help. Strict controls are in operation to reduce salt usage. Highway reactive repairs are being reduced to the absolute minimum(at risk) to generate all available revenue to mitigate the adverse weather budget. The service is balancing risk. Work has also been undertaken to capitalise revenue (£10k de minimis) to generate capacity where possible.

Directorate Budget Variances

Growth and Regeneration

Growth and Regeneration Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£54.933m	£58.171m	+£3.238m	+£0.536m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Transport (fleet)	**+£600k**	**+£1,203k**	+£603k	Limited capital funding exists to deliver a future vehicle replacement programme £1.25m pa. The age of the current fleet is now approaching end of economic life(% of) and repair costs have increased significantly within 23/24(parts £500k above budget) Fuel costs are also above budget due to inflation.	A Vehicle Replacement Capital Report has been to ELT to request permission to spend £2.5m to procure 35 priority replacement vehicles(redraft to be resubmitted) A business case for further capital investment to 2031 has been presented to the Capital Assurance Board and is include in the capital report for cabinet/council.
Waste Services – Hired Fleet/Agency/POPs	**+£850k**	**£1,366k**	+£516k	Changes to disposal of Persistent Organic Pollutant(POP's) in 2023. No base budget to offset what is a significant cost to KMC c£850k. 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.(reduced to 14K)	The final delivery of the new RCVs now completed(18) and are in service – delayed due to manufacturing (vehicles expected in September delivered in December – in service January 2024. The replacement vehicles will mitigate(part) hire costs in the 4th quarter. A proposal to mothball the MRF is also being considered as is the options to redirect POP to reuse – minimal mitigation in the final quarter.

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Directorate Budget Variances

Growth and Regeneration

Growth and Regeneration Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£54.933m	£58.171m	+£3.238m	+£0.536m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Income Underachievement					
Planning and Building Control	**+£535k**	**+£514k**	-£21k	Demand suppressed for Planning & Building Control.	
Parking	**+£400k**	**+£703k**	+£303k	-The condition of the parking machines resulted in downtime and a loss of income. -Delay in the tariff uplift(forecast originally December/January) -Staff sickness levels and resignations – improvements made with the new interim manager. Current 3 vacancies held to mitigate Parks and Open spaces service reductions.	-The uplift of new charges current advertised and implementation from 19th February in Huddersfield, Dewsbury and Holmfirth. -Expired (end of life) parking machines are being replaced in Huddersfield, Dewsbury and Holmfirth 70 no. -New car park TRO consultation to commence before the end of January. -Residents Permits TRO (DDN approval)

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Directorate Budget Variances

Growth and Regeneration

Growth and Regeneration Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£54.933m	£58.171m	+£3.238m	+£0.536m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Underspend					
Housing GF Services	**-£138k**	**-£233k**	-£95k	Delivery of DFG charge to capital early	
Landbank	**+£95k**	**-£88k**	-£183k	Waterfront & building running costs	
Business & Enterprise Centres	-	**-£31k**	-£31k	Staffing & building running costs	
Major Projects	**-£457k**	**-£500k**	-£43k	Net Staffing	
Capital Delivery	**-£130k**	**-£317k**	-£187k	Net Staffing	
Various	**-£192k**	**-£335k**	-£143k	Net staffing	

Directorate Budget Variances

Corporate Strategy, Commissioning and Public Health

Corporate Strategy, Commissioning and Public Health Totals£			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
£62.819m	£66.265m	+£3,446m	-£0.569m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Strategy & Innovation	**+£400k**	-	-£400k	Inflationary pressures on IT through increased costs of software and hardware, as well as pressure on volumes of IT kit used across the authority. Early implementation of savings proposals within IT, and vacancies held across the Strategy and Innovation Service have offset the inflationary pressures.	Vacancies continue to be held across most of the Strategy and Innovation service, and cost saving proposals within IT are being implemented early.
Public Health & People	**+£200k**	**+£100k**	-£100k	Staffing overspends due to succession planning, and Physio/counselling costs through employee healthcare, offset by holding some vacancies.	OD vacancies being held to help improve the situation, as well as vacancies being held as much as possible throughout the service.
Finance	-	**+£300k**	+£300k	Staffing overspends and lower than anticipated court cost recovery, offset by grant funding and keeping vacancies where possible. Costs incurred whilst permanent S151 officer is appointed.	Utilisation of grant funding, and vacancies held where possible.
Schools Transport	**+£100k**	-	-£100k		Transformation projects ongoing to reduce costs. Personal Travel Budgets being rolled out.

Directorate Budget Variances

Corporate Strategy, Commissioning and Public Health

Corporate Strategy, Commissioning and Public Health Totals			
Agreed 23/24 budget	**Forecast at Quarter 3**	**Total variance at Quarter 3 +/-**	**Change from Quarter 2 +/-**
£62.819m	**£66.265m**	**+ £3.446m**	**-£0.569m**

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Income Underachievement					
Housing Benefit Subsidy loss	**+£3.5m**	**+£4m**	+£0.5m	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	**+£200k**	**+£250k**	+£50k	Historic Budget saving target not achievable. Slow income recovery post Covid in some areas.	Base Budget 24/25 to sort historic issue. Spend controls and process reviews.
Underspend					
Governance & Commissioning	**-£400k**	**-£1.2m**	-£800k	Legal Services increased income through charges against capital works/HRA, offset by external costs. Vacancies in Risk and Governance. Insurance claims history reduced overall cost.	Further options being investigated to charge to capital.

Directorate Budget Variances

Central Budgets

Central Budgets Totals			
Agreed 23/24 budget	**Forecast at Quarter 3**	**Total variance at Quarter 3 +/-**	**Change from Quarter 2**
£42.902m	**£36.745m**	**-£6.157m**	**-£8.087m**

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from last quarter 2	Reason for variance	Mitigating actions
Overspend					
Treasury Management	**+£2.3m**	**-£5.3m**	-£7.6m	Improved capital funding position and reduction in liability on interest and Minimum Revenue Provision (MRP) costs.	
Underspend					
Energy Inflation	**-£0.3m**	**-£1.4m**	-£1.1m	£1.1m release of energy contingency no longer required, plus £0.3m re-payment from Gas supplier after reconciliation of 2022/23 fluctuating prices.	

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Analysis of Council Reserves (excl Statutory Reserves)

	Unallocated *1 £000	Earmarked £000	Total £000
At 1st April 2023	**(47,108)**	**(36,942)**	**(84,050)**
Planned Use			
Earmarked Reserves		3,268	3,268
Unallocated Reserves	24,648		24,648
Budgeted Contribution to Reserves for Collection Fund Deficit	-	(2,500)	(2,500)
	(22,460)	**(36,174)**	**(58,634)**
In Year Adjustments – Quarter 3			
- Forecast Drawdown of Unallocated Reserves	13,297	-	13,297
- Forecast Use of Earmarked Reserves		10,987	10,987
- 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)
[illegible]	[illegible]	**(21,337)**	**(43,750)**

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

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HRA Quarter 3

	Revised Budget Quarter 3 £000	Forecast Quarter 3 £000	Variance Quarter 3 £000	Variance Q2 £000	Change from Q2 £000
Repairs & Maintenance	30,325	30,856	**531**	**448**	83
Housing Management	45,374	44,429	**(945)**	**(559)**	(386)
Property Services	0	0	**0**	**(0)**	0
Other Expenditure	29,058	30,202	**1,144**	**(11)**	1,155
Total Expenditure	**104,757**	**105,487**	**730**	**(122)**	**852**
Rent & Other Income	(99,206)	(100,536)	**(1,330)**	**88**	(1,418)
Revenue Contribution to Capital Funding	0	0	**0**	**0**	0
Planned transfer from HRA Reserves	(5,551)	(5,551)	**0**	**0**	0
Total	**0**	**(600)**	**(600)**	**(34)**	**(566)**

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)	**(13,500)**
Set aside to meet investment needs (as per HRA business plan)	(38,916)	28,242	**(10,674)**
Working Balance	(1,500)	-	**(1,500)**
Total	**(44,416)**	**18,742**	**(25,674)**

HRA Budget Variances

Growth and Regeneration Totals			
Agreed 23/24 budget	**Forecast at Quarter 3**	**Total variance at Quarter 3 +/-**	**Change from Quarter 2 +/-**
-	**-£0.6m**	**-£0.6m**	-£0.6m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Repairs and Maintenance	+£448k	+£531k	+£83	Additional cost of repairs agreed increased price per property of £528k. Forecast for damp and mould has increased by £1m.	Focus on damp and mould backlog as a priority, whilst still addressing current cases, savings to be achieved from other areas including cyclical and empty homes.
Policy and Management	+£702k	+455k	-£247k	Forecast overspend for PFI extra care scheme unitary charge £314k (net £256k), Abortive costs for GF schemes £650 now included as accrued income to match recovery 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	+£336k	+715k	+£379k	Increased legal costs mainly due to disrepair claims/compensation now variance of £955k	Council services bought in Review of process and controls for disrepair claims and compensation payments need to be budgeted for
Community facilities	+£596k	+747k	+£151k	Increased cost of communal lighting £235k and sheltered heating £400k	Review of costs and recovery through service charges for Community facilities

HRA Budget Variances

Growth and Regeneration Totals			
Agreed 23/24 budget	Forecast at Quarter 3	Total variance at Quarter 3 +/-	Change from Quarter 2 +/-
-	-£0.6m	-£0.6m	-£0.6m

Service area	Variance Quarter 2	Variance Quarter 3	+/- change from Quarter 2	Reason for variance	Mitigating actions
Overspend					
Other Expenditure	-£11k	+£1,144k	+£1,155k	Additional amount included for depreciation due to revised asset strategy, increased component costs and changes in life cycles	
Underspend					
H&N Management costs	-£2,194k	-£2,862k	-£668k	Vacancies remained vacant for longer	Additional resources allocated for staffing for Assets and Building Safety. Planned approach to recruiting to the team.
Income					
Rental Income	+£207k	+264k	+£57k	Void rent loss through time taken to turnaround empty properties	Updated process in place to better manage turnaround times
Other Income	-£118k	-£1,593k	-£1,475k	Investment income received of £1.6m	Additional income through balances held

Capital Headlines

- Quarter 3 Capital Monitoring – Forecast underspend **£2.7m**

- Capital budget **£181m**

- Reduction since Council Budget Report -£27.8m:
  - +£1.24m grants (Housing DFG/Climate Emergency/Active Travel Fund)
  - -£29.1m re-profile (£13.8m borrowing/self-financed, £11.5m grants/S106, £0.7m receipts, HRA RCCO/Reserves £3.1m)

- Last Years Outturn spend £146.2m. Year-end predicted spend based on trends £156m

Q3 Capital Monitoring (mapped to Council Outcomes)

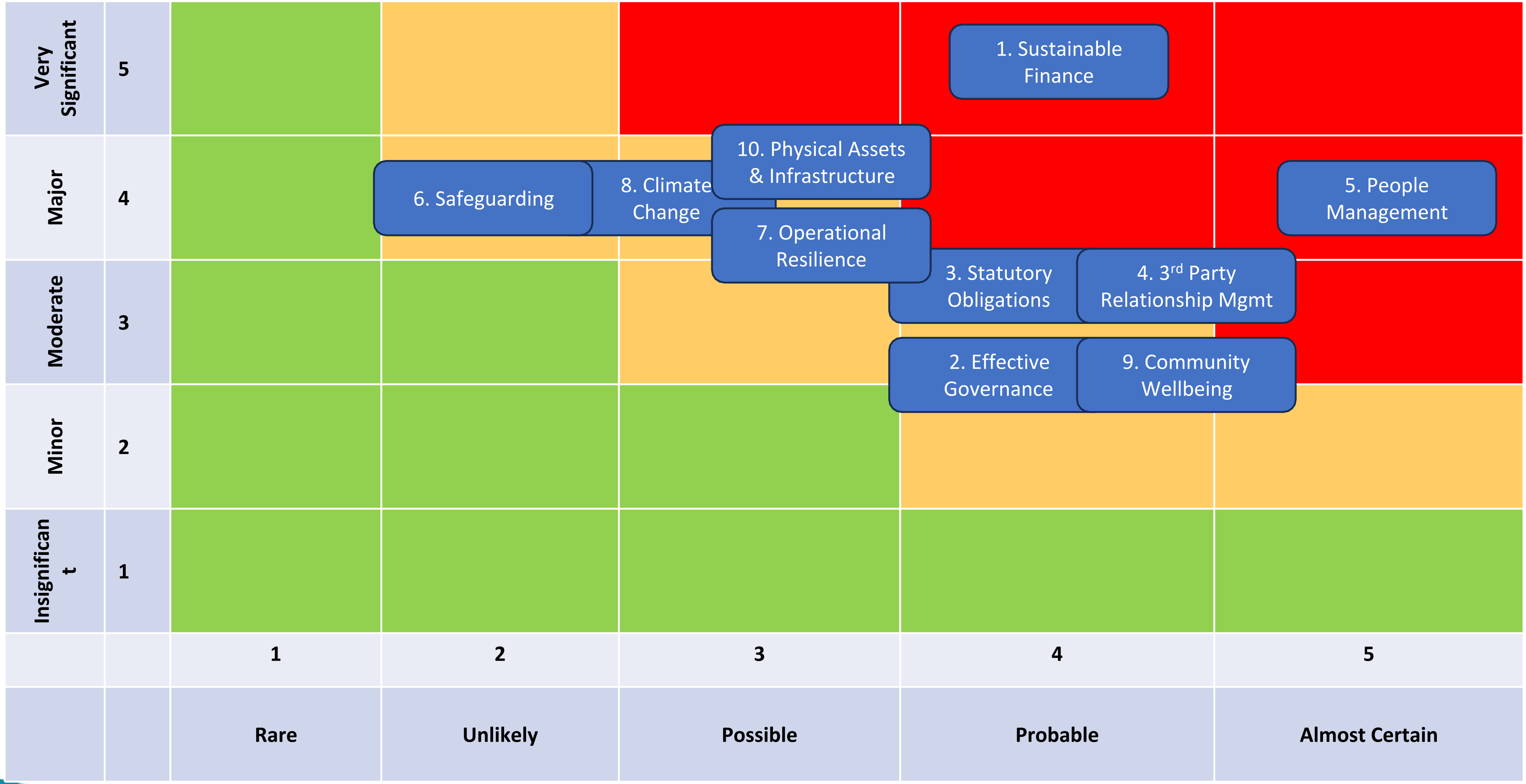
	Budget Strategy Update £'000	Budget Adjustment incl. Re-profiling £'000	Qtr. 3 Revised Budget £'000	Actuals to Date £'000	Forecast £'000	Variance £'000	Variance %
General Fund							
Aspire & Achieve	13,795	0	13,795	7,901	13,795	0	0%
Best Start	1,013	50	1,063	553	1,063	0	0%
Independent	7,807	0	7,807	3,482	7,807	0	0%
Sustainable Economy	117,072	(17,543)	99,529	65,197	98,822	(707)	(1%)
Well	3,060	(965)	2,095	1,619	2,595	500	24%
Safe & Cohesive	49	0	49	0	49	0	0%
Clean and Green	21,155	(4,973)	16,182	4,924	16,182	0	0%
Efficient & Effective	5,476	0	5,476	445	4,976	(500)	(9%)
GENERAL FUND TOTAL	**169,427**	**(23,431)**	**145,996**	**84,121**	**145,289**	**(707)**	**0%**
Housing Revenue Account							
Strategic Priorities	18,269	(1,773)	16,496	10,529	16,496	0	0%
Baseline	21,099	(2,627)	18,472	10,798	16,440	(2,032)	(11%)
HOUSING REVENUE TOTAL	**39,368**	**(4,400)**	**34,968**	**21,327**	**32,936**	**(2,032)**	**(6%)**
CAPITAL PLAN TOTAL	**208,795**	**(27,831)**	**180,964**	**105,448**	**178,225**	**(2,739)**	**(2%)**

Q3 Capital Monitoring (Directorate)

	Revised Budget Q3 £'000	Actual Costs £'000	Forecast at Q3 £'000	Variance Q3 £'000		Budget Report £'000	Budget Change £'000
Children and Families	14,772	8,422	14,772	0		14,722	50
Adults, Housing & Health	7,941	3,514	7,941	0		7,942	(1)
Regeneration & Growth	117,583	71,497	116,880	(703)		141,063	(23,480)
Corp Strat, Commiss & Public Health	5,700	688	5,696	(4)		5,700	0
General Fund	**145,996**	**84,121**	**145,289**	**(707)**		**169,427**	**(23,431)**
HRA	34,968	21,327	32,936	(2,032)		39,368	(4,400)
TOTAL	**180,964**	**105,448**	**178,225**	**(2,739)**		**208,795**	**(27,831)**

Risk Register Quarter 3 2023/24

Risk Heat Map & Summary Q3 2023/24



Risk Heat Map & Summary Q3 2023/24

		Previous quarter	Current quarter	Drivers of change
KCR 1	**Sustainable Finance**	20 (4x5)	20 (4x5)	The risk of not achieving the 2023-24 budget outturn position is being closely managed, with a number of positive mitigations in place. Savings have been identified to achieve the shortfall of £47m to balance the 2024-25 budget, but the focus is now on the achievement of savings to give greater assurance as the risk of non-delivery remains.
KCR 2	**Governance Frameworks**	9 (3x3)	12 (4x3)	The external audit report for the 2022/23 financial year has been received and reported through required governance routes. Additionally, review of the Annual Governance Statement for the same reporting period is underway, with progress updates against identified actions.
KCR 3	**Statutory Obligations**	16 (4x4)	16 (4x4)	Whilst the council's statutory obligations are ringfenced and prioritised in the current review of corporate budgets and objectives, there is a requirement to think differently about how these services are delivered. Progress is being made in relation to care related service changes, although progress re EHCP is proving slow to enact as demand continues to be high and addressing new requests alongside activity to reduce the backlog is challenging.
KCR 4	**Third Party Management & Oversight**	12 (3x4)	12 (4x3)	The external assessment and benchmarking of procurement activity has now been received, with an overall a good performance, but identified areas for improvement particularly in relation to contract management.
KCR 5	**People Management**	20 (5x4)	20 (5x4)	Continued support to service redesign activity, ensuring a reduction in required headcount is managed through redeployment and natural turnover where possible. Where the council chooses to recruit externally, the labour market pressure has eased however key specialised roles remain in high demand.
KCR 6	**Safeguarding**	8 (2x4)	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, although this can never negate wholly the risk that persons under care suffer negative events.
KCR 7	**Operational Resilience**	12 (3x4)	12 (3x4)	Management of Health & Safety continues to be well controlled with a focus on maximising the benefits of the new council wide online reporting system. 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)	The need to deliver against reduced operating budgets is expected to have an impact on the extent to which climate adaptations and mitigations can be prioritised in the short term and there is recognition that the organisations financial and environmental priorities may be in conflict in the short term.
KCR 9	**Community Wellbeing**	12 (4x3)	12 (4x3)	Extensive multi agency planning is underway to manage potential risks associated with any large scale site used to home asylum seekers. Cost of Living has been removed as a Corporate Risk however the risk continues to be monitored at service level, where relevant, and also through the Cost of Living Board.
KCR 10	**Physical Assets & Infrastructure**	16 (4x4)	12 (3x4)	H&N asset review work is now substantially complete and asset performance has been graded to inform discussions and decisions about the long-term plans for different types of investment. Ongoing regulatory engagement with the Regulator of Social Housing in relation to our fire safety compliance obligations.

Prudential & Treasury Management Indicators
Quarter 3 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 Liming 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	163.6	176.3	151.5
Housing Revenue Account	27.1	39.4	56.5	54.1
Capital investments	2.2	5.8	1.8	0.0
Total Capital expenditure	**146.2**	**208.8**	**234.6**	**205.6**

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	693.8	756.5	791.1
Housing Revenue Account	210.7	205.9	209.1	213.1
Capital investments	2.2	5.8	0.0	0.0
Total Capital Financing Requirement	**863.2**	**905.5**	**965.6**	**1,004.2**

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 31.12.2023 £m
Debt (incl. PFI & leases)	695.5	791.5	851.5	890.2	803.1
Capital Financing Requirement	863.2	905.5	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 Q3 2023/24	Debt at 31.12.23	2023/24 Authorised Limit	2023/24 Operational Boundary	Complied
Borrowing	721.4	721.4	865.5	845.5	Yes
PFI and Finance Leases	81.7	81.7	82.8	77.8	Yes
Total debt	**803.1**	**803.1**	**948.3**	**923.3**	

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	-1.6	-1.8	-1.8
Proportion of net revenue stream	-0.4%	-0.5%	-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	28.8	44.9	49.3
General Fund – Proportion of net revenue stream (with reduced MRP)	6.6%	8.0%	13.1%	13.6%
General Fund – Proportion of net revenue stream	10.8%	11.8%	13.1%	13.6%
HRA – Financing costs (£m)	29.6	30.5	29.6	29.6
HRA - Proportion of net revenue stream	31.7%	30.8%	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

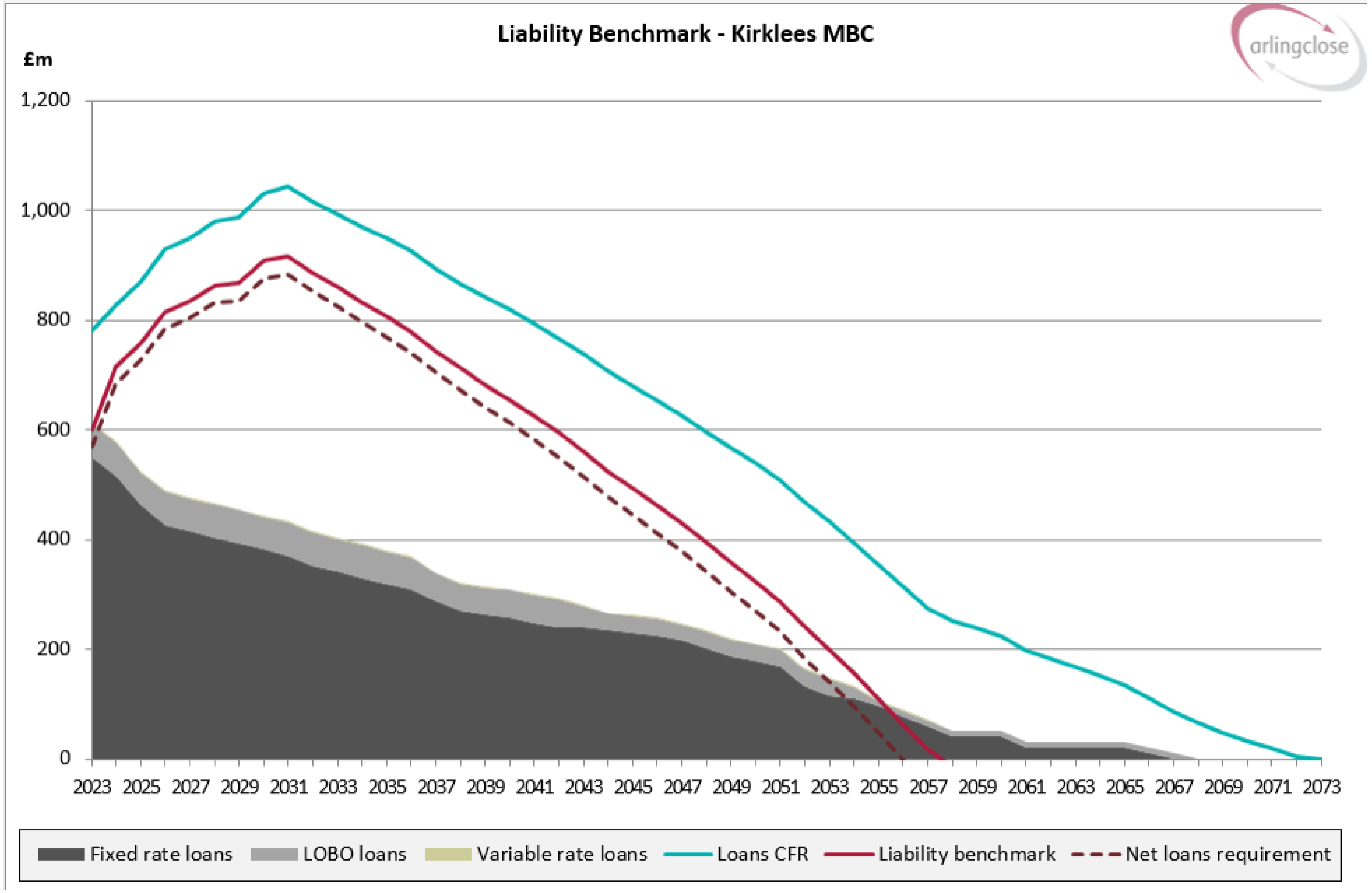
- This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term 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**	**827.8**	**872.6**	**942.9**
Less: Balance sheet resources	210.6	144.0	144.0	144.0
Net loans requirement	**570.9**	**683.8**	**728.6**	**798.9**
Plus: Liquidity allowance	30.0	30.0	30.0	30.0
Liability benchmark	**600.9**	**713.8**	**758.6**	**828.9**
Existing borrowing - committed	**613.8**	**673.1**	**567.0**	**549.4**

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	31.12.23 actual	Complied
Under 12 months	20%	0%	15%	Yes
12 months and within 24 months	20%	0%	5%	Yes
24 months and within 5 years	60%	0%	10%	Yes
5 years and within 10 years	80%	0%	10%	Yes
10 years and above	100%	20%	61%	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 £40 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.

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Treasury Management Indicators

Interest Rate Exposures

Bank Rate rose by 1.00% from 4.25% on 1st April to 5.25 by 31st December.

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

	31/3/23	**31/12/23**
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.13%
5-year PWLB certainty rate, maturity loans	4.31%	4.19%
10-year PWLB certainty rate, maturity loans	4.33%	4.37%
20-year PWLB certainty rate, maturity loans	4.70%	4.90%
50-year PWLB certainty rate, maturity loans	4.41%	4.68%