

All Members of the Council

Dear Councillor,

BUDGET COUNCIL MEETING – 5.30PM, WEDNESDAY 6 MARCH 2024

I refer to the above meeting which will consider the Council Budget Report 2024/25, and future years.

In connection therewith, I enclose, for your information, the following documents.

- (a) Report of the Interim Service Director (Finance) headed 'Council Budget Report 2024/25: incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account, including the text of the Motion proposed by Cabinet following its meeting on 13 February 2024, under the Council Procedure Rule 19(1) to be put before Council with regards to the Council Tax.

(Please note that provisional figures were included in respect of the major precepting authorities and Parish Councils. Council will be asked to authorise the Service Director (Finance) to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the West Yorkshire Mayor Police and Crime Commissioner, the Fire and Rescue Authority, and Parish Councils, should these be received after 6 March 2024).

- (b) Summary of Recommendations arising from the meeting of Budget Cabinet on 13 February 2024.

The detailed integrated impact assessment documents are available via the Council Website at;

[Integrated Impact Assessments - IntegratedImpactAssessment \(kirklees.gov.uk\)](https://www.kirklees.gov.uk/IntegratedImpactAssessment)

With regard to the Motion I would remind Members that under Council Procedure Rule 19(3) any amendments will only be permitted if the text of the Amendment and the affect which it will have on the draft Revenue Budget has been given in writing to the Chief Executive, and that it cannot be accepted unless the Chief Executive is satisfied, upon the advice of the Service Director (Finance), that the proposed amendment is financially sound and sustainable. In order to facilitate this, it has been agreed that proposed amendments shall be submitted to the Chief Executive on or before 12 noon on Monday 26 February

2024 to ensure that they are financially sound and sustainable prior to the final submission deadline of Wednesday 28 February 2024.

Amendments to the Motion are considered by Council in the order which they are received by the Chief Executive.

Yours faithfully

A handwritten signature in black ink that reads "Andrea Woodside". The signature is written in a cursive, flowing style.

Andrea Woodside
Principal Governance Officer

Report title: Council Budget Report 2024/25 and future years; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

Meeting:	Cabinet
Date:	13 February 2024
Cabinet Member (if applicable)	Cllr Graham Turner
Key Decision Eligible for Call In	Yes No – If no give reason
<p>Purpose of Report The purpose of this report is for Cabinet to receive information to enable them to consider and recommend a budget to Council for Capital, General Fund revenue and Housing Revenue Account (HRA) and approve the Council Treasury Management strategy.</p>	
<p>Recommendations Having read this report and the accompanying appendices, and having regard to the consultation process and integrated impact assessments, Cabinet recommend the following for approval by Council:</p> <p style="text-align: center;"><u>General Fund Revenue</u></p> <ul style="list-style-type: none"> • That the draft Revenue Budget for 2024/25 to deliver a balanced position, be approved (Appendix F); • That the forecast spending and funding plans for the 2024-27 period be noted (Appendix F); • That the forecast levels of statutory and other Council reserves as set out at Appendix H be noted; • That the strategy for the use of balances and reserves, is approved; (section 2.15); • That the Council’s participation in the Leeds City Region Business Rates Pool for 2024/25 be noted, and to and to approve delegated authority to the Chief Executive and Service Director – Finance, in consultation with the Leader and Corporate Portfolio holder, to agree the governance arrangements for 2024/25, for approval through the Business Rates Joint Committee (section 2.20); • To note that discussions around the uplifts on the rates paid to external providers for demand-led activities are ongoing and to approve delegated authority to the Strategic 	

Director (Adults and Health) to agree the final uplifts to rates for 2024/25 (paragraph 2.4.3);

- That members approve the Council's flexible capital receipts policy for 2024/25 (section 2.8 and Appendix G);
- That members approve the Council Tax requirement for 2024/25 (Appendix N, budget motion);
- That members note the Council's Statutory s151 Officer's positive assurance statement as to the robustness of the forecasts and estimates and adequacy of financial reserves; (section 2.21);
- That the Council's Statutory s151 Officer be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the West Yorkshire Mayor Police and Crime Commissioner, the Fire & Rescue Authority and Parish Councils should these be received after 6 March 2024 (paragraph 3.1.3);

Treasury Management

- That members approve the following recommendations set out in the 2024/25 Treasury Management report at Appendix J:
- The borrowing strategy outlined in paragraphs 2.16-2.29 of the appended report;
- The investment strategy outlined in paragraphs 2.30 - 2.38 of the appended report, including Appendices A and B of said report;
- The policy for provision of repayment of debt (minimum revenue provision or MRP) outlined in the appended report outlined in paragraphs 2.39 - 2.41 of the appended report including Appendix C of said report;
- The treasury management indicators in the appended report, Appendix D of said report;
- The Investment Strategy (Non-Treasury Investments) in the appended report, at Appendix F of said report;

Capital

- That the updated Capital Plan for 2023-32, be approved; (Appendix K iii)
- That the Capital Strategy (including Prudential Indicators), set out at Appendix K, be approved;

Housing Revenue Account (HRA)

- That the draft HRA Budget for 2024/25 be approved; (Appendix L)
- That the strategy for the use of HRA reserves, as set out at Appendix L be approved;

Reasons for Recommendations

- The Council has a statutory duty to set a balanced budget each year.
- The section 151 Officer has a duty under section 25 of the Local Government Act 2003 to report to full Council on the robustness of the forecasts and estimates and adequacy of the financial reserves.

Resource Implications:

This report sets the budget resource allocations for 2024/25 to 2026/27.

Date signed off by Strategic Director & name

Rachel Spencer-Henshall – 5 February 2024

Is it also signed off by the Service Director for Finance?

Isabel Brittain – 5 February 2024

Is it also signed off by the Service Director for Legal Governance and Commissioning?

Julie Muscroft – 5 February 2024

Electoral wards affected: All

Ward Councillors consulted: All

Public or private: Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

RESTRICTIONS ON VOTING

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where –

- (a) they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months, and
- (b) any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in (b) above. It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

1. Overview

- 1.1 The structure of this report begins with an executive summary, followed by a range of Appendices. The reader will need to review these collectively in order to be informed of the overall consequences and implications.

The Appendices are as follows:

A	MTFS Summary
B	Funding Assumptions
C	Previously Approved Budget Proposals
D	New Pressures
E	New Savings
F	Detailed Budgets by Service Area
G	Flexible Capital Receipts Strategy
H	Reserves
I	General Fund Working Balance
J	Treasury Management Strategy
K	Capital Strategy
L	Housing Revenue Account (HRA)
M	Budget Consultation exercise – summary
N	Council Tax Motion

Integrated Impact Assessments

- 1.2 Members' attention is drawn to the information and advice in paragraph 3.3.14 of this report which makes reference to the Council's Public Sector Equality Duty.
- 1.3 Cabinet are asked to:-
- (i) review the General Fund revenue budget strategy over the medium term financial plan (MTFP), and budget proposals to achieve a balanced General Fund revenue budget in 2024/25, and indicative revenue budget forecasts for the following two years;
 - (ii) incorporate the Government's announcement on the draft Local Government Finance Settlement for 2024/25, and consider the level of General Fund revenue budget needed for Treasury Management and Central Contingencies;
 - (iii) review the current levels of General Fund revenue reserves and balances and make recommendations on the level of reserves;
 - (iv) incorporate Housing Revenue Account (HRA) budget proposals to achieve a balanced HRA in 2024/25, and indicative revenue budget plan for the following two years, informed by the HRA 30 year business plan;
 - (v) review the current levels of Housing Revenue Account reserves, and make recommendations on the level of reserves;
 - (vi) review the five year plan for Capital Investment. The Cabinet is required under Financial Procedure Rules to recommend to the Council a multi-year Plan for Capital Investment;

- (vii) review and approve the 2024/25 Treasury Management Strategy, Investment Strategy and Capital Strategy, which the Council must consider before the start of the financial year to comply both with the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code and with the Department for Levelling Up, Housing and Communities (DLUHC) statutory guidance;
- (viii) make recommendations on the Council Tax requirement for 2024/25; and
- (ix) incorporate a statement of assurance from the Council's statutory s151 officer in relation to the robustness of budget estimates and adequacy of General Fund and HRA reserves (Section 25 Statement).

Executive Summary

- 1.4 Councils across England are setting their budgets for 2024/25 in some of the most difficult financial circumstances they have ever faced. In isolation, economic shocks like the cost-of-living crisis and the long-term impact of the pandemic would challenge any local authority. But alongside long-running structural issues like limited central government funding and increasing demands on services, councils face unprecedented budget shortfalls amounting to an estimated £4 billion nation-wide.
- 1.5 Kirklees faces the same pressures as other local authorities and was one of the first councils to signal the extent of the financial issues facing English local government. These issues are exacerbated by a central government funding formula that delivers less funding for Kirklees than similar local authorities each year. Despite these considerable challenges, the council will set a balanced budget for the forthcoming financial year.
- 1.6 In bringing stability to the council's financial position, the budget enables the council to fund vital local services. That means investing £258m in social care for adults in Kirklees and £69m for care services for children who need extra support. The council will spend £13m in maintaining and improving local roads and £27m in dealing with residents' waste and recycling. The budget will also allow the council to fund its Council Plan ambitions to make Kirklees a greener place, continue our journey to excellence in Children's Services and making sure residents can live healthier and independent lives for longer.
- 1.7 Achieving financial stability is a key council objective as set out in the Council Plan. This is not just an aspiration. A stable financial foundation is essential to safeguard the services residents and businesses rely on. Moreover, the consequences of failing to set a balanced budget, as required by law, could penalise local taxpayers as well as putting more local services under threat. This budget will avoid that fate for Kirklees.

1.8 Overall Budget Position

The table below shows how the budget is balanced in 2024/25:

	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Budget Gap 23/24 Budget Report	25.2	(0.4)	3.1	27.9
Funding Changes	1.1	3.5	(0.2)	4.4
Spend Changes	21.5	3.2	4.1	28.8
MTFP Update Report Budget Gap	47.8	6.3	7.0	61.1
Funding Changes	1.4	(2.2)	(2.3)	(3.1)
Spend Changes	(18.5)	15.5	1.4	(1.6)
Changes to Planned Transfer to reserves	3.8	(3.8)	-	-
Updated Budget Gap	34.5	15.8	6.1	56.4
New Savings Proposals	(34.5)	(7.9)	(0.4)	(42.8)
Balanced Budget 2024/25	(0.0)	7.9	5.7	13.6

- 1.9 The scale of the financial challenge means significant savings are also needed across all council directorates. Inflationary pressures and increasing demands on services have meant that £34.5m in savings are necessary to deliver a balanced budget in 2024/25. The council has already consulted on some of the proposals or signalled their implementation in the new financial year. Further savings are described in the report.
- 1.10 The council will continue to focus on savings that protect frontline services, achieve efficiencies and reduce costs through managing staff vacancies, using assets more efficiently and limiting expenditure only to the most essential activities. However, in the current circumstances, savings that directly affect some services and council staff are unavoidable.
- 1.11 With limited options for raising income, the budget includes a 2.99% increase in council tax alongside a 2% increase to fund social care for adults in Kirklees. This means an additional £1.71 per week for an average Band D property in the district. Kirklees' approach is in line with the government's assumption that all councils will seek to raise council tax by the maximum allowable amount without the need for a local referendum. It is clear that the majority of councils across the country will follow a similar council tax strategy in 2024/25.
- 1.12 As a result of the choices set out in this budget, the council will achieve financial stability for the financial year 2024/25. But the budget is also set in a wider context. It aligns with the principles of MTFs, which was agreed by the council in September 2023. The plan's three principles set out how the council will continue to achieve financial sustainability for future years.
- 1.13 In line with the first principle of the MTFs, the budget supports the council's ambition to grow the Kirklees economy. The capital programme envisages £1.4 billion of investment into local infrastructure over the next 8 years. This funding sits alongside major investments going into Kirklees towns in partnership with other agencies and organisations. Prudent Investment of this kind will bring jobs and opportunities for communities and will build resilience in the local economy. This, in turn, will support the council's long-term financial position.

- 1.14 The budget also supports the second principle of the MTFS, namely the transformation of local services. Over the next financial year, the council will develop new models of service delivery to reduce management and administrative costs as well as improving its use of data and insight and seeking alternative ways of funding services. Together, these activities will help the council manage demand for services and provide sustainable funding for key services beyond the lifetime of this budget.
- 1.15 Finally, the MTFS and budget prioritises scarce resources in the fairest and most effective ways. It seeks to provide funding that is sufficient to support the needs of residents who need the council most, including in children’s social care. It also means focusing resources on preventative services and activities that help local people live healthily longer and independently. This approach involves difficult choices in 2024/25, which are set out in the report.
- 1.16 In light of the economic outlook, indications from government and trends in service demand, further efficiencies will be required in future years to deliver balanced budgets that deliver core services. The council has a financial strategy in place to address those issues alongside a governance and monitoring regime that will allow it to maintain financial sustainability in 2024/25 and beyond.

2. Information required to make a decision

BACKGROUND

2.1 Financial Strategy

- 2.1.1 The 2024/25 Medium Term Financial Strategy (MTFS) is a three year financial plan, which sets out the Council’s commitment to provide value for money services to deliver the vision and shared outcomes for Kirklees, and our three-year priorities for the Council, within the overall resources available to it. The MTFS shows how our Council’s finances will be structured and managed to ensure that this fits with, and supports, the delivery of our Council Plan priorities, which will drive delivery of the work.
- 2.1.2 The overall aims of our Financial strategy are:
- To ensure that effective financial planning and management contributes to the Council achieving our central mission and well-being goals;
 - To direct resources as required to support the achievement of our goals and provide the funding required to deliver the priorities;
 - To maximise the income from Council Tax and Business Rates revenue;
 - To maximise income from commercial opportunities and adding value to the economy;
 - To continue to improve value for money - managing people and our money more efficiently, streamlining processes and systems, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services;

- To ensure the Council's financial standing is prudent, robust, stable and sustainable.

2.2 Medium Term Financial Strategy Update 2024/25 to 2026/27

- 2.2.1 The MTFs includes the estimated changes to the Council's main sources of income (i.e. central government grant and local taxation), corporate expenditure (e.g. capital financing costs) and pressures on services (arising from inflation, demand or legislative changes such as the increase to the government national minimum wage) based on current information.
- 2.2.2 Given the financial challenges facing the Council, the focus of attention has been to set a balanced budget for 2024/25, based on detailed up to date estimates of all the pressures, with additional saving plans for 2025/26 and 2026/27.
- 2.2.3 The Council is forecasting a £16.1m overspend for 2023/24 (at Quarter 2). Updated Quarter 3 projections will be presented to Cabinet on 20 February 2024. There are a number of pressures that are expected to continue into 2024/25 and in some cases beyond. The MTFs provides the funding to meet budget pressures and provides minimal growth essential to deliver our priorities without placing additional burdens on the Council to deliver greater savings.
- 2.2.4 Updated budget forecasts for the following 2 years indicate a forecast budget gap of **£7.9m in 2025/26 and £5.7m in 2026/27.** This position will need addressing in order to deliver a balanced budget in these years.

Strategic Director Portfolios

The following section looks at Directorate 2024/25 and future year spending plans in more detail.

2.3 Children's Services

- 2.3.1 There are a number of Directorate budget savings proposals totalling £6.0m in 2024/25, and a further £0.2m in 2025/26, and these are also summarised at Appendix E.
- 2.3.2 Children's Services savings proposals include the redesign of a number of internal and commissioned areas to ensure the most effective service is delivered. Some aspects of this redesign in the Social Care service will be developed following the announcement of National Care Review Proposals and come into effect from 2024/25.
- 2.3.3 Additionally, development of local internal residential provision will enable more children to be placed within Kirklees and efforts will be made to increase the number of internal foster care placements, all of which will help to provide a robust sufficiency offer. Alternative funding streams will be used to provide support to the Early Years offer and the Learning and Early Support Service will look to develop income generation proposals.

- 2.3.4 Updated budget plans include an additional £4.9m per annum for Demand increases and Cost of Living impacted social care inflationary pressures in 2023/24. These additional costs will be funded from the Council's share of the additional Social Care Grant allocation announced in the 2024/25 financial settlement.
- 2.3.5 An additional £0.3m base budget uplift is included for Special Educational Needs and Disabilities Assessment and Commissioning Team (SENDACT) and Education Psychology in light of continuing pressures highlighted in the current year with regard to both cost and demand pressures. The SEND transformation plan is intended to address some of these pressures over the medium term.
- 2.3.6 There has also been a base budget uplift of £0.8m to tackle 23/24 pressures.

2.4 Adults & Health

- 2.4.1 Existing budget plans include base budget uplifts of £15.45m in 2024/25 for volume/complexity of need and cost pressures, offset in part by an assumed Government Social care funding uplift and the 2% Adult Social Care precept flexibility for 2024/25. This resulted in an assumed net increase in existing Adults spending plans in 2024/25 of £1.7m.
- 2.4.2 The above budgetary assumptions have seen continuing pressures from the Cost of Living crisis. Government's 9.8% headline National Living Wage (NLW) uplift for 2024/25, has impacted on existing budget plans. Passporting the NLW uplift through to providers through fee uplifts within the current funding envelope has presented a significant challenge for the Council.
- 2.4.3 The ongoing Cost of Living crisis continues to bring uncertainty within the Adult Social Care market. As a result of this, there has been a need for continued review, and dialogue with key partners. Discussions around the uplifts on the rates paid to external providers for demand-led activities are ongoing, and it is asked that delegated authority is given to the Strategic Director for Adults and Health along with the Section 151 Officer, to agree levels within the planned budget envelope.
- 2.4.4 The Cost of Living pressures highlighted above have added to the base budget requirement for 2024/25, alongside demand/cost pressure rolling forward of just over £2.2m from 2023.24. Work is ongoing to reduce such pressures and to alleviate the current projected overspend.
- 2.4.5 The 2024/25 financial settlement provided an increase in Council Social Care grant funding of £8.1m. Of this increase, £7.4m had already been assumed in existing budget plans. The balance of additional funding from this (and from any other applicable new funding announcements) is intended to mitigate ongoing and additional Cost of Living pressures (paragraphs 2.4.2-2.4.4 above).
- 2.4.6 Government previously confirmed the deferral of expected social care reforms to 2025/26 at the earliest. The funding previously set aside to fund these reforms at a national level was re-directed in last year's budget round to support existing Council social care pressures. This continues to be the case.

- 2.4.7 The further 2% adult social care precept flexibility also confirmed by Government in the 2024/25 financial settlement will be used to offset the balance of growth budget pressure already included in existing plans.
- 2.4.8 In order to provide a balanced budget there are a number of new Directorate MTFS budget savings proposals totalling £21.1m (of which £12.7m is in 2024/25 and £8m in 2025/26). These are summarised in the appendices to this report.
- 2.4.9 Proposals for Adult Social Care savings centre around reviewing the scope and means of current provision. Work will also be undertaken with the wider Health and Care system to ensure that the design and delivery of services best fulfil the needs of residents.
- 2.4.10 With regard to the wider trends and shape of the market, transformational work will also be carried out to model future demand and to identify and deliver social care efficiencies. The Communities and Access Service area will work to create an integrated model to further maximise citizen and community outcomes.
- 2.4.11 The Directorate savings proposals total is inclusive of Culture & Visitor Economy where there are £0.9m new additional income proposals on Fees & Charges as well as £0.5m from increased charges in the Catering Service to mitigate pressures in wages costs and food prices.

2.5 Growth & Regeneration

- 2.5.1 Within Growth and Regeneration there are pressures of £2.2m, previously agreed savings of £3.1m and new proposed savings of £9.3m in 2024/25. There are existing savings of £0.1m and further proposed savings of £0.3m in 2025/26.
- 2.5.2 In Development there is a pressure of £0.8m that relates to the management of the core estate. New savings proposals include saving related to Disabled Facilities Grant overhead recharge £0.4m, holding vacancies in housing growth £0.1m, Business Rate Revaluation £0.1m, staff charging in Town Centres £0.1m & Asset rationalisation of £0.8m. There are further proposed one off savings of £0.3m in 2024/25 related to building closures. There is a further £0.5m of saving proposed in 2025/26 related to management of the core estate which is netted down to £0.2m following the removal of temporary savings.
- 2.5.3 There are further pressures of £0.5m linked to the provision of temporary accommodation. There are saving proposals of £0.3m related to a continuation of a trial of temporary accommodation and £0.2m related to review of rents charged on properties.
- 2.5.4 For Skills & Regeneration there is a pressure of £0.5m has been allocated to Development Management and Building Control (Dangerous Structures and Sports Grounds). New proposed savings include £0.3m of staff charging on grant funded capital schemes, £0.2m on the Digital Team, £0.2m in Employment and Skills related to staff costs/charges and reduced programme & £0.3m in Business & Economy related to staffing and grant match budget.
- 2.5.5 Waste Services have a new pressure of £0.9m, following new legislation on the disposal of items containing Persistent Organic Pollutants (POPS), e.g. Sofas.

Alternative methods of disposal are being investigated & progressed as part mitigation. Transport Services have had £0.4m allocated to help manage inflationary pressures, such as fuel.

- 2.5.6 Across Highways & Streetscene Services there are savings proposals including, £1.6m existing and £3.0m new additional income proposals being actioned on Fees & Charges and staff charging to grant funded works. As well as £0.2m existing and £2.4m new proposed operational changes.

2.6 Corporate Strategy, Commissioning & Public Health

- 2.6.1 Updated budget plans for 2024/25 include supporting Housing Benefit Subsidy pressures by £2.5m. The Government's subsidy system does not support Councils in placing housing benefit recipients in certain types of temporary accommodation, such as temporary bed and breakfast accommodation. The significantly increasing demand for temporary housing is a national issue and very challenging in terms of finding appropriate accommodation.
- 2.6.2 Inflationary increases on information technology hardware and software have continued to rise and £0.5m has been invested to support these pressures. Support to Peoples Service have been increased by £0.6m and licencing by £0.1m.
- 2.6.3 Budget plans include £6.5m savings. Supplier payment terms are to be returned to 30 days, saving £0.5m. Agency and Overtime payments are to be reduced by £1.1m across the whole council. IT costs across the council will also be reduced through printing, mail, phones and peripherals saving £0.5m.
- 2.6.4 Public Health grant of £1.3m has been put forward as a non-recurrent saving, and Ward budgets are being halved, saving £0.2m.
- 2.6.5 Schools transport operational delivery models are being reviewed saving £0.7m.
- 2.6.6 Service redesigns will save £1.3m. The remaining £0.9m will be achieved through improved efficiency and reviewing fees and charges.
- 2.6.7 The Government have yet to agree if there will be a Housing Support Fund round 5, so no assumptions have been made. If there is no further funding this will increase pressure on the Welfare and Exchequer service, and the money they are able to pay out to Council residents.

2.7 Central budgets

- 2.7.1 The pay award for 2023/24 was an average of approximately 6.2% (impact of a flat rate £1,925 applied across all staff). A further 4% pay award assumption is included for 2024/25. It is assumed that annual pay awards from 2025/26 onwards will revert to 2%.
- 2.7.2 A review of pay and prices budget requirements has been undertaken and a net £0.5m has been released in 2024/25. This adjustment includes the removal of energy cost uplifts in 2024/25, based on updated intelligence from energy suppliers.

- 2.7.3 Updated central budgets also include a write down of the insurance provision (£1.5m) in 2024/25. This adjustment is short-term in nature.
- 2.7.4 In addition, Central Budgets reflect a 0.1% superannuation reduction in 2025/26 as part of the current triennial review, covering the period 2023-2026. This is equivalent to a reduction of £0.2m compared with existing budget assumptions.

2.8 Flexible Capital Receipts

- 2.8.1 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 government guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021/22. The Local Government Finance Settlement for 2021/22 extended these capital receipts flexibilities for a further three years, which covers the period up to and including 2024/25. Further to this, there has been a recent 'Call for Views' from the Department for Levelling Up, Housing and Communities (DLUHC) consultation, designed to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity and to manage budget pressures without seeking exceptional financial support. The options identified include: allowing authorities to capitalise general cost pressures and meet these with capital receipts; extending the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects; providing additional flexibilities for the use of the proceeds of selling investment assets, such as using capital receipts to increase revenue reserves and; discounting PWLB rates by 0.4% for invest-to-save projects.
- 2.8.2 The current guidance states that the flexible use of capital receipts must be approved by full Council, but that it can be 'retrospectively' applied provided the Council's flexible use of capital receipts strategy is presented to Council at the earliest opportunity. The Council's flexible capital receipts strategy along with a list of each project and the expected savings each is expected to realise is included at Appendix G.
- 2.8.3 The Council will use the powers under the government guidance on the flexible use of capital receipts to fund up to £4m qualifying transformation expenditure in 2023/24 and £4m in 2024/25. 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.

2.9 Treasury Management

- 2.9.1 Updated Treasury management budgets assume that the Bank of England base rate of 5.25% (as at 20 December 2023) is estimated to fall to 4.25% by March 2025. As such, the budget reflects assumed combined borrowing rates of 5.35% in 24/25 and 4.69% in 25/26 and 26/27. This is based on the continuation of current borrowing strategy, which combines the use of both short and long term borrowing as set out in the attached 2024/25 Treasury Management Strategy report, included at Appendix J.
- 2.9.2 Treasury management budgets also take account of updated capital plan borrowing requirements and associated annual revenue resources to be set aside to service Council debt. A 30% potential slippage factor has also been applied to borrowing across all schemes over the updated multi-year capital plan, with the exception of the Cultural Heart scheme which is assumed to be delivered in line with projected

timelines. This is considered a reasonable assumption, given the nature and scale of strategic priority investment, and potential range of factors that can cause such programmes/schemes to slip over such a protracted timeline.

- 2.9.3 Within the 2023-24 budget set in February 2023 several treasury management pressures were included within the central services budget. This contained increased revenue resource to support the additional borrowing and the interest rate expectations over the period, along with a saving due to the re-profiling of the capital plan. However, working within the current capital financing policies, we have been able to improve the capital funding position and reduce the liability on both the interest and the Minimum Revenue Provision (MRP) costs. This update will impact 2023/24 onwards and provide the organisation with an ongoing headroom contribution to reserves.

2.10 Schools Funding (Dedicated Schools Grant or DSG)

- 2.10.1 A detailed report on Schools funding for 2024/25 was approved at Cabinet on 23 January 2024. The link to this report is included at section 9.
- 2.10.2 Overall, School funding is increasing by £28.5 million or 6.3% from 2023/24 to 2024/25.
- 2.10.3 Kirklees' Schools Block funding allocation for 2024/2025 is £368.1m (£349.2m in 2023/2024), the High Needs Block is £65.9m (£63.1m in 2023/2024), the indicative Early Years Block figure is £48.7m (£30.1m in 2023/2024) and the Central Schools Services Block £2.6m (£2.51m in 2023/2024). The above funding allocations are before any subsequent block transfers, which will be reflected in the finalised allocations to individual school budgets for the start of 2024/25.

High Needs Safety Valve funding agreement

- 2.10.4 The Council signed up to the Government's Safety Valve Agreement in March 2022 as one of a number of Councils with a significant Dedicated Schools Grant (DSG) deficit; £36m at the time the safety valve agreement was signed in March 2022.
- 2.10.5 The Safety Valve Agreement, was intended to eliminate the Council's DSG deficit completely by 2026/27 through a Council 5 year Special Educational Needs & Disabilities (SEND) management plan. As a result of continued rising demand and inflationary costs the original timescale has been extended to 2029/30. The plan is intended to bring the in-year High Needs spend position into 'balance' within available in-year DSG funding, by 2029/30. Government agreed a contribution of £33.5m to help clear the historic DSG deficit, including an initial £13.5m 'down payment' received in March 2022.
- 2.10.6 Further annual contributions by Government of £4m over the next 4 years will be released quarterly in £1m tranches; subject to satisfactory quarterly monitoring reviews with the Department for Education (DfE) Safety Valve Team. To date, the Council has received £4m for 2022/23 and is awaiting confirmation of funding for 23/24.
- 2.10.7 The Council has also prioritised significant revenue resources of its own, including re-directing of annual Council re-charges from the High Needs block to Learning Services, totalling £1.4m. The Council is also contributing earmarked reserves totalling £10.7m over the 2022-27 period. The Council has also prioritised £36m within the

capital plan to increase High Needs sufficiency across the district, alongside additional Government capital funding support at £9m.

2.10.8 There has also been significant broader schools system support through schools block funding transfers to High needs block; £1.6m in 2022/23, £2.1m in 2023/24 and £2.6m agreed for 2024/25. The transfers were approved through Schools Forum. This funding will ensure more children receive additional support to remain in, or return to, mainstream school and supports the DSG deficit reduction plans; reflecting the collaborative partner approach to addressing the growing pressures relating to High Needs.

2.10.9 Any future year annual block transfer requests will be subject to review and consultation through Schools Forum.

2.10.10 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.

2.11 **Funding within the MTFS**

2.11.1 The Core Spending Power (CSP) is the Government preferred measure of calculating the theoretical resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement (LGFS) and represents an estimate of the resources available. The CSP increase for 2024/25, based on Government assumptions, is £27.1m; equivalent to 6.8%. The actual CSP increase based on the Council baseline position and local decisions matches this uplift in monetary terms.

2.11.2 The table below summarises the year on year changes to the funding assumptions within the MTFS, with specific comments on the reasons for the changes:-

	2024/25 £k	2025/26 £k	2026/27 £k
Funding			
Retained Business Rates	1,156	(1,472)	(1,703)
Government Funding	(5,007)	(1,263)	(1,382)
Council Tax	(14,184)	(14,305)	(15,874)
Funding Changes	(18,035)	(17,040)	(18,959)

Business Rates and Government Funding

2.11.3 The budget also includes the anticipated net reduction of retained business rates income of £1.1m in 2024/25. This includes a change in the repayment to collection fund of £2.3m, offset in part by estimated retained rates of £1.2m (see Appendix B).

2.11.4 Government funding increases by £5.0m in 2024/25. This is largely from estimated additional business rates cap compensation funding of £4.5m; reflecting the element of the business rates multipliers that have been frozen for 2024/25. There are also increases of £1.1m in top up grant, £1.0m in Revenue Support Grant (RSG) and a £1.2m in New Homes Bonus. This is offset by a £2.8m reduction in Services Grant.

Council Tax and Support provided

- 2.11.5 The forecast £14.2m increase in Council Tax income for 2024/25 is due to a number of contributing factors as outlined in Appendix B. This includes the £11.2m additional income generated from the increase of 2.99% Council Tax and 2% Adult Social Care precept, and an estimated decrease in the cost of the Local Council Tax Reduction Scheme of £3.3m.
- 2.11.6 The Council has opted to increase by 4.99% in 2024/25 (the Government Council Tax referendum principles allow Council's to apply up to a 3% Council Tax uplift along with a further 2% for Councils with Social Care responsibilities, without requiring a local referendum). The Council is mindful of the current cost of living challenge facing the citizens of Kirklees but faces a tough choice about whether to increase council tax to bring in desperately needed funding whilst at the same time acutely aware of the significant burden that places on households during a continuing cost of living crisis.
- 2.11.7 The Council Tax system continues to be disproportionate across the country and successive Governments have failed to come up with an alternative method of local taxation.

2.12 Budget Savings

- 2.12.1 Kirklees set its annual budget for the 2023/24 financial year on the 8 March 2023, with a £43.2m budget gap. This was funded by £18.6m of efficiency savings, including transformation in delivery of services across both adults and children's services, reductions in externally contracted services, service redesign, vacancy management, and increasing fees and charges. In line with the government's Local Government Finance Policy Statement, we also committed to the use of £24.6m of unallocated reserves. The £18.6m savings target increased within the financial year to £19.8m following confirmation of the requirements of the Pay Award.
- 2.12.2 To support the delivery of the 2023/24 budget, and to develop further in-year savings and savings for 2024/25, we established a new programme and governance structure to support decision making, communication, and awareness, and to drive forward progress with both strategic planning and operational delivery. Since March 2023 this has included monthly Budget Delivery Programme Board meetings, led by the Executive Leadership Team and reported to Executive Board.
- 2.12.3 A number of activities aimed at reducing spending further within the financial year were identified, and continue to be managed and monitored, including:
- Stopping non-essential expenditure.
 - Implementing a recruitment freeze.
 - Increasing all discretionary fees and charges according to inflation where possible.
 - Asset rationalisation.
 - Exploring all external funding opportunities to bring in additional income.
 - Continuing the review of the Council's Capital Investment Programme.
- 2.12.4 On the 13 September 2023, Council approved the Medium-Term Financial Plan (MTFP) for the Council, which updates on the Council's projected financial position and sets its longer-term strategy for managing its finances going forward. The MTFP

identified that there was a projected budget gap of £47.8m for the 2024/25 financial year. The Medium-Term Financial Strategy is focused on three key elements, which has also guided the approach to developing the savings for 2024/25:

- Growing our place: making medium- to long-term investment decisions that increase the Council's taxbases and, in turn, provide sustained additional income to the Council.
- Ensuring the Council is an efficient, effective, and modern organisation in the delivery of its services.
- Prioritising the use of the Council's resources in a fair way, ensuring that, within the funding available to the Council, we continue to prioritise those who need our support most, as well as supporting the broader community and businesses in the borough

2.12.5 The Medium-Term Financial Strategy also set out some thematic areas to support the identification of savings:

- Charging – income generation
- Charging – being commercial
- Service redesign and efficiency
- Maximise external funding opportunities
- Procurement review
- Cessation of Services
- Exploit technology
- Asset review and rationalisation
- Reducing the risk of fraud

2.12.6 Over the course of the last year, inflationary pressures have continued. Though the rate of inflation (CPI Consumer Price Inflation) has reduced to 4.0% (December 23), these are not price reductions but amount to further increases on top of the historic 40-year high inflation of 11.1% in October 2022. This means the cost of running services continues to rise. We are also seeing ongoing rising demand for services. Government funding has not increased enough to meet these increasing pressures. Using figures from the Institute for Fiscal Studies, SIGOMA have estimated that Kirklees Council is underfunded (relative to local need) by £13m per year.

2.12.7 In order to set a balanced budget for 2024/25, we have identified a substantial amount of further savings, in accordance with the principles and strategy set out above, totalling **£36.7m in 2024/25**. These savings have been summarised in **Appendix E**.

2.12.8 Full details of each proposal within **Appendix E**, can be accessed on the Council's website here: [Detailed Saving Plans: 24/25 Budget](#) and any associated Integrated Impact Assessments here: [Integrated Impact Assessments - IntegratedImpactAssessment \(kirklees.gov.uk\)](#).

2.12.9 When the Council Plan, and Annual Budget for 2024/25 is approved, next steps will be focused on delivery of this budget, the savings within it, and delivering the priorities set out in the Council Plan. We will continue to monitor external factors such as demand and costs, so we are able to respond early and appropriately. Robust programme management of the delivery of the budget, and effective governance

mechanisms will continue, alongside regular monitoring of capacity and demand information, and monitoring of financial situation.

2.13 2024/25 Budgets by Service Area

2.13.1 The 2024/25 detailed budgets updated for the proposed pressures and savings are provided at Appendix F by Directorate, this provides the breakdown of the budget plan by Service Director.

2.14 Monitoring & Challenge

2.14.1 The Council's budget in any one financial year is allocated to budget holders and each budget holder is notified of their budget at the start of the financial year. Within the performance and development review process for people managers there is a core target to effectively manage and monitor budgets, highlighting any pressures or potential underspends in a timely way.

2.14.2 Budget holders are able to review the latest financial monitoring information, including projections, directly from the on-line financial system in an easy to use format.

2.14.3 The Financial Management teams are structured to support budget holders, deal with queries and proactively monitor key budget areas. The quarterly Financial Monitoring report presents the Council's revenue and capital projections, prepared by managers working in conjunction with finance teams. In addition, a monthly review enables Directors to monitor the Council's revenue projection and take any further action to ensure effective management of the budget.

2.15 Reserves

2.15.1 The Council holds both "earmarked" and "general" reserves. Earmarked reserves are balances set aside for specific purposes and corrective actions; these are summarised in Appendix H.

2.15.2 General reserves are balances held as contingencies against risks such as emergency events. The general reserves are expected to be £22.4m in 2024/25.

2.15.3 A risk assessment of the Council's level of reserves is carried out each financial year, when setting the budget and updating the financial plan. It is updated regularly during the financial year as part of the formal financial management reporting process. The risk assessment is based on the following key factors and an underlying presumption that significant risks need an appropriate level of cover: -

- a) a review of known provisions and contingent liabilities;
- b) the likelihood of overspend for either revenue or capital;
- c) the likelihood of any additional income that would be credited to reserves;
- d) the robustness of the Council's revenue budget proposals;
- e) the adequacy of funding for the Capital Programme; and
- f) any potential significant expenditure items for which explicit funding has not yet been identified.

2.15.4 Appendix I provides the risk assessment of the Council's level of general reserves, which estimates the value of the risks at £15.0m. The Council will ensure the reserves

remain at an adequate level to manage effectively all future risks and liabilities, in particular whilst operating in the current volatile and uncertain environment. Therefore, careful consideration should continue to be given before funding any unexpected costs from reserves. In addition, where funds are allocated, any unspent funding should be transferred back to uncommitted reserves.

2.16 Housing Revenue Account (HRA)

2.16.1 The HRA is a sustainable, self-financed 30-year business plan, where the main driver for financial sustainability is housing rent and delivers the following key objectives:

- Capital improvements and maintenance of all Council housing stock to a decent standard with a focus on building safety, warmth and energy efficiency requirements.
- Delivery of a high quality and cost-effective housing management and repair service, and inclusion of funding for new build and other strategic capital priorities
- Annual servicing of HRA debt
- Addressing the requirements of the Social Housing Regulation Act which is now law.

2.16.2 Updated HRA budget proposals are included at Appendix L. They reflect a Cabinet approved uplift to social housing rents by 7.7% (CPI + 1%) as per Government guidelines, from 1st April 2024, which is the last year of the Government agreement. Future increases will be determined by updated government guidelines. The link to the annual HRA rent and service setting report for 2024/25 is shown below for reference: [Issue details - Rent & service charge setting for Housing Revenue Account properties for 2024-25 | Kirklees Council](#)

2.16.3 Assumptions include Right to Buy sales over the 2024 to 2029 period continuing at about 200 per annum based on current trends, void level targets of 2% and the continuation of the transfer into a bad debt provision to provide for bad and doubtful debts.

2.16.4 The uplift takes account of the ongoing rollout of universal credit, those transitioning from housing benefit and provides for support to an increasing number of tenants in terms of their ability to pay, as their household income will be reduced. The uplift also supports the HRA bad debt provision requirement.

2.16.5 A review of capital planned works requirements has been carried out which has identified capital works totalling £125m and the need to invest an additional £71.2m over the next ten years, which supports the revised Asset Strategy being reported to Cabinet in March 2024. The investment is financed through the Major Repairs Reserve (MRR) and revenue contributions to capital outlay (RCCO) from the HRA, with any shortfall being financed through new borrowing. The plan assumes a reduction in the resources allocated for new build property and development activity in order to support the Asset Management plan.

2.16.6 Proposed savings of £3.1m, have been identified, which will support the resource requirement for 2024-25.

2.16.7 HRA revenue reserve commitments include £15m set aside for business risks, which include:

- strategic risks of £8.3m for unforeseen business risks, which may relate to regulatory requirements, government agreements for rent increases, new legislation around building safety compliance and insurance risks.
- Operational risks of £0.9m relating to changes in welfare reform and provision for bad debts and
- Finance risks of £5.8m relating to interest rates and inflationary increases linked to the Consumer Price Index (CPI) and Building Cost Indices (BCIS)

2.16.8 The Council regularly reviews and updates the HRA business plan with the aim to produce a self-financed and balanced budget position over the 30-year plan that delivers the key objectives.

2.17 CAPITAL STRATEGY

2.17.1 Under CIPFA's Code of Practice on Treasury Management (December 2021 Edition), the accompanying Prudential Code 2017 and DLUHC issued guidance, the Council must approve a Treasury Management Strategy, an Investment Strategy and a Capital Strategy at the start of each financial year. They are designed to increase transparency and are a response to the number and variety of ways Local Authorities are becoming involved in commercial activities and making commercial investments.

2.17.2 The Treasury Management Strategy focuses on the Council's borrowings and investments. It recommends a borrowing and a (treasury) investment strategy and a policy for calculating Minimum Revenue Provision (MRP).

2.17.3 The Investment Strategy focuses on and provides a detailed breakdown of all investments that the Council has. This includes both treasury investments, whereby the Council invests surplus cash as a result of its day-to-day activities; along with non-treasury investments incorporating investments to support local public services (via loans or purchases of shares) and commercial investments (to earn investment income). The Investment Strategy forms a part of the Treasury Management Strategy which is shown in the appended report at Appendix J.

2.17.4 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators. The detailed Capital Strategy is set out at Appendix K.

2.18 CAPITAL

- 2.18.1 The 2024/25 MTFS Update Report to Council on 13 September 2023 referred to a corporate review and affordability assessment of Capital Plan being undertaken as one of several initiatives to mitigate against the forecast 23/24 outturn position and ongoing financial challenges facing the Council.
- 2.18.2 The capital review considered options to re-phase capital projects/programmes, examine opportunities to release borrowing or identify alternative funding sources, and reviewed flexibilities to stretch the plan over a longer time frame.
- 2.18.3 The Capital Strategy updates the capital programme (2023/24 -2031/32) based on the outcome of the review. It summarises how the investment is financed, provides corporate prudential indicators regarding financial sustainability and affordability, and outlines the long-term context in which the Capital Plan contributes towards the achievement of key strategic objectives and priorities. The recommended multi-year capital programme is detailed at Appendix K iii.
- 2.18.4 The capital proposals are set out in the Summary of Overall Capital Spend section of the Capital Strategy, paragraphs 1-20. This includes £25.1m General Fund borrowing re-profiled out of the early years of the Plan (2023/24 & 2024/25) into later years plus the removal of £17.6m borrowing from the existing General Fund Capital Plan.
- 2.18.5 As part of the review, three General Fund proposals have been incorporated in the Plan for approval totalling £36.7m and the HRA programme includes £71.2m additional investment to address the backlog of capital planned works which supports the revised Asset Strategy being reported to Cabinet in March 2024. The General Fund schemes are fully funded from borrowing with a revenue cost (interest and repayment of debt) of £0.1m, £0.5m, £1.0m in 24/25, 25/26, and 26/27 respectively. The revenue costs are taken into consideration in the 24/25 and future years Revenue Budget. The HRA investment is financed through the Major Repairs Reserve (MRR) and revenue contributions to capital outlay (RCCO) from the HRA, with any shortfall being financed through new borrowing.

2.19 Council Tax Referendum Principles

- 2.19.1 Government Council Tax referendum principles are set out in the 2024/25 finance settlement and allow Councils to apply up to a 3% Council Tax uplift without requiring a local referendum. Council updated budget plans reflect a proposed 2.99% Council Tax uplift in 2024/25 (excluding precepts).
- 2.19.2 In addition to allowable Council Tax uplifts within referendum principles, Government has also granted Councils with Social Care responsibilities local discretion to uplift Council Tax in 2024/25 up to a maximum of a further 2%.
- 2.19.3 Council updated budget plans reflect the maximum allowable uplift of 2% for Adult Social Care (ASC) precept in 2024/25 and this will be ring-fenced to support adult social care base budget additional spend requirements in 2024/25.
- 2.19.4 Taking into account both the basic Council Tax uplift and the ASC precept, the total proposed Council Tax increase for 2023/24 will be 4.99%.

2.20 Business Rates Pool

- 2.20.1 The Council has been part of a regional Business Rates Pool since 2013. All Pools are subject of an annual application process to Government; both existing and new Pools. The 2024/25 MTFS update report to Council on 13 September 2023 gave delegated authority for the Chief Executive and Service Director – Finance, in consultation with the Leader and Corporate Portfolio holder to endorse the Council's continued participation in a Leeds City Region (LCR) Pool for 2024/25, which included all West Yorkshire Councils and York.
- 2.20.2 The acceptance of the LCR Pool bid for 2024/25, along with all other Pool bids nationally, was subsequently confirmed by Government through the 2024/25 Financial Settlement announcement.
- 2.20.3 As in previous years, the governance arrangements for the 2024/25 LCR Pool will be ratified in March 2024 through the Business Rates Joint Committee. The Committee includes leading members across the participating Councils and is administered on behalf of the member Councils by Leeds Council. This includes proposals for the allocation of retained business rates levies which will be considered through the Business Rates Joint Committee.
- 2.20.4 It is proposed that delegated authority be given to the Chief Executive and Service Director – Finance, in consultation with the Leader and Corporate Portfolio holder, to agree the governance arrangements for 2024/25 as a participating member, for approval through the Business Rates Joint Committee.

2.21 Positive Assurance Statement

Under Section 25 of the Local Government Act 2003, when the Council sets the budget, the Council's Section 151 Officer is required to report on: -

- the robustness of estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves

2.21.1 Section 25 Statement from the Council's Section 151 Officer (Service Director - Finance)

- 2.21.2 This report sets out proposals for the delivery of an overall balanced budget for 2024/25, and indicative spending and funding forecasts over the following 2 years. The overarching context to the 2024/25 budget is the impact of the unprecedented Cost of Living crisis impact.
- 2.21.3 In-year financial monitoring has reported extensively on the impact of the Cost of Living crisis on energy, pay and other inflationary pressures, with an overall £16.1m general fund revenue overspend forecast at Quarter 2.
- 2.21.4 Management actions are ongoing to address the overspend and it is anticipated that the updated Quarter 3 position will reflect a reduction of at least £5m.
- 2.21.5 The financial pressures highlighted in-year generally impact the 2024/25 budget plans, with mitigations and savings opportunities impacting on the reduction of their impact. Budget plans also reflect the initial Government funding allocations included in the

2024/25 financial settlement consultation and will be updated once the final settlement is announced in the week commencing 5th February 2024.

- 2.21.6 Proposals to bring the revenue budget position into balance in 2024/25 include new budget savings totalling c£34.5m and c£11m drawdown from reserves. Further budget savings for 2025/26 are also included at this stage, reflecting an early start to addressing the 2025/26 budget gap as well as improving the overall financial resilience of the Council.
- 2.21.7 The capital plan proposals set out in the Capital Strategy, reflect the outcome of a corporate review. This process predominantly re-profiled and re-phased the existing plan over a longer timeframe. This exercise has released savings on borrowing costs. These savings plus the updated Minimum Revenue Provision calculation have released headroom for the authority of approximately £10m per annum. This headroom will be allocated to a Voluntary Revenue Provision Reserve for use against future capital financing pressures. The capital strategy also builds in greater future flexibility in programme and project review to ensure it can remain affordable and sustainable in light of continually updated and refreshed Council financial strategies and plans over the medium term.
- 2.21.8 The Council's reserves strategy includes the re-direct of existing earmarked reserves to offset the in-year forecast £16.1m overspend pressure, plus a planned drawdown of reserves of £11m to support the 2024/25 budget position. This leaves a remaining balance of unallocated reserves at £22.3m; equivalent to 6.7% of net revenue budget.
- 2.21.9 As noted in the reserves section in the report, unallocated reserves within the range of c£15m may be 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.
- 2.21.10 The s151 Officer's view is that 5% must be considered the absolute minimum level of unallocated reserves for this Council to hold at any one time and this is currently forecast to be c 6% for the start of 2024/25. For a council of this size and complexity, every opportunity must also be taken over the next couple of years to re-plenish unallocated reserves further, thereby reducing the Council's exposure to financial risks over the medium term.
- 2.21.11 The Council must ensure that it delivers the £34.5m savings proposals in 2024/25, and more broadly ensure that overall plans for 2024/25 are delivered within approved budget envelopes, with appropriate and robust member and officer stewardship, monitoring and review. The additional social care funding built into 2024/25 budget plans will also help mitigate some of the inherent volatility in adults and children's demand and cost pressures in the two highest spending service areas of the Council.
- 2.21.12 Alongside the above, preparation must begin early to formulate further budget proposals for 2025/26 in light of the forecast £7.9m 2025/26 budget gap, building on the £11.5m savings for 2025/26 already in view in this current budget round.
- 2.21.13 The report also makes reference to the Safety Valve agreement between the Council and the Department for Education (DfE) to manage down the Council's Dedicated

Schools Grant (DSG) accumulated deficit and deliver a balanced in-year funding position by 2029/30.

- 2.21.14 The Safety Valve funding agreement also includes some 'flexibility' to review and re-profile these plans as appropriate, in agreement with DfE. This will be important going forward as the scale of the challenge remains significant, notwithstanding the sound plans that are in place.
- 2.21.15 Government confirmation that DSG deficits will continue to roll forward on Council balance sheets as 'unusable negative reserves' over the next 3 years allows further breathing space for Councils that would otherwise be required to offset their DSG deficits against usable reserves and put significant further pressure on Council financial resilience. However, this breathing space remains time limited.
- 2.21.16 The self-financed and ring-fenced HRA business plan remains in balance over the short and longer term and continues to prioritise significant investment in compliance to meet more stringent social housing regulator requirements. The HRA is also impacted on by Cost of Living pressures, and sound financial stewardship is equally applicable to HRA as it is to the general fund, to ensure it can operate sustainably within its financial means.
- 2.21.17 Subject to the conditions and assumptions I have set out above, I can give you positive assurance on the reliability and robustness of the forecasts and estimates in the budget proposals as far as I can in the context of current local and national intelligence.

If members approve the recommendations in this report, I can give the Council positive assurance on the adequacy of reserves and balances.

3. Implications for the Council

Formal Resolution

- 3.1.1 It is necessary for the motion to Budget Council on 6 March 2024, set out at Appendix N, and for the final resolution to include certain statutory declarations. The motion to be put forward will be incomplete, because the precepts for the Fire and Rescue Authority and West Yorkshire Mayor Police and Crime Commissioner and Parish Councils may not be determined until after Council. The Council motion will include estimated precepts based on best available information at the time.
- 3.1.2 It may be necessary therefore for an amended motion to be moved, as in previous years, to correct the motion where there is any change between the estimated and actual precepts. This assumes that the precepting bodies will have determined their precepts before 6 March 2024.
- 3.1.3 It is requested that the Council's statutory s151 Officer (Service Director – Finance) be given delegated authority to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the West Yorkshire Mayor Police and Crime Commissioner, the Fire & Rescue Authority and Parish Councils, should these be received after 6 March 2024.

- 3.1.4 The West Yorkshire Mayor Police and Crime Commissioner, Fire & Rescue Authority and Parish Council precepts included in the Council motion do not affect the Council budget, and neither will any subsequent amendment to the precept figures, delegated to the Council's statutory s151 Officer.

Special Expenses

- 3.1.5 The expenditure of Parish and Town Councils is funded by way of a precept which is levied only on the area of the individual Parish Councils. There are, however, occasions when individual Parish and/or Town Councils provide services which would otherwise be provided by District Councils if there were no Parish Council in existence. The result is that residents of a parish Council can pay twice for some services. This is known as "double taxation".

- 3.1.6 The Local Government Finance Act 1992 provides for expenditure incurred by District Councils which ranks as double taxation to be treated as special expenses, which are not charged to the residents of the Parish and/or Town Councils concerned unless the District Council resolves otherwise. There are no special expense arrangements in place at the current time.

- 3.3.7 Working with people

- 3.3.8 Working with partners

- 3.3.9 Place based working

- 3.3.10 Climate Change & Air Quality

- 3.3.11 Improving outcomes for children

- 3.3.12 Financial Implications

The budget proposals contained within this report have been developed to ensure that funding is made available in the areas that will allow the Council to further improve the outcomes for individuals and communities as a whole. To facilitate this, resources have been allocated in areas that will allow the Council to maximise contributions to the Councils strategic priorities as listed above in 3.3.7 to 3.3.11.

- 3.3.13 Legal Implications

Budget and Policy Framework at Part 4.3 of the Constitution, sets out the process that must be followed when the Council sets the budget. It is for the Cabinet to approve the proposals and submit them to full Council for adoption.

Under section 151 of the Local Government Act 1972, the s151 officer has responsibility for the Council's financial management.

Section 25 of the Local Government Act 2003 provides that where the Council makes council tax calculations (i.e sets the annual budget) the section 151 officer must report to it the following matters –

- (a) the robustness of the estimates made for the purposes of the calculations, and
- (b) the adequacy of the proposed financial reserves.

Under section 25(2) of the Local Government Act 2003 an authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.

Section 31A of the Local Government Finance Act 1992 (as amended) provides a duty to calculate expenditure in the forthcoming year and deduct income. This is the duty to calculate the “council tax requirement” and is the duty to set a balanced budget .

3.3.14 Other (eg Risk, Integrated Impact Assessment or Human Resources)

Paragraph 1.2 of this report refers to Integrated Impact Assessments. The Equality Act 2010 creates the Public Sector Equality Duty (PSED).

Under section 149 of the Act:

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic ; and persons who do not share it.

The relevant protected characteristics are:

age;
disability;
gender reassignment;
pregnancy and maternity;
race;
religion or belief;
sex; and sexual orientation

In order to fulfil the PSED the Council is required to assess the impact of any proposed action on the equality objectives set out above. The way in which the Council has approached this task previously was to conduct Equality Impact Assessments (EIA's) as appropriate.

The current EIA process has been updated to an Integrated Impact Assessment (IIA) process, as part of the Council's developing approach to Inclusion & Diversity; to go beyond just PSED compliance, and to incorporate additional diversity characteristics, such as low income/poverty and unpaid carers.

The Climate Emergency Motion passed on 16 January 2019 also committed the Council to consider Environmental Impact as part of any new IIA policy. The proposed approach also seeks to assess impact across the range of environmental and sustainability impacts.

As in previous years, any specific savings proposals, where appropriate, still make reference to Impact Assessments. These are available for member reference on the following website link ([Integrated Impact Assessments](#)) and members should read the assessments in full in order to inform them in coming to their decision, as in previous years; cross referenced as appropriate to the savings templates.

There is also a clear expectation that the IIA process is not limited to consideration of savings proposals, but in the context of the totality of resource allocation proposals set out in this report, and other emerging policy changes and developments, any subsequent detailed proposals that result from these, will be informed by the IIA process to help inform key decision making in the future.

4. Consultation

The Capital Investment Plan proposals have been considered by Cabinet and Strategic Directors in conjunction with the Service Director - Finance, following initial assessment through the Capital Assurance Board.

The 2024/25 Treasury Management Strategy Report included at Appendix J, has been prepared by the Council's s151 Officer (Service Director - Finance), and in consultation with the Council's external treasury management advisors, Arlingclose Limited Treasury Management Consultants. The Treasury Management report has also been considered at the Council's Corporate Governance and Audit Committee (CGAC), on 19 January 2024.

5. Engagement

A six-week online budget engagement was launched between 21 November 2023 and 2 January 2024 to gather the views of residents on priorities for spending in 2024/25. A total of 946 responses were received, and a summary of the results are included with the Annual Budget papers in Appendix M, also presented to Cabinet at this meeting.

The survey asked questions relating to:

- How the Council can help generate additional income.
- What the council should be prioritising according to what is most important to them.
- Ideas for areas/services where the Council can save money.

In terms of how the council can help generate additional income and save money, a key theme focused on raising money from unused buildings and land, reducing office accommodation, and improving costs associated with the management of assets. We have developed a commitment in the plan to a review of the use of buildings across the entire council estate will inform changes to ensure the Council's assets are being used as efficiently and effectively as possible, and we will ensure that the review makes a positive contribution to the council's finances. This has been included within the 2024/25 Council Plan as a key deliverable, and there are savings proposals associated with the review within the budget.

Improving internal processes so that they are more efficient, reducing administrative costs, reviewing staffing levels, structures and salaries were also key themes. A

deliverable has been developed relating to this feedback under the ‘transforming services’ priority, with a commitment to ensure all directorates have effective workforce plans, the most is made of technology, and that we continue to benchmark and look for best practice to inform our decision-making. These also continue to be ongoing areas of focus as set out in our ‘efficient and effective’ outcome.

Reducing spending in relation to investment/regeneration and non-essential projects usually funded by capital or external funding were also suggested. A commitment has been developed under the ‘financial position’ priority to review the Capital Plan to support delivery of the overall budget, as well as ensuring delivery of longer-term ambitions for growth and regeneration.

Top priorities for residents, as identified through the engagement, focus around protecting vulnerable children, young people and adults, improving education in schools, preventative services (supporting people early to prevent problems getting worse), and regeneration and investment in towns and villages. This informed the strengthening of commitments in these areas through various deliverables.

As set out above, results of the engagement have been considered and used to inform the development of priorities and deliverables within the 2024/25 Council Plan and budget saving proposals in this supporting budget. The results are reflective of the priorities articulated in the Council Plan and the way in which we have planned resources to deliver on those priorities. Front-line services and services to protect vulnerable children, young people and adults continue to be protected. Savings have been focused on re-designing and transforming services, improving efficiencies relating to back-office functions, and retaining investment in growth and regeneration for our towns and villages.

Results from the engagement will also be utilised in the ongoing management and delivery of budget savings throughout the 2024/25 financial year, so that the Council can ensure it is delivering best value for residents, in accordance with opinions relating to what we need to be prioritising and how resources should be spent.

6. Options

6.1 Options Considered

N/A

6.2 Reasons for Recommended Option

N/A

7. Next Steps and timelines

7.1 This report and the draft Budget form the background and the proposed formal motion. The Cabinet will need to decide if they are to accept this or propose amendments to the draft budget which will be proposed to Council on 6 March 2024 (Cabinet draft budget). Members will need to decide if they are to accept this or propose amendments to the draft Budget which will be proposed to Council. Any such amendments will be published on 28 February 2024.

7.2 Proposed amendments shall be submitted to the Chief Executive on or before 12.00pm on Monday 26 February 2024 to ensure that, in conjunction with the Service

Director-Finance, they can be reviewed to ensure they are financially sound and sustainable prior to the final submission deadline of 28 February 2024. The Notice of any such amendment must specify the terms of the proposed amendment and the effect which it will have on the draft Revenue Budget.

- 7.3 Members should note that once a budget is agreed by Council there may be a number of further steps and/or actions which would need to be taken in order to implement budget decisions for example – consultation, further detail of the steps needed or final proposals for making the planned changes. This is to ensure that the Council complies with legal and other requirements.
- 7.4 Following Council approval of the Capital Investment Plan, schemes will be released subject to Financial Procedure Rules.

8. Contact Officer and Relevant Papers

Isabel Brittain	Service Director (Interim) – Finance
Jacqui Fieldhouse	Head of Finance
Phil Deighton	Head of Commercial Services
James Anderson	Head of Accountancy

9. Background Papers and History of Decisions

Background Papers

- Council approved annual budget report 2023-27, 8 March 2023 (Item 5)
- Council financial outturn report 2022/23 to Council, 12 July 2023 (item 10)
- Autumn Statement 2023 - GOV.UK
- Council Budget Strategy Update report; 2024/25 and future years; 13th September 2023 (Item 12)
- Our 2024/25 Council Plan: Cabinet 13th February 2024
- Corporate Financial Monitoring Report Quarter 2, 2023/24 to Cabinet November 2023 (Item 14)
- Provisional local government finance settlement 2024 to 2025 - GOV.UK
- Housing Revenue Account annual rent setting and service charge and key housing challenges report, to Cabinet on 12 December 2023 (Item 10)
- Annual Schools funding settlement 2024/25 report to Cabinet 23 January 2024 (item 11)
- Integrated Impact Assessments (kirklees.gov.uk).
- Budget Consultation exercise 2023/24

10. Appendices

Appendix A	MTFS Summary
Appendix B	Funding Assumptions
Appendix C	Previously Approved Budget Proposals
Appendix D	New Pressures
Appendix E	New Savings
Appendix F	Detailed Budgets by Service Area

Appendix G Flexible Capital Receipts Strategy
Appendix H Reserves
Appendix I General Fund Working Balance
Appendix J Treasury Management Strategy
Appendix K Capital Strategy
Appendix L Housing Revenue Account (HRA)
Appendix M Budget Consultation exercise – summary
Appendix N Council Tax Motion

11. Service Director Responsible

Isabel Brittain Service Director (Interim) – Finance

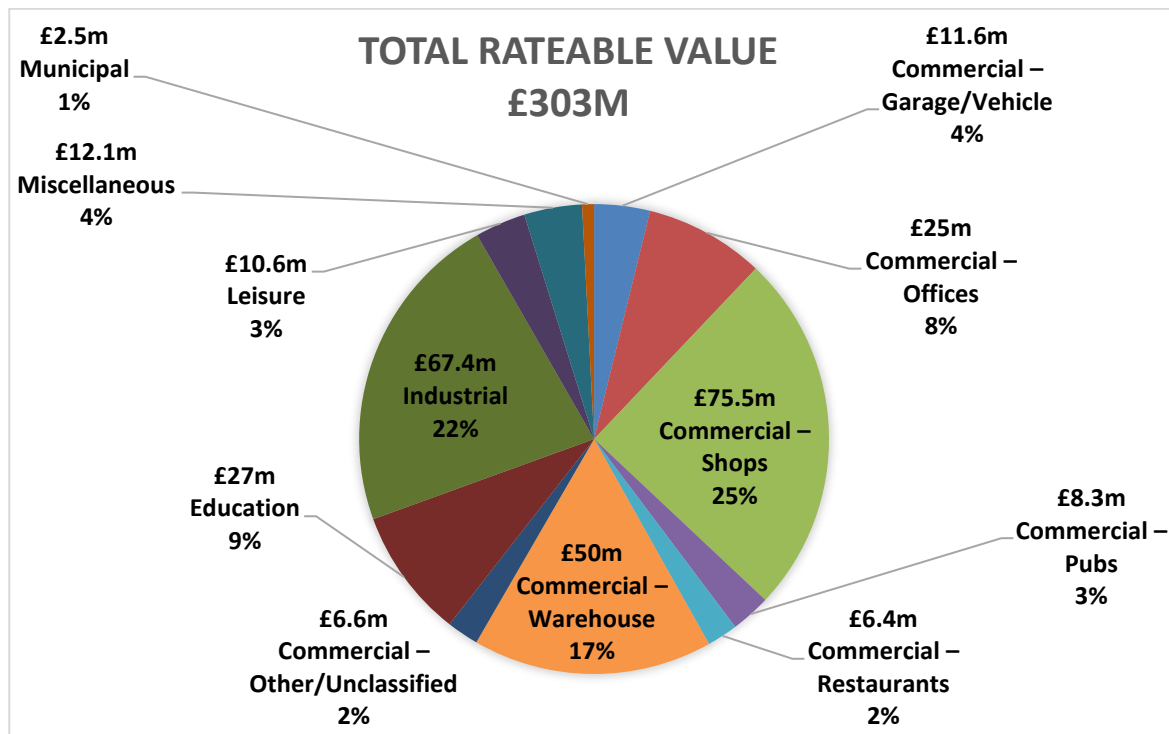
Appendix A

Medium-Term Financial Strategy (MTFS)

	2023/24	2024/25	2025/26	2026/27
	£k	£k	£k	£k
Funding				
Council Tax	(219,867)	(234,051)	(248,356)	(264,230)
Retained Business Rates	(62,727)	(61,571)	(63,043)	(64,746)
Government Funding:				
- Business Rates Top Up	(30,570)	(31,687)	(32,321)	(32,968)
- Business Rates Grants	(15,719)	(20,171)	(20,539)	(20,976)
- Revenue Support Grant	(15,491)	(16,517)	(16,818)	(17,154)
- Other Unringfenced Grants	(4,708)	(3,120)	(3,080)	(3,043)
Total Funding	(349,082)	(367,117)	(384,157)	(403,117)
Net Budget (funded)		372,998	363,322	378,507
Pressures Previously Approved		12,257	14,050	14,480
Savings Previously Approved		(8,010)	(5,734)	(2,204)
New Budget Pressures		20,558	22,701	8,873
New Budget Savings		(34,481)	(7,914)	(405)
Adjusted Net Budget	372,998	363,322	386,425	399,251
Budget Gap	23,916	(3,795)	2,268	(3,866)
Transfer to/(from) Unallocated reserves	(24,648)			
Transfer to/(from) Collection Fund Reserves	732	(2,000)		
Transfer to/(from) WYMCA Levy Rebate Reserve		(9,400)		
Transfer to/(from) Voluntary Revenue Provision		15,195		
Transfer to/(from) Reserves - Other			5,650	9,600
Total Budget Gap	-	(0)	7,918	5,734
Net Budget (Funding plus Reserves)	372,998	363,322	378,507	393,517

BASELINE FUNDING AND BUSINESS RATES GRANTS

1. The Business Rates Retention scheme, whereby 50% of local business rates income is retained locally, (the Council retains 49% and passes on 1% to the West Yorkshire Fire & Rescue Authority) and 50% is paid to Government, has been in operation since 2013/14.
2. The final local government finance settlement for 2013/14 set the baseline funding levels for the local retention of business rates model. The difference between each council's individual business rate baseline and their calculated baseline funding level results in either a top up or a tariff that is paid from/to councils from central government. The Council will receive top-up grant of £31.67m for 2024/25.
3. The baseline funding level has not been reset since the scheme came into operation. Central Government has previously announced that there will be a full reset of business rates but the date has been repeatedly delayed. This means that any "growth" within the current business rates system will be transferred into baseline need in a future Spending Review / Fair Funding Review. It is difficult to estimate what the impact will be at this stage; the MTFs assumes that no reset takes place.
4. Full revaluations are carried out every three years and the last revaluation took place on 1st April 2023.
5. For information, the breakdown of total rateable value of business rates by category is shown in the chart below.



THE COLLECTION FUND

6. All Council Tax receipts and Business Rates receipts are paid into and separately accounted for in the Collection Fund. Any surplus or deficit must be shared amongst the preceptors and utilised in budget setting in the following financial year. For Council Tax the preceptors are the Council, West Yorkshire Mayor Police and Crime Commissioner and West Yorkshire Fire & Rescue Authority. For Business Rates the preceptors are the Council, Central Government and West Yorkshire Fire & Rescue Authority.
7. For 2024/25, there is an anticipated net overall repayment to the Collection Fund from the General Fund of £3.0m.

Business Rates

8. The Non-Domestic Rating Act 2023 gives ministers the power to set the small and standard business rating multipliers separately from one another. Until 2023/24, these two multipliers had to be increased (or frozen) by the same percentage.
9. In the Autumn Statement, the Chancellor decided to use this new power. In 2024/25, the small business rating multiplier will be frozen (it will remain at 49.9p) whereas the standard multiplier (payable by businesses with premises valued at more than £51,000) will increase from 51.2p to 54.6p, in line with September 2023 CPI, at 6.6%.
10. Government compensates councils for any business rates income foregone as a result of freezing the business rates multipliers (or uplifting them by less than CPI). For 2024/25 the cap compensation payments will be amended to take account of the different approach taken between the two multipliers; this equates to approximately 3.6% for Kirklees.
11. The MTFs reflects this approach to the multipliers for 2024/25 and also assumes average uplifts of 2% for both 2025/26 and 2026/27; built into the Retained Business Rates and Top Up grant lines.
12. The net Retained Business Rates income is reduced for losses on collection and losses due to appeals; both reductions being approximately 2.5%.
13. Any changes announced by the Chancellor that affect Retained Business Rates are accompanied by a section 31 grant to compensate Councils for any loss of income. This includes support for retail, hospitality and leisure businesses which is being extended for 2024/25, with 75% business rates relief available for eligible businesses.
14. There is an overall decrease in budgeted Retained Business Rates income of £1.1m compared to 2023/24. This is due to:-
 - removal of the one-off repayment to general fund of the business rates surplus for 2022/23 of £1.7m
 - redistribution of the estimated business rates deficit for 2023/24 of £0.6m.
 - net growth in estimated retained rates of £1.2m

Council Tax

Council Tax Base

15. Council budget plans incorporate the updated 2024/25 Council Tax Base (CTB) calculation as approved by the Section 151 Officer, in consultation with the relevant Cabinet member; reflecting a proposed Band D equivalent increase of 3,126 (rounded) to 126,342 for 2024/25. This is equivalent to 2.5% growth overall.

Council Tax Referendum Principles

16. Government Council Tax referendum principles are set out in the 2024/25 finance settlement and allow Councils to apply up to a 3% Council Tax uplift without requiring a local referendum. Council updated budget plans reflect a proposed 2.99% Council Tax uplift in 2024/25 (excluding precepts).
17. In addition to allowable Council Tax uplifts within referendum principles, Government has also granted Councils with Social Care responsibilities local discretion to uplift Council Tax in 2024/25 up to a maximum of a further 2%.
18. Council updated budget plans reflect the maximum allowable uplift of 2% for Adult Social Care (ASC) precept in 2024/25 and this will be ring-fenced to support adult social care base budget additional spend requirements in 2024/25.
19. Taking into account both the basic Council Tax uplift and the ASC precept, the total proposed Council Tax increase for 2023/24 will be 4.99%.
20. A breakdown of the 2024/25 Council Tax income and assumptions are provided below:-

Council Tax (Band D)	£1,871.04
Band D Equivalent Properties	126,342.3
Council Tax Income	£236.391m
Collection Fund (Council Tax) Deficit	£2.340m
Total Council Tax Income	£234.051m

21. The overall increase in Council Tax income of £14.2m is due to the factors below:-
 - the increase in the Adult Social Care levy of 2% will generate an additional Council Tax income of £4.4m
 - the increase in the core level of Council Tax of 2.99% will generate additional Council Tax income of £6.6m
 - it is assumed that the number of properties will grow in 2024/25, which will generate additional Council Tax income of £1.6m
 - Reduction in Council Tax Support of £3.3m as per the new Council Tax Reduction Scheme for 2024/25 (approved by Cabinet and full Council meeting on 13 December 2023)
 - Single Person Discount estimated to increase council tax income by £0.9m

- Additional collection fund deficit repayment to general fund of £2.6m, compared to 2023/24.

REVENUE SUPPORT GRANT

22. RSG forms part of the Settlement Funding Assessment set by Government. For 2024/25, RSG has increased by September 2023 CPI, at 6.6%. Kirklees' allocation is £16.517; an increase of £1.026m from 2023/24.

OTHER UN-RINGFENCED GRANTS

1. While these grants are separately identifiable, the Council can apply this funding flexibly to meet overall Council spend priorities. Budgets for 2024/25 include annual allocations set out in the 2024/25 local government finance settlement, with those not yet announced reflecting existing budget plans. The overall effect for the Council is a cash reduction of £1.6m due to changes in New Homes Bonus and Services Grant allocations as outlined below.

NEW HOMES BONUS

2. New Homes Bonus (NHB) is a grant that was paid for 6 years by Government based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes. NHB is funded by reducing the baseline funding available for Councils and consequently the Council is worse off because the amount deducted is significantly more than the grant received.
3. The 2017/18 Settlement announcement on 15th December 2016 reduced the number of years for which NHB is paid from the existing 6 years to 5 for 2017/18 and 4 for 2018/19 onwards and introduced a national baseline for housing growth of 0.4% that has to be exceeded before any NHB becomes available.
4. Subsequent Spending Rounds have all announced that in-year allocations would not attract any legacy payments.
5. The NHB for the Council is £1.449m for 2024/25, which is a £1.153m increase from 2023/24.

SERVICES GRANT

6. The final Local Government Finance settlement for 2022/23 confirmed a new “one-off” 2022/23 Services Grant worth £822.0m nationally for 2022/23. This grant continued in 2023/24 but at a lower level of £483.3m; Kirklees’ share £3.334m. The national total was further reduced in the 2024/25 local government finance settlement to £76.9m; Kirklees’ share £0.526m. This reflects a reduction of £2.818m from the 2023/24 level.

SPECIFIC GRANTS WITHIN SERVICES

7. The Council receives a number of specific grants from Government which are non-ring fenced and can be redirected to other areas of service provision as required. It also receives some specific grants that are ring-fenced and can only be used for the specific purpose set out in the grant conditions. Further details of the main specific grants are shown in the following table:

Grant	Allocation 23/24 £m	Budget 24/25 £m
Dedicated Schools Grant	252	254
DWP – Rent Allowance	35	35
DWP – Rent Rebate	30	30
Department of Health Grant (Public Health)	27	28
Pupil Premium Grant	10	11
PFI Grant (ring fenced to HRA)	8	8
Universal Infant Free School Meals Grant	3	3
Social Care Support Grant	30	39
Improved Better Care Fund (IBCF)	18	18
Schools Grants - Other	6	9
ASC Market Sustainability	4	8
ASC Discharge Fund	2	4
Other Government Grants (less than £2m)	10	11
TOTAL	435	458

OTHER INCOME – BETTER CARE FUND

8. The Council has a Section 75 agreement for the Better Care Fund (BCF). Introduced with effect from the 2015/16 financial year, the Better Care Fund was established by the Government to drive closer integration with health services and improve outcomes for patients and service users. The Council in association with Kirklees Integrated Care Board (ICB) have a pooled budget to deliver the aims of the Better Care Fund in Kirklees. The pooled budget is hosted by the Council on behalf of the partners to the arrangement. Note that also feeding into this is a smaller pooled budget (also with the ICB) in relation to the Kirklees Integrated Community Equipment Service (KICES). This forms part of the 'Aids to daily living' programme.
9. The current year programme and plan are shown below. Discussions around the 24/25 plan are ongoing with partners, subject to agreement around key outcomes, activities and available funding.

Better Care Fund	Total pooled budget (Local Authority and ICB)
	£'s
2023-24 Programme areas	
Aids to Daily living	8,905,741
Reablement & Intermediate Care	20,796,660
Carers	3,316,240
Protecting Social Care	29,358,386
Support the Voluntary Sector	314,565
Investment in Care Home Support	368,312
Discharge Fund	4,829,584
Total	67,889,488

Previously Approved Budget Proposals – Pressures and Savings

Totals across all directorates	2024/25 £000	2025/26 £000	2026/27 £000
Children and Families	(146)	550	(0)
Adults and Health	1,722	1,416	4,596
Growth and Regeneration	(3,150)	(100)	(0)
Corporate Strategy, Commissioning and Public Health	(329)	(400)	200
Central Budgets	6,150	6,850	7,480
All Directorates	4,247	8,316	12,276
<i>Made up of:</i>			
<i>Previously Approved Savings</i>	<i>(8,010)</i>	<i>(5,734)</i>	<i>(2,204)</i>
<i>Previously Approved Pressures</i>	<i>12,257</i>	<i>14,050</i>	<i>14,480</i>

Children and Families Directorate

			Children and Families Totals		
			(146)	550	(0)
Reference Number	Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
NEWCH1 (saving)	Child Protection & Family Support	Remodel Early Help and Children's Social Care in Line with National Review	(17)	-	-
	Child Protection & Family Support	External Residential Placements- demand led pressures.	169	169	-
	Child Protection & Family Support	Multi Systemic Therapy – Grant Funding (one-year)	(423)	-	-
NEWCH7 (saving)	Learning & Early Support	Review and Redesign C&K commission	(86)	-	-
	Resources, Improvements & Partnerships	Children's Social Care - Inflationary Pressures	81	251	
	Resources, Improvements & Partnerships	Redesign Capacity for Improvement	130	130	

Adults and Health Directorate

			Adults and Health Totals		
			1,722	1,416	4,596
Reference Number	Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
NEWAD1 (saving)	Customers & Communities	Integrated Community and Access model to maximise citizen and community outcomes	(147)	(272)	-
	Adult Social Care	Adult Social Care – Cost & demand pressures net of funding.	6,350	7,050	6,800
	Older People & Physical Disability	Better Care Fund Government Inflation Uplift	(600)	(600)	-
NEWAD2 (saving)	Older People & Physical Disability	Work with an external change partner to model future demand and identify/deliver social care efficiencies	(3,240)	(4,782)	(2,204)
NEWAD3 (saving)	Learning Disability & Mental Health	Work with the wider health and care system to properly reflect the cost and design of services provided to the wider health and care system	(378)	(124)	-
NEWAD4 (saving)	Learning Disability & Mental Health	Reviewing the respite offer for people with a learning disability and developing a new day service offer in North Kirklees	(189)	144	-
NEWCH11 (saving)	Adults Sufficiency	Review of Stroke Support Services	(48)	-	-
NEWAD5 (saving)	Adults Sufficiency	Mental Health Peer Support Service Pilot Review	(26)	-	-

Growth and Regeneration Directorate

			Growth and Regen Totals		
			(3,150)	(100)	(0)
Reference Number	Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
NEWGR5 (saving)	Development	Asset Rationalisation - Reduction in office/service delivery accommodation revenue budget	(1,350)	-	-
NEWEN5 (saving)	Highways	Parking	(1,600)	-	-
NEWEN7 (saving)	Highways	Waste Strategy Efficiencies	(200)	(100)	-

Corporate Strategy, Commissioning and Public Health Directorate

			Corporate Strategy Totals		
			(329)	(400)	200
Reference Number	Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
	Sport & Physical Activity	KAL Funding Contribution - National Living Wage	200	200	200
	Governance & Commissioning	Increased costs of insurance Retendering	200	-	-
NEWCS3&4 (saving)	Finance	Service reviews to be undertaken based on final outturn figures for 2023/24.	(467)	(100)	-
NEWGR6 (saving)	Finance	Temporary Accommodation Portfolio Expansion	63	-	-
NEWEN2 (saving)	Environmental Strategy & Climate Change	Changed to policy and operational delivery to reduce costs	(325)	(500)	

Central Budgets

			Central Budgets Totals		
			6,150	6,850	7,480
Reference Number	Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
	Contingencies	Inflation requirement	5,750	6,450	6,550
	Joint Committees	Levy uplift	400	400	-
	Joint Committees	WYMCA gainshare funding	-	-	930

New Pressures

Totals across all directorates	2024/25 £000	2025/26 £000	2026/27 £000
Children and Families	6,583	0	0
Adults and Health	1,494	320	2,500
Growth and Regeneration	2,210	0	0
Corporate Strategy, Commissioning and Public Health	3,763	215	215
Central Budgets	6,508	22,166	6,158
All Directorates	20,558	22,701	8,873

Children and Families Directorate

		Children and Families Totals		
		6,583	0	0
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Child Protection & Family Support	Children's Disability Service - Agency Home Care Inflation	680	-	-
Child Protection & Family Support	Looked After Children and Care Leaver Service (incl Inflation)	1,400	-	-
Child Protection & Family Support	Financial Support for post 16 care leavers	330	-	-
Child Protection & Family Support	Special Guardianship Orders - volume and price inflation	900	-	-
Child Protection & Family Support	Demand Led Interpreter fees (increase in Asylum Seekers)	150	-	-
Learning & Early Support	Education Psychology/SENDACT (Special Educational Needs and Disabilities, Assessment and Commissioning Team)	300	-	-
Learning & Early Support	23/24 Pressures mitigated by savings outlined in Appendix E <ul style="list-style-type: none"> - Operation of Business Solutions (24CF15) - Kirklees Supply Service (KSS) (24CF16) - Duke of Edinburgh Award (24CF17) - Kirklees Information, Advice and Support (KIAS) (24CF18) - School Improvement (24CF19) - Success Centres (24CF20) 	523	-	-

		Children and Families Totals		
		6,583	0	0
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Resources, Improvements & Partnerships	Demand Led Sufficiency Pressure – External Residential Placements	1,500	-	-
Resources, Improvements & Partnerships	Additional Cost of Commissioned Contracts	300	-	-
Resources, Improvements & Partnerships	Addressing pressures resulting from increasing costs of external placements for our children looked after	500	-	-

Adults and Health Directorate

		Adults and Health Totals		
		1,494	320	2,500
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Older People & Physical Disability	Assumed income from government.	(633)	500	2,500
Adult Social Care	Alignment of Occupational Therapy - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH3)	100	-	-
Adult Social Care	Kirklees Integrated Community Equipment Service (KICES) - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH7)	200	(200)	-
Adult Social Care	Agency Use in Hubs - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH12)	80	-	-
ASC LD & MH	Supported Living Project - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH11b)	280	-	-
ASC LD & MH	Shared Lives - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH14b)	26	-	-
Commissioning	Provider Assessment and Market Management (PAMMS) - 23/24 Pressures mitigated by savings outlined in Appendix E (24AH10)	21	-	-

		Adults and Health Totals		
		1,494	320	2,500
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Culture & Visitor Economy	Markets - Structural Change in Income Budget	240	-	-
Culture & Visitor Economy	Museums & Galleries - Storage of Art Collection	35	-	-
Culture & Visitor Economy	Town & Public Halls - Structural Change to Income Budget	400	-	-
Culture & Visitor Economy	Commercial income – 23/24 Pressures mitigated by savings outlined in Appendix E (24EC27)	140	20	-
Culture & Visitor Economy	School Meal Charges - 23/24 Pressures mitigated by savings outlined in Appendix E (24EC34)	503	-	-
Culture & Visitor Economy	Markets - Service Re-Design - 23/24 Pressures mitigated by savings outlined in Appendix E (24EC36)	102	-	-

Growth and Regeneration Directorate

		Growth and Regen Totals		
		2210	0	0
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Skills & Regeneration	Planning and Development (dangerous structures and sports grounds)	450	-	-
Highways & Streetscene	Transport Services - Structural Change in Budget for Fuel Price, Hire	400	-	-
Development	Corporate Landlord – Asset Rationalisation - 23/24 Pressures mitigated by savings outlined in Appendix E (24GR5)	840	-	-
Development	Housing Solutions – rent for temporary accommodation - 23/24 Pressures mitigated by savings outlined in Appendix E (24GR8)	200	-	-
Development	Housing Solutions – trial for temporary accommodation - 23/24 Pressures mitigated by savings outlined in Appendix E (24GR9)	320	-	-

Corporate Strategy, Commissioning and Public Health Directorate

		Corporate Strategy Totals		
		3,763	215	215
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Public Health & People	People's Service – Employees were recruited to deal with extra Human Resources activity and service redesigns. This will be factored into the redesign of the people's service function.	600	-	-
Public Health & People	People's Service - Changes to staff reward -23/24 Pressures mitigated by savings outlined in Appendix E (24CS8)	23	15	15
Strategy & Innovation	IT - Inflation on Contracts that deliver software and hardware solutions to deliver the Councils business.	500	-	-
Benefit Payments	Housing Benefit Subsidy - Shortall due to increasing use of B&B and Exempt Accommodation	2,500	200	200
Environmental Strategy & Climate Change	Licensing - Structural Change to Income Budget	140	-	-

Central Budgets

		Central Budgets Totals		
		6,508	22,166	6,158
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Contingencies	Unallocated Contingencies	(197)	-	-
Contingencies	YPO Dividend	330	-	-
Contingencies	Transformation Budgets – Funded from Capital Receipts	(2,000)	-	-
Contingencies	Additional Pay Awards Contingency - from 2% to 4%	5,000	-	-
Contingencies	Review of Inflation Requirement	(640)	1,020	1,040

		Central Budgets Totals		
		6,508	22,166	6,158
Service Area	Proposal Title	2024/25 £000	2025/26 £000	2026/27 £000
Contingencies	Additional Social Care funding	(3,750)		
Contingencies	Social Care Contingency Budget	1,745		
Contingencies	Write Down Insurance Provision (one-off)	(1,500)	1,500	-
Contingencies	Reduction in Superannuation rate (0.1%)	-	(200)	-
Treasury Management	Treasury Management Budget Requirement – Capital Financing	7,520	19,846	5,118

New Savings Proposals

	2024/25 £000	2025/26 £000	2026/27 £000
Children and Families	(6,001)	(266)	109
Adults and Health	(12,691)	(7,955)	(499)
Growth and Regeneration	(9,323)	(346)	-
Corporate Strategy, Commissioning and Public Health	(6,466)	653	(15)
All Directorates	(34,481)	(7,914)	(405)

Children and Families Directorate

				Children and Families Totals		
				(6,001)	(266)	109
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected in 2024/25 included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CF1	Cross Directorate	Integration for Support to Keep Families Together	Bring together services supporting children in Kirklees to build on already strong practise that supports children to be safe and keep families together by integrating the way we work in local places and redesigning senior manager support to enable this. (Total number of potential FTE impacted through vacancy management and/or service re-design = 45.5 in 24/25)	(1,443)	(432)	-
24CF2	Child Protection and Family Support	Section 17 Funding and Household Support Fund	Utilising the national Household Support Fund allocation to support households in need. The proposal is that this budget can be used for one year only at this stage.	(220)	220	-
24CF3	Child Protection and Family Support	Redesign MST (Multisystemic Therapy) provision	Redesign the MST service offer to condense to a smaller, focussed offer that still meets the needs of the most vulnerable children and families in Kirklees whilst achieving efficiencies leading to cost savings for the council. (Total number of	(290)	-	-

				Children and Families Totals		
				(6,001)	(266)	109
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected in 2024/25 included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
			potential FTE impacted through vacancy management and/or service re-design = 3.5 in 24/25)			
24CF4	Learning and Early Support	Further review Calderdale and Kirklees Careers Contract	Work with C + K to design a different service delivery model and adjust the contract expectations accordingly that covers a vastly reduced approach to LA (Local Authority) statutory duties.	(750)	-	-
24CF5	Learning and Early Support	SEND Efficiencies	Removal of a vacancy in the Local Offer Team, and a revised cost and specification for the Kirklees Information, Advice and Support (KIAS) Contract.	(64)	-	-
24CF6	Learning and Early Support	Mainstream our approach to Mental Health in Families	Cease the work of the Mental Health in Families team in its current form and integrate the approach across our wider Family Support teams. (Total number of potential FTE impacted through vacancy management and/or service re-design = 7 in 24/25)	(314)	-	-
24CF7	Learning and Early Support	School Support Efficiencies	Efficiencies related to the support provided to schools, including: <ul style="list-style-type: none"> - Removal of the core budget for supporting statutory proposal costs/academy conversions. (46k) - Redesigning the improvement/challenge and support approach for the early years phase, aligning it alongside the refreshed model that was introduced in September 2023 to school improvement (42k) - Reducing capacity for the operation of business solutions (23k) (Total number of potential FTE impacted through vacancy management and/or service re-design = 0.5 in 24/25) 	(111)	-	-
24CF8	Learning and Early Support	Redesign and integration of targeted detached Youth Work offer	Reduce the capacity for detached youth work and redesign to a smaller but targeted offer (Total number of potential FTE impacted through vacancy management and/or service re-design = 16 in 24/25)	(398)	-	-

				Children and Families Totals		
				(6,001)	(266)	109
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected in 2024/25 included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CF9	Learning and Early Support	Redesign Early Support Play Offer	Reduce the budgeted capacity of the Early Support Play Service and redesign the offer. Explore opportunities with the library service and the wider Families Together offer in communities.	(152)	-	-
24CF11	Resources, Improvements & Partnerships	Redesign of short break, respite, and support provision	Carry out a consultation leading to a re-design, and integration of teams and services relating to respite and short-breaks provision in Kirklees.	(400)	-	-
24CF12	Resources, Improvements & Partnerships	CAMHS redesign and associated efficiencies	A proposed reduction in the contributions towards the CAMHS contract from the council.	(180)	-	-
24CF13	Resources, Improvements & Partnerships	Renegotiation of One Adoption West Yorkshire funding formula	Renegotiate the funding provided to One Adoption West Yorkshire (OAWY) in relation to service provision.	(425)	-	-
24CF14	Resources, Improvements & Partnerships	Funding Contributions to Placements (NHS)	Work with partners to increase NHS Contributions to out of area LAC (Looked After Children) Placements.	(400)	-	-
24CF16	Learning and Early Support	Cease the operation of Kirklees Supply Service (KSS)	Kirklees Supply Service operates as a supply agency for schools, offering teaching and support staff to cover absences. As it currently stands the service is costing more to operate than is brought in to cover costs and therefore is not a service that is sustainable. Other supply agencies will be explored. (Total number of potential FTE impacted through vacancy management and/or service re-design = 3 in 24/25)	(60)	-	-
24CF17	Learning and Early Support	Stop direct delivery for the Duke of Edinburgh Award	Opportunities to re-price at full cost recovery are being explored as well as whether the resources we have can be used differently. (Total number of potential FTE impacted	(105)	-	-

				Children and Families Totals		
				(6,001)	(266)	109
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected in 2024/25 included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
			through vacancy management and/or service re-design = 7.5 in 24/25)			
24CF19	Learning and Early Support	School Improvement	Consolidate Early Years, School (including Special Schools), AP and Post 16 under one 'umbrella' of activity, to fit with Our Kirklees Futures – the area's Learning Strategy and its priorities. We will use our strategic capacity to maximise Government School Improvement money into Kirklees schools.	(200)	-	-
24CF20	Learning and Early Support	Reduce Success Centres Offer	To review provision across the success centres with a focus on redesigning the offer and reducing spend by reducing the staffing contingent to operate within budget or bring in additional income to sustain costs. (Total number of potential FTE impacted through vacancy management and/or service re-design = 2 in 24/25)	(100)	-	-
24CF22	Children and Families Directorate	Expected vacancy efficiency management	Vacancy management equivalent to around 6FTE roles across the directorate. (Total number of potential FTE impacted through vacancy management and/or service re-design = 6 in 24/25)	(264)	-	-
24CF23	Learning and Early Support	Virtual School for Children Looked After – embedding of additional duties	Embedding effective management systems across children's services, to enable reduction to core budget and release one off funding across the next two years.	(125)	(54)	109

Adults and Health Directorate

				Adults and Health Totals		
				(12,691)	(7,955)	(499)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24AH2	Adult Social Care in-house provision	Explore the future of Learning Disabilities Supported Living schemes provided by the Council	Explore the role and ongoing viability of the Council as a provider of Supported Living care and support services at The Mews (Phase 1) and at Wilton Terrace (Phase 2). (Total number of potential FTE impacted through vacancy management and/or service re-design = 17 in 24/25, and 17 in 25/26)	(200)	(252)	-
24AH3	Adult Social Care	Alignment of Occupational Therapy services to improve outcomes for the citizens of Kirklees	To explore the opportunity to review pathways to better integrate the community occupational & Physiotherapy provision across adult social care, the accessible homes team and reablement team.	(100)	-	-
24AH4	Mental Health and Learning Disabilities	Contract Savings	Audit on all contracts across the Adult Services Commissioning to assess if our current contracts are providing value for money, how well they are delivering outcomes and whether they are fit for purpose. This proposal also includes delivering Mental Capacity Act training internally, rather than continuing to commission an external provider, and not reprocurring the PAMMS (Provider Assessment and Market Management) Landscape System after the current contract ends on 31 st March 2024.	(277)	-	-
24AH6	Adults and Health	Household Support Fund Grant	Use of national Household Support Fund grant to support the work of the library service to enable digital access.	(400)	400	-
24AH7	Adult Social Care	Kirklees Integrated Community Equipment Service (KICES)	Additional post to support equipment prescribers to ensure more cost-effective solutions in the provision of equipment for people who are managed in the community care system.	(200)	200	-

				Adults and Health Totals		
				(12,691)	(7,955)	(499)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24AH9	Adult Social Care	Staffing savings across Adults and Health	This proposal aims to reduce overall management posts across directorate management structure. (Total number of potential FTE impacted through vacancy management and/or service re-design = 7.5 in 24/25, and 7.5 in 25/26)	(340)	(340)	-
24AH11	Learning Disability	Supported Living Project	Efficiencies project to right size existing support packages in line with the Care Act and the indicative budget.	(1680)	-	-
24AH12	Adult Social Care	Reduction of Agency Use against all Hubs	To reduce agency use across the service.	(80)	-	-
24AH13	Adult Social Care	Review of Direct Payment Policy application to ensure delivering to intended outcomes for individuals.	To undertake a large-scale review of Direct Payment Rates and potential over provision of services including respite.	(1750)	(4750)	-
24AH14a	Learning Disability	Reviewing Shared Lives Provision to mitigate costs elsewhere in Adult Social Care.	Shared Lives provides alternative support within a family environment, growth in this area will mean people have choice to access this and is a more cost-effective way to provide support that isn't building based providing individualised support for people. This proposal includes increasing shared lives provision with further expansion into Mental Health and Transitions.	(350)	(447)	(224)
24AH17	Communities and Access Services	Community Based Integrated Library and customer service functions & assets	This proposal is to develop a strength based integrated community library model which proposes to integrate the customer service function into the library estate, in order to create efficiencies. This will result in the reshaping of contact points for citizens. There will be access to digital and telephony support across the library network. (32.5 FTE in 24/25, 14.5 FTE 25/26)	(950)	(912)	-
24AH18	Communities and Access Services	Bring all customer contact centre activity together across the Council	Integrating all contact centres across the Council. (Total number of potential FTE impacted through vacancy	(175)	(175)	-

				Adults and Health Totals		
				(12,691)	(7,955)	(499)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
			management and/or service re-design = 4.5 in 24/25, and 4.5 in 25/26)			
24AH19	Communities and Access Services	Review of Registration Service Delivery Model and fees and charges	To move from two registration locations to one permanent registration location. (Total number of potential FTE impacted through vacancy management and/or service re-design = 9 in 25/26)	(40)	(295)	-
24AH20	Communities and Access Services	Community Grant Schemes	To reduce the funding available through community grants across Customer and Access Services. (Total number of potential FTE impacted through vacancy management and/or service re-design = 1 in 24/25)	(604)	-	-
24AH21	Communities and Access Services	Review of 24 hours service	To review the service to ensure efficient use of resources are appropriately allocated to call activity and need. (Total number of potential FTE impacted through vacancy management and/or service re-design = 3.5 in 24/25)	(120)	-	-
24AH22	Communities and Access Services	Community Safety	To reduce the Safer Kirklees core base budget by £250,000, this will be replaced with other external funding.	(250)	-	-
24AH23	Adult Social Care	Ings Grove - exploring partnership delivery options	The Council will work closely with NHS partners/ Locala to review the current arrangements and, where necessary, recover the full cost of providing the service. (Total number of potential FTE impacted through vacancy management and/or service re-design = 26 in 24/25, and 26 in 25/26)	(643)	(1099)	-
24AH24	Communities and Access Services	Review of Personalised Care funding and delivery model	To reduce Council funding to support system wide approaches to Personalised care.	(170)	-	-
24AH25	Learning Disability and Mental Health	To review the current Southwest Yorkshire Partnership NHS Foundation Trust (SWYPFT) and Kirklees Council's Community Mental	The Service will review the current makeup of the integrated service and consider a split model of delivery for health and social care functions. (Total number of potential FTE impacted through vacancy management and/or service re-design = 12 in 24/25)	(270)	-	-

				Adults and Health Totals		
				(12,691)	(7,955)	(499)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
		Health integration arrangements.				
24EC18	Culture and Visitor Economy	Increase to Bereavement Fees and Charges	This proposal is about increasing fees and charges in line with the rate of inflation.	(180)	(65)	(75)
24EC20	Culture and Visitor Economy	Caretaking & Cleaning - Increased charges to schools	To increase fees and charges by 16% in 2024/25 in order to achieve full cost recovery and to review year on year.	(200)	(200)	(200)
24EC21	Culture and Visitor Economy	Markets Vacancy Savings and Income Generation	The Markets service is proposing to delete existing vacant posts within the staffing structure and to deliver the required outcomes utilising existing resources, plus increase income generation through events. (Total number of potential FTE impacted through vacancy management and/or service re-design = 2 in 24/25)	(248)	-	-
24EC22	Culture and Visitor Economy	Changes to the Creative Development offer	Reduction of investment in cultural development activities and small event support.	(90)	-	-
24EC24	Culture and Visitor Economy	Operational Review relating to Commercial Catering, Venues and Museums and Galleries	To review and redesign operations relating to Commercial Catering, Venues and further develop commercial activities in Museums and Galleries. Proposals include: <ul style="list-style-type: none"> Review of fees and charges in museums and galleries and the retail model to increase profit levels. To secure a commercial operator for the catering concession at Oakwell Hall. Redesign of Greenhead Park Conservatory Café Operation and opening hours. (Total number of potential FTE impacted through vacancy management and/or service re-design = 5 in 24/25) Redesign of support in Venues (Total number of potential FTE impacted through vacancy management and/or service re-design = 2.5 in 24/25) 	(104)	-	-

				Adults and Health Totals		
				(12,691)	(7,955)	(499)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24EC27	Culture and Visitor Economy	Increase commercial income	Prioritisation of external hires over internal bookings to generate more income.	(140)	(20)	-
24EC34	Culture and Visitor Economy	Increase School Meal Charges	Price increase in 2024/25	(503)	-	-
24AH28	Adult Social Care	Increasing the collection of social care income.	National social care policy is that individuals are financially assessed and contribute towards the cost of their social care provision. There will be an end-to-end review of practice and processes in Adult Social Care and Welfare and Exchequer to increase collection of the income that individuals have been assessed to pay and to reduce bad debt provision which has increased significantly. Recent review work has identified opportunities to improve clarity, consistency and timeliness of activity and so deliver financial benefits and outcomes for the public.	(2,627)	-	-

Growth and Regeneration Directorate

				Growth and Regen Totals		
				(9,323)	(346)	-
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24GR1	Business and Economy	Reduction in support to business	Scale back the advice/support available to businesses through the Business, Economy & Growth service through reduction in team capacity and a reduction in the 'grant match' budget available. (Total number of potential FTE impacted through vacancy management and/or service re-design = 3 in 24/25)	(250)	-	-

				Growth and Regen Totals		
				(9,323)	(346)	-
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24GR2	Employment and Skills	Reduction in employment and skills support to individuals and businesses	Reduction in capacity, reduction in grant budget spend on Digital and ESOL programmes, and removal of wage subsidy support for employers to employ those furthest away from the labour market. (Total number of potential FTE impacted through vacancy management and/or service re-design = 2.5 in 24/25)	(248)	-	-
24GR3	Corporate Landlord and Capital	Business rate savings from successful rating appeals in respect of museums and galleries	Savings will be achieved through successful appeals against the rateable values of five Council museums and galleries – Red House, Dewsbury, Bagshaw, Oakwell and Tolson.	(100)	-	-
24GR4	Corporate Landlord and Capital	Proportionate reduction in staffing post asset rationalisation	Reduce corporate Landlord, compliance and asset team following the asset rationalisation and sale. The FTE reduction is based on the proportional loss for the estate and the complexity of the buildings remaining in core. (Total number of potential FTE impacted through vacancy management and/or service re-design = 12 in 25/26)	-	(510)	-
24GR5	Corporate Landlord and Capital	Asset Rationalisation	Further reduction in office/service delivery accommodation leading to additional revenue budget savings.	(840)	-	-
24GR6	Major Projects	Increased additional external recharges for delivery of transport and infrastructure programmes	The proposal is to increase the amount we claim from WYCA for delivery of major transport and a reduction of infrastructure projects. (Total number of potential FTE impacted through vacancy management and/or service re-design = 2 in 24/25)	(250)	-	-
24GR7	Major Projects	Reduction of the Digital Infrastructure Team	This proposal is to remove the Digital Infrastructure team, part of the Major Projects service and cease activity. (Total number of potential FTE impacted through vacancy management and/or service re-design = 5 in 24/25)	(200)	-	-
24GR8	Housing Solutions	Potential rent increase for temporary accommodation	Increasing the rent subject to Housing Regulator approval to cover more service costs and to be above social rent increasing income/offsetting overspend.	(200)	-	-

				Growth and Regen Totals		
				(9,323)	(346)	-
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24GR9	Housing Solutions	Extending the trial of additional temporary accommodation	Extending the 12 months pilot scheme leasing private rented accommodation to provide Temporary Accommodation for homeless households requiring emergency accommodation.	(320)	-	-
24GR10	Housing Growth	Reduction in Posts	Permanent reduction in staff in the service, one G14 Housing Growth Manager and 0.5 G12 Housing Growth Officer (Total number of potential FTE impacted through vacancy management and/or service re-design = 1.5 in 24/25)	(94)	-	-
24GR11	Development, Housing	Increase of fees on Disabled Facilities Grants	The proposal is to raise the percentage fee charged on the administering of the DFG from 10% to 20% in year (23/24) and to apply in the years following.	(370)	-	-
24GR12	Town Centre Programmes	Readjustment of budget for capitalisation of staff and utilisation of external funding.	Deleting unfilled vacancies. (Total number of potential FTE impacted through vacancy management and/or service re-design = 3 in 24/25)	(55)	-	-
24GR13	Development	One-off savings 24/25	An ongoing review of the Council's asset base has identified several buildings due to close to deliver the core savings following the rationalisation of the service will take place in 25/26. To offset that a number of one-off savings are proposed that temporarily pause works, buildings or posts.	(298)	298	
24GR14	Growth and Regeneration Directorate	Efficiencies/Directorate Wide	Vacancy management, capitalisation, and seasonal reductions in building use.	(670)	-	-
24EC1a	Highways	Recharge Rate Increase	To increase internal recharge rates for all Highway Operations work from 20% to 23% on an expected turnover of £13.5m in 2024/25	(405)	-	-
24EC1b	Highways	Reduction of Winter Service	To reduce winter service levels for precautionary gritting/snow clearance, whilst still aligning with the Well Managed Highway Infrastructure Code of Practice and National Winter Service Research Group (NWSRG) Practical Guide for Winter Service. Decision will be supported by consultation.	(550)	-	-

				Growth and Regen Totals		
				(9,323)	(346)	-
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24EC1c	Highways and Operational Services	Removal of services relating to highways and operational services	Removal of services relating to highways and operational services, specifically: <ul style="list-style-type: none"> To review and suspend/stop the management & maintenance of the fountain at St George's Square, Huddersfield. (£30k) The halting of bedding plant provision outside of Town Centres and Principal Parks across the district. (£21k) Removal of free allocated days for events in our parks and to charge for any set ups days required. (£15k) 	(66)	-	-
24EC2	Highways	Additional Income Generation	Review of rates and structure of fees and charges associated with highway management, maintenance, and improvement activities for other parties or for capital funded projects.	(770)	-	-
24EC3	Highways	Changes to Grading/Removal of Existing Revenue Funded Established Posts	Changes to Grading/Removal of Existing Revenue Funded Established Posts in various teams across Highways. (Total number of potential FTE impacted through vacancy management and/or service re-design = 4 in 24/25)	(130)	-	-
24EC5	Operational Services	Homes and Neighbourhoods Service Level Agreement Review	Removal of subsidised rate for Homes and Neighbourhoods for providing maintenance services, so that full costs are recovered. (Total number of potential FTE impacted through vacancy management and/or service re-design = 25 in 24/25)	(645)	-	-
24EC6	Operational Services	Street Cleansing Review	Changes are based on the existing operating model, which has proved successful. The proposals protect the two main town centres and several regional centres but will require other areas to move to a longer sweeping frequency, up to monthly in some cases. The main changes will see some manual sweepers covering two manual routes and an overall more reactive service. (Total number of potential FTE impacted through vacancy management and/or service re-design = 10 in 24/25)	(250)	-	-

				Growth and Regen Totals		
				(9,323)	(346)	-
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24EC7	Operational Services	Waste Collection from unadopted Roads	Introducing new criteria for collecting waste from unadopted roads, in accordance with relevant legislation (Total number of potential FTE impacted through vacancy management and/or service re-design = 1 in 24/25)	(85)	-	-
24EC9	Operational services	Household Waste Recycling Centre Opening Hours Review	Review of HWRC's opening hours.	(56)	(134)	-
24EC10	Operational Services	Missed Waste Collection Policy Change	We would look to align to neighbouring authorities in how we manage the collection of missed bins, in order to increase efficiency and remove the need for return journeys for individual bins.	(150)	-	-
24EC13	Operational Services	Bulky Waste Charges Review	Our Bulky Waste collection service is provided at subsidised rates to residents. The cost for the service continues to grow, with changes to legislation making disposal more expensive. As such the new rates have now been benchmarked against neighbouring authorities and have been introduced.	(126)	-	-
24EC29	Operational Services	Fee Increases – Parking Services	To review parking tariffs on existing 'chargeable' council managed and maintained carparks. To introduce a comparable charging regime on those carparks that are currently free of charge.	(1,004)	-	-
24EC30	Highways and Streetscene	Fleet Reductions	To review the utilisation and provision of the council corporate fleet, fuel usage, pool vehicles and grey fleet costs.	(496)	-	-
24EC31	Highways and Streetscene	A review of capital recharge (staffing) rates whilst employed of both internal and external(grant) projects.	To review the current structure of internal rates for staff employed in the development and delivery of capital projects, and to review performance and productivity to maximise output, setting targets.	(695)	-	-

Corporate Strategy, Commissioning and Public Health Directorate

				Corporate Strategy Totals		
				(6,466)	653	(15)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CS1	Legal and Procurement	Capitalising time allocated to work on Capital related work	Capitalising time allocated to work on capital related work – including projects, procurements, purchase and sale of assets.	(400)	-	-
24CS2	Legal, Governance and Commissioning	Vacancy Management and Reviewing Fees and Charges	Not filling posts and holding vacancies in procurement, legal and governance that best meets business need. Managing use of external providers of legal services where possible, and reviewing existing fees and charges, considering new areas.	(120)	-	-
24CS4	Welfare and Exchequer and Advice	Advice Contract and Advice Provision	To review advice services across both commissioned/contracted provision and in house teams with a view to reducing costs.	(250)	-	-
24CS5	Accountancy	Change in Supplier Payment Terms	The proposal is to revert to the payments policy in place prior to the onset of the pandemic, which was payment on suppliers' normal trading terms (30-day terms for most council suppliers).	(460)	-	-
24CS6	Welfare and Exchequer	Vacancy Management in Welfare and Exchequer service	Across the service positions will be held and vacancies managed. Individual review of service areas will continue. (Total number of potential FTE impacted through vacancy management and/or service re-design = 10.5 in 24/25)	(305)	(101)	-
24CS7A	Welfare and Exchequer	Council Tax Support	The information related to this saving is noted in the Council Tax Section Appendix B (figures not included in savings totals)	(3,300)	-	-
23CS7B	Welfare and Exchequer	Single Person Review (SPD) (Only non-CTR recipients)	The information related to this saving is noted in the Council Tax Section Appendix B (figures not included in savings totals)	(937)	(94)	(103)

				Corporate Strategy Totals		
				(6,466)	653	(15)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CS8	People Services	Review of People Services Operating Model	<p>A redesign of People Services – exploring opportunities for delivering People Services in a different way, embracing technology and streamlining processes. (Total number of potential FTE impacted through vacancy management and/or service re-design = 7 in 24/25)</p> <p>This proposal also includes:</p> <ul style="list-style-type: none"> • Making changes to traded services: Costs of a DBS check for a new starter within schools has previously been met by the Council. This provision is to be removed and schools will be expected to meet the cost. Changes to staff rewards: • Review financial elements linked to rewarding Long Service, additional non-financial ways of rewarding staff will be considered. 	(298)	(15)	(15)
24CS9	People Services	Improvements and Changes to Agency Spend	A Council wide review of the approach to managing agency spend and the Council's approach to managing temporary resourcing challenges.	(750)	-	-
24CS11	Policy Partnerships and Corporate Planning	Service Re-design	A reduction in the number of posts within the service following a period of redesign. (Total number of potential FTE impacted through vacancy management and/or service re-design = 6 in 24/25)	(110)	-	-
24CS13	IT	Efficiencies relating to Information Technology	<p>Efficiencies include:</p> <ul style="list-style-type: none"> • Full recovery of the costs to the council's IT Service for the provision of some services to partner organisations. • Reductions in IT service expenditure including telephone landlines, mobile phone handset replacements, hardware and consumables purchases, PDF software, office 365 licences. • Changes to the management of print and mail distribution (Total number of potential FTE impacted through vacancy management and/or service re-design = 1 in 24/25 and 1 in 25/26) 	(549)	(445)	-

				Corporate Strategy Totals		
				(6,466)	653	(15)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CS16	Public Health	Public Health Ring-Fenced Budget	£1.3m non recurrent savings to be offered up in 2024/25, through utilising a proportion of the indicative figure of the public health grant for 24/25, from public health contracts and not recruiting to current vacancies. (Total number of potential FTE impacted through vacancy management and/or service re-design = 5 in 24/25)	(1,314)	1,314	-
24CS17	Democracy and Place Based Working	Service Redesign	To reduce the number of FTEs within the service as part of a service redesign (Total number of potential FTE impacted through vacancy management and/or service re-design = 2 in 24/25)	(88)	-	-
24CS18D	People Services	Improvements to Overtime costs across the Council	A council wide opportunity to review and reduce overtime costs.	(340)	-	-
24EC19	Climate Change and Environmental Strategy	Electric Vehicle Infrastructure Delivery – external funding used for salaries.	External funding will be used for the salaries of team members (funding already secured).	(50)	-	-
24EC14	Climate Change and Environmental Strategy	School Transport Service Transformation	Changes to policy and operational delivery to reduce costs. (Total number of potential FTE impacted through vacancy management and/or service re-design = Circa 10/20 in 24/25)	(728)	(100)	-
24EC15	Environmental Health	To increase income and decrease the headcount of the environmental health service by service review.	To increase income and decrease expenditure by undertaking a service review to reorganise and reprioritise work. (Total number of potential FTE impacted through vacancy management and/or service re-design = 3 in 24/25)	(54)	-	-
24EC17	Public Protection	Directorate Programme Office Structure Review	Consideration of the expenditure on directorate support services, such as programme offices, business support functions and centralised services. (Total number of potential FTE impacted through vacancy management and/or service re-design = 5 in 24/25)	(150)	-	-

				Corporate Strategy Totals		
				(6,466)	653	(15)
Reference Number	Service Area	Proposal Title	Proposal Narrative (FTEs effected included in brackets)	2024/25 £000	2025/26 £000	2026/27 £000
24CS20	Democracy and Place Based Working	Members Devolved Ward Budget	To reduce the members ward budgets from £460,000 per year (£20k per ward per year) to £230,000 per year (£10k per ward per year). This will result in a £230,000 budget saving.	(230)	-	-
24CS21	Cross Directorate	Efficiencies – directorate wide	Review of current resourcing requirements based on current vacancy management savings and capitalisation areas.	(270)	-	-

Detailed budgets by Service Area

Service Area	2023/24 Controllable Gross Expenditure £000	2023/24 Controllable Income £000	2023/24 Net Controllable Budget £'000	Previously Approved Budget Proposals £'000	New Pressures £'000	New Savings £'000	2024/25 Net Controllable Budget £'000
CHILDREN & FAMILIES							
Child Protection & Family Support	32,305	(2,122)	30,183	(271)	3,460	(1,120)	32,252
Learning & Early Support	324,178	(304,066)	20,112	(86)	823	(3,344)	17,505
Resources, Improvements & Partnerships	32,816	(3,342)	29,474	211	2,300	(1,537)	30,448
CHILDREN & FAMILIES TOTAL	389,299	(309,530)	79,769	(146)	6,583	(6,001)	80,205
ADULTS & HEALTH							
Customers & Communities	19,995	(5,178)	14,817	(147)	-	(2,309)	12,361
Culture & Visitor Economy	36,071	(32,596)	3,475		1,420	(1,465)	3,430
Adult Social Care - Older People & Physical Disabilities	99,896	(84,056)	15,840	(6,240)	(633)	(2,627)	6,340
Adult Social Care - Learning Disabilities & Mental Health	125,440	(43,019)	82,421	8,183	707	(5,640)	85,671
Adults Sufficiency	23,099	(9,642)	13,457	(74)	-	(650)	12,733
ADULTS & HEALTH TOTAL	304,501	(174,491)	130,010	1,722	1,494	(12,691)	120,535
GROWTH & REGENERATION							
Skills & Regeneration	10,304	(7,372)	2,932		450	(948)	2,434
Development	31,337	(18,586)	12,751	(1,350)	1,360	(2,612)	10,149
Highways & Streetscene	82,750	(48,567)	34,183	(1,800)	400	(5,763)	27,020
GROWTH & REGENERATION TOTAL	124,391	(74,525)	49,866	(3,150)	2,210	(9,323)	39,603
CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH							
Strategy & Innovation	23,708	(4,853)	18,855		500	(659)	18,696
Public Health & People	36,173	(33,993)	2,180	200	623	(2,702)	301
Governance & Commissioning	17,996	(2,756)	15,240	200	-	(838)	14,602
Finance	80,397	(71,256)	9,141	(404)	2,500	(1,285)	9,952
Environmental Strategy & Climate Change	19,294	(2,600)	16,694	(325)	140	(982)	15,527
CORPORATE STRATEGY, COMMISSIONING & PUBLIC HEALTH TOTAL	177,568	(115,458)	62,110	(329)	3,763	(6,466)	59,078
CENTRAL BUDGETS	54,553	(3,310)	51,243	6,150	6,508	0	63,901
TOTAL COUNCIL BUDGET	1,050,312	(677,314)	372,998	4,247	20,558	(34,481)	363,322

Service Area	2023/24 Controllable Gross Expenditure £000	2023/24 Controllable Income £000	2023/24 Net Controllable Budget £'000	Previously Approved Budget Proposals £'000	New Pressures £'000	New Savings £'000	2024/25 Net Controllable Budget £'000
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Funded By: -							
COUNCIL TAX			(219,867)				(234,051)
RETAINED BUSINESS RATES			(62,727)				(61,571)
GOVERNMENT FUNDING			(66,488)				(71,495)
TOTAL FUNDING			(349,082)				(367,117)
NET TRANSFER TO/(FROM) RESERVES			(23,916)				3,795
TOTAL FUNDING INCLUDING RESERVES MOVEMENTS			(372,998)				(363,322)

BALANCED 2024/25 BUDGET			0				0
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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 £4m qualifying transformation expenditure in 2023/24 and £4m in 2024/25 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. It is intended that officers will update members as part of the annual budget report to full Council each March, and finalised proposals for the flexible use of capital receipts to be incorporated into an annual early closedown review report for Cabinet consideration in June.

Table - Flexible Use of Capital Receipts Strategy

Project	Project Description	Service Transformation / Savings	Directorate	Planned Use of Receipts 2023/24 (£k)	Planned Use of Receipts 2024/25 (£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	400	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	150	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	100	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	150	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	700	700
Resources and Waste Strategy - staff costs	Development of the council's Waste Strategy transformation agenda over the medium term.	Environmental improvements	Growth & Regeneration	200	200

Project	Project Description	Service Transformation / Savings	Directorate	Planned Use of Receipts 2023/24 (£k)	Planned Use of Receipts 2024/25 (£k)
Capital Projects	Planning Service support in delivery of major capital projects	Transformational activity	Growth & Regeneration	0	0
School Transport Transformation	Delivery of Transformation programme to achieve cost savings in delivery of School Transport	Efficiency savings	Corporate	150	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	1,700	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	400	400
New Council Programme	Staff coaching in the delivery of Organisational Change	Transformational activity	Corporate	20	20
NDC Capitalisation - pension costs		Cost reduction	Central	30	30
				4,000	4,000

Appendix H

Summary of General Fund Reserves

	Estimated Reserves position at 31st March 2024	Estimated Reserves position at 31st March 2025
Statutory		
Schools Balances	(11,426)	(11,426)
Public Health	(605)	(605)
Total Statutory	(12,031)	(12,031)
	-	
Earmarked	-	
Ward Based Activity	(1,198)	(599)
Place Standard	(828)	(414)
Sub Total (member led)	(2,026)	(1,013)
Apprenticeship Levy	(3,131)	(2,631)
Transformation	(2,369)	(2,167)
Development Funding	(85)	-
Revenue Grants	(1,242)	-
Other	(1,084)	(546)
Specific Risk Reserves	(2,000)	-
WYCA returned levy - 24/25 MTFP support	(9,400)	-
Voluntary Revenue Provision	-	(15,195)
Earmarked reserves sub-total	(21,337)	(21,552)
Unallocated Reserves	(22,413)	(22,413)
Total Usable Reserves	(43,750)	(43,965)
Grand Total All Reserves	(55,781)	(55,996)

Appendix I

Assessment of the level of the Council's General Fund Working Balance

1. Reserves are sums set aside to meet possible future costs where there is no certainty about whether or not the costs will actually be incurred. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
2. When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:
 - z
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but legally remain part of the General Fund.
3. Local authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These are reserves, which are not resource-backed and cannot be used for any other purpose. An example is the Revaluation Reserve which is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of. Reserves of this type do not form part of the annual review of the adequacy of reserves.
4. Section 25(1)(b) of the Local Government Act 2003 requires the Director of Finance to report to the Council on the adequacy of the proposed financial reserves. Guidance is published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the establishment and maintenance of local authority reserves and balances. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Director of Finance.
5. In support of this requirement, and as part of the development of the budget for 2024/25, a risk assessment has been carried out to establish the minimum level of the General Fund Working Balance for Kirklees. Details of this assessment are provided below in **Table 1** which indicates that the minimum working balance should be **c£15.0m**.

Appendix I

Table 1: Risk Assessment for General Fund Working Balance – 2024/25

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
1,200	2,500	<p>Pay – the opening MTFP includes annual provision for a 4% pay award for 24/25 and 2% thereafter. As future pay awards within the MTFP period are not yet agreed, there is a risk of the current assumptions on pay being at variance to the budget as the pay claim received by the employees' side is often in excess of the budgeted provision. An increase of 1% in the annual pay award would result in an increased cost of £2.5m. The last two pay awards have been a flat-rate. A similar award for 24/25 equates to c 6.6%, which would result in a pressure of £6.5m compared with budget.</p> <p>Assessment: Degree of risk / reserve needed: Low £0-2.5m Medium £2.5m High £6m-£6.5m</p> <p>Likelihood of risk occurring: Medium Minimum reserve needed: £1.2m</p>
1,000	1,500	<p>Prices – the budget assumes that, in the main, price inflation can be managed by Departments within a zero cash-limited increase or specific inflation allowances for designated expenditure (e.g. National Living Wage, Fuel, Utilities). During 2023/24, general inflation as measured by CPI has fallen, but remains at elevated levels. There is an expectation, according to the Bank of England, that it will continue to fall during 2024/25 to around 2% by the end of 2025. Equally, as a result of recent interest rate rises, demand for goods and services is expected to fall, which should mean prices of many things should not rise as quickly. Inflation contingency in central budgets only covers the waste contract and energy inflation.</p> <p>Assessment: Degree of risk / reserve needed: Low £0.5m Medium £1.0m High £1.5m</p> <p>Likelihood of risk occurring: Medium Minimum reserve needed: £1.0m</p>
500	500	<p>Litigation Claims – as the Council faces reductions in resources for future provision of services, there is an increased risk of litigation beyond that which would otherwise be covered by insurance arrangements.</p> <p>Assessment: Degree of risk / reserve needed: Low £1.0m Medium £2.0m High £3.0m</p> <p>Likelihood of risk occurring: Low Minimum reserve needed: £1m</p>

Appendix I

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
1,000	1,000	<p>Income from Fees and Charges – With continuing impact of the cost of living crisis combined with a relatively benign outlook for economic growth, the Council's income streams may continue to be impacted. Whilst some budgets have been reduced to reflect more realistic income levels, it is the case that a number of services are also price sensitive and delivered in competition with other providers (e.g. trade waste / building control).</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £0.5m Medium £1.0m High £2.0m</p> <p style="text-align: center;">Likelihood of risk occurring: Medium Minimum reserve needed: £1.0m</p>
4,000	5,000	<p>Demand Led Pressures on Services – the most significant is likely to be the ongoing impact of the cost of living and how this could potentially create additional demand for Council services and/or place pressure on the Council's income.</p> <p>Both Adult and Children's Social Care can be subject to significant demand-led pressures. This can vary from one year to the next and both have been significantly impacted by post Covid-19 'bounce' and the continuing backlog of pressures in the Health Service, alongside recent increased costs for refugees (incl Ukraine).</p> <p>Both Housing and Council Tax Support may also come under pressure given the prevailing economy and associated risk of increasing unemployment due to both the cost of living crisis and the potential for a downturn in the economy. The Council spends c£60m on Housing Benefits whereas the cost of Council Tax Support (applied as a discount on council tax bills) is estimated at c£36m.</p> <p>Qualifying expenditure on Housing Benefit is <i>generally</i> matched by Government subsidy in full, however, an increase in, say, supported services (referred to below) at a lower rate of recovery, can increase the overall net cost to the Council.</p> <p>In recent years, the Council has experienced an increase in Supported Accommodation enquiries and applications. The rate of subsidy for this category of accommodation is 60% and not 100% if the landlord is not a Registered Social Provider. Notwithstanding, an estimate is provided in the budget, if this trend continues this additional provision will not be sufficient to cover the Council's financial risk exposure. Pressures in current year are c £3.5m.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £3.0m Medium £4.0m High £5.0m</p> <p style="text-align: center;">Likelihood of risk occurring: Medium Minimum reserve needed: £4.0m</p>

Appendix I

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
500	500	<p>Grant income – there is a risk that the MTFS is built on optimistic assumptions of income that may prove unsustainable over the life of the plan; especially assumptions on growth in Adults grant income.</p> <p>Assessment: Degree of risk / reserve needed: Low £0.5m Medium £1.0m High £2.0m</p> <p>Likelihood of risk occurring: Low Minimum reserve needed: £0.5m</p>
3,000	4,000	<p>Non-achievement of Savings – the scale of savings required by the Council to achieve a balanced budget in 2025/26 (and across the rest of the MTFS period) is such that it will require a fundamental shift in how the Council operates which may not be possible in the time available. Whilst arrangements are in place to manage the implementation of the savings it is recommended that additional cover be provided to mitigate the risk of some not being realised or implementation lead in times being longer. This recognises the amount of savings achieved since 2010 and the fact that decisions on budget savings may become increasingly difficult. It should be noted that this MTFP does not contain any future years where the core funding level of the Council is known, so increasing the degree of uncertainty within the budget assumptions made on high value budgets.</p> <p>Assessment: Degree of risk / reserve needed: Low £2.0m Medium £3.0m High £4.0m</p> <p>Likelihood of risk occurring: Medium Minimum reserve needed: £3.0m</p>
500	500	<p>Unforeseen / emergency expenditure – there is a risk that unexpected events may occur which require expenditure to be incurred or income to be foregone that has not been budgeted. Examples might include, adverse weather, flooding, business continuity linked to loss of key service/building (to the extent not covered by insurance)</p> <p>Assessment: Degree of risk / reserve needed: Low £500k Medium £1,000k High £1,500k</p> <p>Likelihood of risk occurring: Low (assuming Bellwin scheme would apply in certain cases) Minimum reserve needed: £500k</p>

Appendix I

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
1,000	1,000	<p>Unbudgeted borrowing costs – there is a risk that unbudgeted in-year financial losses are funded by a reduction in reserves. This may necessitate the Council having to undertake external borrowing at a time when interest rates are rising (as the Council cannot borrow internally). The interest cost of a £20m loan at 5% would be £1m per annum.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £500k Medium £1m High £2m</p> <p style="text-align: center;">Likelihood of risk occurring: Medium Minimum reserve needed: £1m</p>
1,000	1,000	<p>Delay in repayment or default on loans made by the Council – there is a risk on loans made by the Council to third party organisations (including: 103 New Street £12.2m, KSDL £3.8m, Kirklees College £13.6m, Kingsgate £3.9m all at 31.12.23) potentially resulting in the need to write off the loans, or to agree to extend loan repayment periods, with a resulting cashflow cost.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £500k Medium £1m High £2m</p> <p style="text-align: center;">Likelihood of risk occurring: Medium Minimum reserve needed: £1m</p>
0	0	<p>Changes in fair value of Council long-term investments – there is a risk that the deterioration in the capital value of the Council's investments (in the CCLA) that, without the statutory override, would otherwise have to be charged to the Council's revenue account. The cost on the initial investment was £10m.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £0 Medium £1m High £2m</p> <p style="text-align: center;">Likelihood of risk occurring: Low Minimum reserve needed: £0m</p>
0	5,000	<p>Safety Valve Programme – there is a risk that if the savings on the High Needs Budget are not achieved in line with the requirements of the Safety Valve Agreement, it may be withdrawn and once the statutory override allowing Councils to carry the High Needs Budget deficit on the Balance Sheet (rather than charge it to revenue) expires, the Council will have to fund it. Depending on the scale of the deficit at the time, it would likely result in a s114 notice.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £0m Medium £5m High £10m</p> <p style="text-align: center;">Likelihood of risk occurring: Low Minimum reserve needed: £0m</p>

Appendix I

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
0	0	<p>Receipt of Capital Resources/ Capital Plan Funding – the overall capital programme assumes a level of income from asset disposals / grants – as the timing of these can sometimes be uncertain it is sometimes considered prudent to set provision aside for additional revenue to help offset any shortfall if expenditure cannot be delayed.</p> <p>The current Capital Strategy reflects substantial levels of capital receipts each year to fund the capital programme (2024/25: £14m, 2025/26: £14.2m, 2026/27: £25.2m; 2027/28: £5m). Further borrowing or revenue contributions could be required in lieu of capital receipts being realised (unless other funding sources can be found or expenditure delayed), with the risk that further borrowing is not prudent, sustainable or affordable as required by the Prudential Code.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £0k Medium £1.0m High £2.0m</p> <p style="text-align: center;">Likelihood of risk occurring: Low Minimum reserve needed: £0k</p>
0	0	<p>VAT- Partial Exemption – If the PE limits are breached there is a risk that c£3m could be potentially lost (based on £60m input tax in 2022/23 & a 5% PE limit). Anything above that would depend on the VAT incurred on the project(s) that was the cause of the partial exemption breach. There is the possibility a breach could be managed through HMRC's averaging rules which looks at partial exemption over 7 years (which can be a combination of actual and forecast) – if the average over 7 years is less than 5%, repayment to HMRC is not required.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £0m Medium £0m High £3m</p> <p style="text-align: center;">Likelihood of risk occurring: Low Minimum reserve needed: £0m</p>
1,300	2,600	<p>Collection Fund –</p> <p>Business Rates: Given the volatility inherent in the current rates retention system and the regime's imminent overhaul, it is considered prudent to set aside a level of funding within the working balance to help manage the associated risks.</p> <p>Taking into account Collection Fund monitoring to date, the provisions made to cover the risk of appeals and bad debts and an amount held for the volatility in Business Rates, it is proposed to set aside a minimum amount for 2024/25. A 1% reduction in collection equates to c £0.5m for Business Rates.</p> <p>Council Tax: alongside potential shortfalls in new build projections in the Council Tax base there is an increased risk of bad debts as a consequence of the ongoing cost of living crisis. A 1% reduction in collection equates to c £2.1m.</p> <p style="text-align: center;">Assessment: Degree of risk / reserve needed: Low £1.3m Medium £2.6m High £3.9m</p> <p style="text-align: center;">Likelihood of risk occurring: Low Minimum reserve needed: £1.3m</p>
15,000	25,100	Total

**Name and date of meeting: Corporate Governance and Audit Committee
19 January 2024**

**Cabinet
13 February 2024**

**Council
6 March 2024**

Title of report: Treasury Management Strategy and Investment Strategy 2024/25

Purpose of report

Under the CIPFA Code of Practice on Treasury Management (2021) and accompanying Prudential Code 2021 the Council must present a Treasury Management Strategy at the start of each financial year. Alongside the Treasury Management Strategy, the Annual Investment Strategy must also be approved by Council.

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?	Yes (for Cabinet)
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Key Decision: Yes Private Report/Private Appendix: N/A
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by Strategic Director and name	N/A
Is it also signed off by Service Director – Finance	Isabel Brittain – 8 January 2024
Is it also signed off by the Service Director Legal, Governance and Commissioning	Julie Muscroft – 8 January 2024
Cabinet member portfolio	Corporate Cllr Graham Turner

Electoral wards affected: All
Ward councillors consulted: N/A
Public or Private: Public

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

1 **Summary**

- 1.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy. This is attached at Appendix F.
- 1.2 Cabinet is responsible for the implementation and monitoring of the treasury management policies. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to treasury management. The last training for members of this Committee was provided in January 2023 by the Council's treasury management advisors/consultants, Arlingclose. Further training is planned for January 2024.
- 1.3 This report will:
- (i) outline the outlook for interest rates and credit risk, and in light of this, recommend an investment strategy (Treasury Management Investments) for the Council to follow in 2024/25;
 - (ii) outline the current and estimated future levels of Council borrowing and recommend a borrowing strategy for 2024/25;
 - (iii) review the methodologies adopted for providing for the repayment of debt and recommend a policy for calculating the Minimum Revenue Provision (MRP);
 - (iv) review other treasury management matters including the policy on the use of financial derivatives, prudential indicators, the use of consultants, and the policy on charging interest to the Housing Revenue Account;
 - (v) recommend an annual Investment Strategy (Non-Treasury Investments) for the Council in 2024/25.

2 **Information required to take a decision**

The following paragraphs 2.1 to 2.5 have been provided by our Treasury Management external advisors, Arlingclose:

Economic Background

- 2.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024/25.

- 2.2 The Bank of England (BoE) increased the Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping the Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%. The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.
- 2.3 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.
- 2.4 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong, but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.
- 2.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

Interest Rate Forecast

- 2.6 Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- 2.7 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Borrowing and Investments – Local context

- 2.8 On 31st December 2023 the Council held £721.4 million of borrowing and £99.3 million of treasury investments.
- 2.9 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investments. The Council’s current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.
- 2.10 Table 1 below sets out the forecast CFR position for the Council as at 31 March 2024 and estimated CFR and borrowing requirements over the next 3 years. CIPFA’s Prudential Code recommends that the Council’s total debt should be lower than its highest forecast CFR over the next 3 years. Table 1 shows that the Council expects to comply with this recommendation.

Table 1: Balance Sheet Summary and Forecast

	31.03.23 Actual £m	31.03.24 Forecast £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m
Capital Financing Requirement	863.2	905.5	945.4	1,010.5	1,045.3
Less: PFI liabilities*	78.2	74.2	69.3	64.1	58.8
Less: Other deferred liabilities*	3.5	3.5	3.5	3.5	3.5
Loans CFR	781.5	827.8	872.6	942.9	983.0
Less: External borrowing**	613.8	673.1	614.9	567.0	549.4
Internal (over) borrowing	167.7	154.7	257.7	375.9	433.6
Less: Balance sheet resources	210.6	144.0	144.0	144.0	144.0
New borrowing (Treasury investments)	-42.9	10.7	113.7	231.9	289.6

* Leases and PFI debt liabilities that form part of the Council’s total debt.

** Shows only loans to which the Council is committed and excludes optional refinancing.

- 2.11 There is a marked increase in the CFR due to increases in the capital programme, in particular the proposed Cultural Heart and town centre regeneration programme as part of the Huddersfield Blueprint. The Council will be required to borrow up to £155.2 million to fund the increase in the Loans CFR over the 3 year period.
- 2.12 As Council balance sheet resources are forecast to reduce in line with planned commitments, the use of funding the CFR with internal borrowing will decrease resulting in further external borrowing. The Council is estimated to borrow a total of £289.6 million to fund the CFR along with reduction in reserves, as shown in the table above.

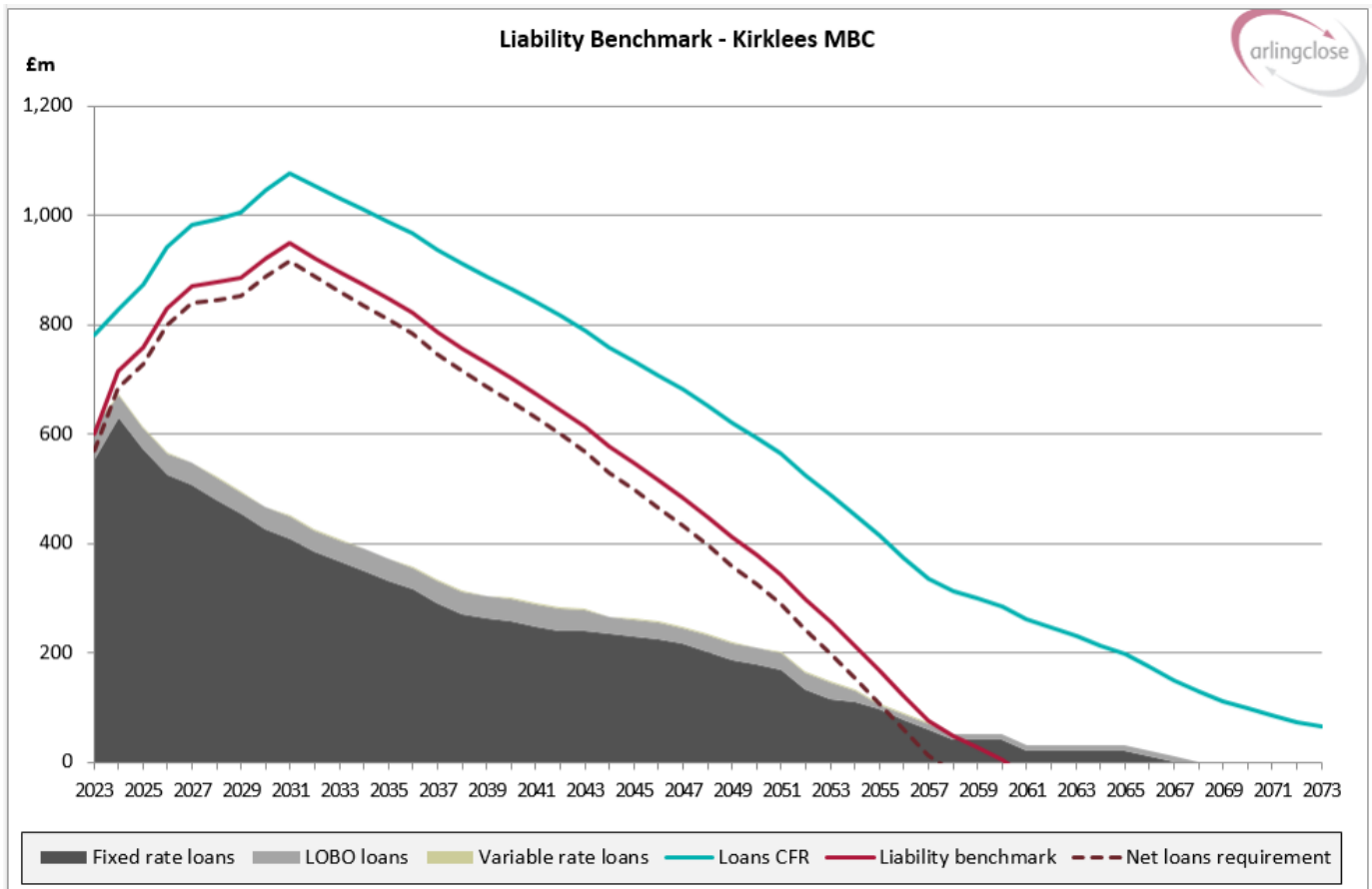
Liability Benchmark

- 2.13 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £30.0 million at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.14 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. The liability benchmark itself 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 required to manage day-to-day cash flow. The liability benchmark estimates the Council will hold £869.0 million of borrowing at 31 March 2027.

Table 2: Prudential Indicator: Liability Benchmark

	31.03.23 Actual £m	31.03.24 Estimate £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m
Loans CFR	781.5	827.8	872.6	942.9	983.0
Less: Balance sheet resources	210.6	144.0	144.0	144.0	144.0
Net loans requirement	570.9	683.8	728.6	798.9	839.0
Plus: Liquidity allowance	30.0	30.0	30.0	30.0	30.0
Liability benchmark	600.9	713.8	758.6	828.9	869.0

- 2.15 The total liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing. The red line is the liability benchmark which reaches a peak in 2031 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.



Borrowing Strategy

- 2.16 The Council is forecast to hold around £713.8 million of external borrowing at 31 March 2024, an increase of £100.0 million on the previous year, as part of its strategy for funding previous years' capital programmes. Other long-term liabilities forecast of £77.7 million, a reduction of £4.0 million on the previous year. The balance sheet forecast in table 1 shows the Council expects to borrow up to £113.7 million during 2024/25.
- 2.17 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period when funds are required. Given the significant cuts to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 2.18 The Council has previously raised most of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council intends to avoid this activity in order to retain its access to PWLB loans.

2.19 The approved sources of borrowing are:

- HM Treasury's PWLB lending facility
- Any bank or building society authorised to operate in the UK
- Any other UK public sector body
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds
- UK Infrastructure Bank Ltd

2.20 The Council's strategic approach over the last few years has been to gradually replace some of the short-term borrowing with long-term borrowing to ensure a more balanced risk approach. Over the past year, the Council has taken £120.0 million long-term EIP borrowing from the PWLB, and £30.0 million maturity loans ranging from 4 to 6 years, also from the PWLB.

2.21 As the Council has a significant borrowing need due to the increasing CFR and depleting reserves, the internal borrowing used to fund the CFR will be converted to external borrowing. The Council needs to lock in the costs to minimise risks of fluctuating interest rates and provide certainty on costs for the treasury budget.

2.22 Short-term rates are currently at a 15-year high but are expected to fall in the coming years, and longer-term rates from the PWLB are significantly higher than previous norms but are cheaper than short-term. In order to be more cost-effective over the medium-term, the Council will therefore take a combination of long, medium and short-term loans, diversifying the borrowing and maturity structure of the loans.

2.23 In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.

2.24 Short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring long-term borrowing into future years when long-term borrowing rates are forecast to reduce modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.25 The Council currently holds LOBO (Lender's Option, Borrower's Option) loans, 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. With interest rates having risen recently, there is now a good chance that lenders will exercise their options. If they do, the Council will take the option to repay loans to reduce refinancing risk in later years. At 31 December 2023 the Council had repaid £20.0 million of LOBO loans during 2023/24. Total borrowing via LOBO loans is currently £40.0 million which is 5.7% of debt.

- 2.26 One alternative source of funding to the PWLB is the Municipal Bonds Agency established in 2014 by the Local Government Association. It issues bonds on the capital markets and lends the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be subject of a separate report to full Council.
- 2.27 The Council may 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.
- 2.28 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.
- 2.29 Borrowing policy and performance are monitored throughout the year and are reported to Members via a Half Yearly Report and also an Outturn Report in line with approved guidance.

Treasury Investment Strategy

- 2.30 The Council holds around £30.0 million of invested funds, an amount considered to meet the day-to-day cashflow requirements of the Council, and representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £15.8 million and £109.8 million, and similar levels are expected to be maintained in the forthcoming year.
- 2.31 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking a higher rate of return or yield, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council's objective when investing money is to strike an appropriate balance between risk and return. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 2.32 As demonstrated by the liability benchmark in table 2 above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cashflows using short-term low risk instruments. The existing portfolio of £10.0 million in the strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

2.33 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

2.34 The Council's investment criteria are detailed in Appendix A, maintaining a low risk strategy giving priority to security and liquidity, and as such invest an average of around £20.0 million externally in short-term liquid investments through the money markets.

2.35 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The Council uses credit ratings from the three main rating agencies - Fitch, Moody's and Standard & Poor's to assess the risk of investment defaults (Appendix B). The lowest credit rating of an organisation will be used to help determine credit quality. Long term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

2.36 Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade ("negative watch") so that it is likely to fall below the required criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

2.37 Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the approved criteria.

2.38 Annual cash flow forecasts are prepared which are continuously updated to determine the maximum period for which funds may prudently be committed.

Statement of Policy on the Minimum Revenue Provision (MRP)

2.39 MRP is the statutory requirement for local authorities to set aside some of their revenue resources as provision for reducing the underlying need to borrow (Capital

Financing Requirement – CFR), the borrowing taken out in order to finance capital expenditure.

2.40 Prior to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2008, which came into force on 31 March 2008, the set aside was specified as a percentage of a Council's CFR (2% for HRA debt, 4% for General Fund). The current Regulations are less prescriptive with a requirement to ensure the amount set aside is deemed to be prudent, although there is accompanying current DLUHC guidance which sets out possible methods a Council might wish to follow.

2.41 Current DLUHC guidance recommends that Council's prepare a statement of policy on making MRP in respect of the forthcoming year, with approval by full Council before the start of the financial year. If these proposals subsequently need to be varied, a revised statement should be put to full Council. Appendix C details the Council's policy for the provision of MRP.

Policy on the Use of Financial Derivatives

2.42 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives.

2.43 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of financial risks that the Council is exposed.

2.44 Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

2.45 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Treasury Management Prudential Indicators

2.46 The Council is asked to approve certain treasury management prudential indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs. The indicators are set out in Appendix D.

Other Matters

2.47 Full implementation of the updated CIPFA Prudential Code 2021 is to be adopted for strategies from 2024/25.

2.48 The new Code stipulates restrictions on borrowing primarily for financial return, including commercial property. The Council's current and proposed capital plans do not include any capital investment funded by borrowing primarily for commercial return, that may otherwise have restricted access to PWLB borrowing going forward. The new Code does not introduce restrictions on Council's borrowing for purposes essential to their core aims, such as for housing and regeneration projects, or for treasury management purposes.

2.49 The CIPFA Code also requires the Council to note the following matters each year as part of the treasury management strategy:

(i) Investment Consultants

The Council's adviser is Arlingclose Limited. The services received include:

- Advice and guidance on relevant policies, strategies and reports;
- Advice on investment and debt management;
- Notification of credit ratings and other information on credit quality;
- Reports on treasury performance;
- Forecasts of interest rates and economic activity; and
- Training courses.

The quality of the service is monitored on a continuous basis by the Council's treasury management team.

(ii) Investment Training

As part of the MiFID II requirements, the needs of the Council's treasury management staff for training in investment management are assessed on a continuous basis. Additionally training requirements are assessed when the responsibilities of individual members of staff change. Staff attend training courses and seminars as appropriate.

(iii) Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. However, as this would involve externally investing such sums until required and thus increasing exposures to both interest rate and principal risks, it is not believed appropriate to undertake such a policy at this time.

(iv) Policy on charging interest to the Housing Revenue Account (HRA)

Following the reform of housing finance, the Council is free to adopt its own policy on sharing interest costs and income between General Fund and the HRA. The CIPFA code recommends that authorities state their policy each year in the strategy report.

On 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed will be assigned in their entirety to one pool or the other. Differences between the value of the HRA

loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Interest will be applied to this balance using the Council's average investment rate.

3 Implications for the Council

- | | |
|--|-----|
| 3.1 Working with People: | N/A |
| 3.2 Working with Partners: | N/A |
| 3.3 Placed 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 <u>Other (e.g. Legal/Financial or Human Resources)</u> | |

The revenue implications of the strategies outlined have been reflected in the Council's annual budget report 2024-29.

The Council must have regard to the CIPFA Code of Practice on Treasury Management; the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

The Council has the power to borrow under section 1 of the Local Government Act 2003 and the Council has powers to invest under section 12 of the Local Government Act 2003.

4 Consultees and their opinions

Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Treasury management performance will be monitored and reported to members during the year.

Following consideration at Corporate Governance & Audit Committee, this report will be presented to Cabinet on 13 February 2024 and then full Council on 6 March 2024 for approval.

6 Officer recommendations and reasons

That Corporate Governance & Audit Committee recommend the following for consideration by Cabinet and then approval by full Council:

1. the treasury management strategy incorporating: the borrowing strategy outlined in paragraphs 2.16 to 2.29;
2. the investment strategy (treasury management investments) outlined in paragraphs 2.30 to 2.38 and Appendices A and B;
3. the policy for provision of repayment of debt (Minimum Revenue Provision) outlined in paragraphs 2.39 to 2.41 and at Appendix C;
4. the treasury management prudential indicators in Appendix D and
5. the investment strategy (non-treasury investments) at Appendix E.

Reasons:

1. Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs.
2. The Council must have regard to the CIPFA Treasury Management Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 and the Statutory guidance on Local government Investments (2018) when performing its duties under Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

7 Cabinet Portfolio Holder recommendation

The report and recommendations be submitted to Cabinet on 13 February 2024 and Council on 6 March 2024.

8 Contact officers

James Anderson	Head of Accountancy	01484 221000
Rachel Firth	Finance Manager	01484 221000

9 Background Papers and History of Decisions

CIPFA's Code of Practice on Treasury Management in the Public Services
CIPFA's Prudential Code for Capital Finance in Local Authorities
CIPFA's Treasury Management in the Public Services – guidance notes
Guidance on Local Government Investments (MHCLG 2018)
The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (Amended 2008); Localism Act 2011.

10 Service Director (Interim) responsible

Isabel Brittain 01484 221000

Investment Policy for 2024/25

Investment Limits:

- The Council is able to invest an unlimited amount with the UK Government for up to 6 months.
- The Council is able to invest up to £10.0 million and up to three months with UK banks and building societies with a “high to upper medium grade” credit rating.
- The Council is able to invest up to £10.0 million and up to two months with foreign banks with a “high to upper medium grade” credit rating.
- The Council is able to invest up to £10.0 million and up to three months with individual local authorities.
- The Council is able to invest up to £10.0 million in individual MMFs (instant access or up to 2 day notice). There will be an overall limit of £40.0 million for MMFs (non-government funds), plus up to £10.0 million invested in a fund backed by government securities.
- The Council is able to invest up to £10.0 million in Local Authority Pooled Investment Funds.

The maximum limits apply to any one counter-party and to a banking group rather than each individual bank within a group.

Note:

The limits set out above exclude any amounts held on the Council’s behalf by the Yorkshire Purchasing Organisation (YPO). The YPO (a consortium in which the Council has an interest) invest funds as part of their treasury management processes. For the avoidance of doubt, this element does not form part of the limits set above. For context, the Council’s proportion of YPO’s maximum investment with any given counterparty is approximately £155k.

Liquidity management:

The Council uses purpose-built cash flow forecasting models to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.

	Short-term Credit Ratings / Long-term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at 30 Nov 2023	
	Fitch	Moody's	S & P	£m	Period (2)		
UK Banks / Building Societies (Deposit accounts, fixed term deposits and REPOs)	F1	P-1	A-1	10.0	<3mth	HSBC Lloyds Group Santander UK Barclays	Bank of Scotland Handelsbanken Nationwide BS
	AAA,AA+,AA,AA-,A+,A, A-	Aaa,Aa1,Aa2,Aa3,A1,A2,A3	AAA,AA+,AA,AA-,A+,A,A-				
Foreign Banks (Deposit accounts, fixed term deposits and REPOs)	F1	P-1	A-1	10.0	<2mth	Various	
	AAA,AA+,AA,AA-,A+,A,A-	Aaa,Aa1,Aa2,Aa3,A1,A2,A3	AAA,AA+,AA,AA-,A+,A,A-				
MMF (1)	-	-	-	10.0	Instant access/ up to 2 day notice	Aberdeen Deutsche Bank	Aviva Goldman Sachs
UK Government (Fixed term deposits)	-	-	-	Unlimited	<6mth		
UK local authorities (Fixed term deposits) (2)	-	-	-	10.0	<3mth		
Local Authority Pooled Investment Funds	-	-	-	10.0	>6mth		

- (1) Overall limit for investments in MMFs of £50.0 million – the assets the funds invest in are securities and structures secured on government securities
(2) The investment period begins from the commitment to invest, rather than the date on which funds are paid over.

Credit ratings

Moody's		S&P		Fitch			
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA-	AA-				
A1		A+	A-1	A+	F1	Upper medium grade	
A2	P-2	A	A-2	A	F2		
A3		A-		A-			
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3	Lower medium grade	
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	
Ba2		BB		BB			
Ba3		BB-		BB-			
B1		B+		B+			
B2		B		B			
B3		B-	B-				
Caa1		C	CCC+	C	CCC	C	Substantial risks
Caa2			CCC				Extremely speculative
Caa3			CCC-				In default with little prospect for recovery
Ca			CC				
C	C						
/	D	/	DDD	/	/	In default	
/			DD				

CURRENT MINIMUM REVENUE PROVISION POLICY

1. Background

- 1.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 requires authorities to make an amount of MRP which the authority considers "prudent".
- 1.2 The regulation does not itself define "prudent provision". However, guidance issued alongside the regulations makes recommendations on the interpretation of that term.

2 Policy for 2024/25 onwards

- 2.1 The Service Director - Finance recommends the following policy for making prudent provision for MRP:
 - (i) General Fund Prudential Borrowing – Provision to be made over the estimated life of the asset for which borrowing is undertaken. Provision to commence in the year following when the asset is operational. Where large loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.
 - (ii) HRA Borrowing - Provision to be made for debt repayments equal to its share of any scheduled external debt repayments.
 - (iii) PFI schemes - Provision to equal the part of the unitary payment that writes down the balance sheet liability, together with amounts relating to lifecycle costs incurred in the year.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

Gross Debt and the Capital Financing Requirement (CFR)

The Code requires that where gross debt is greater than the CFR, the reasons for this should be clearly stated in the annual strategy. This does not apply to this Council as its gross debt will not exceed the CFR over the forecast period (see the ‘Gross Debt and the Capital Financing Requirement table within the Capital Strategy).

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.

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2024/25, 2025/26 and 2026/27 of £950.4 million, £1,015.5 million, £1,050.3 million of its net principal. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2024/25, 2025/26 and 2026/27 of £200 million of its net principal.

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. It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate		
	Upper Limit (%)	Lower Limit (%)
Under 12 months	20	0
Between 1 and 2 years	20	0
Between 2 and 5 years	60	0
Between 5 and 10 years	80	0
More than 10 years	100	20

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 investments will be:

Price risk indicator	2024/25	2025/26	2026/27	No Fixed Date
	£m	£m	£m	£m
Limit on principal invested beyond year end	0	0	0	10.0

Long-term investments with no fixed maturity date is the Local Authority Property Fund.

Glossary of Treasury Terms

Authorised Limit	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Basis Point	1/100th of 1%, i.e. 0.01%
Bill	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund).
Capital receipts	Money obtained on the sale of a capital asset.
Certainty Rate	The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLb) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.
CIPFA	Chartered Institute of Public Finance and Accountancy
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes/pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Cost of carry	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
Counterparty List	List of approved financial institutions with which the Council can place investments.
Credit Default Swap (CDS)	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO)	The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Fund (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
ECB	European Central Bank
Fair Value	Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. Many investments have a fair value determined by a market where the security is traded.
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting.
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the Housing Revenue Account).
Gilts (UK Govt)	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute.
IFRS	International Financial Reporting Standards.
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
Local Authority Property Fund (LAPF)	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (See Collective Investment Scheme).
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
MiFID II	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Minimum Revenue Provision (MRP)	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Pooled funds	See Collective Investment Schemes (above).
Premiums and Discounts	<p>In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
Private Finance Initiative (PFI)	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
Investment Property	Property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
Prudential Indicators	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
Risk	<p>Credit and counterparty risk The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.</p> <p>Liquidity risk The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.</p> <p>Refinancing risk</p>

	<p>The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.</p> <p>Interest Rate risk The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.</p> <p>Legal risk The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.</p> <p>Operational risk The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.</p> <p>Market Risk The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.</p>
RPI	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Treasury (T) -Bills	Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
Treasury Management Practices (TMP)	Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Unsupported Borrowing	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure.
Variable Net Asset Value (VNAV)	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument.

Investment Strategy 2024/25

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash resulting from its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Council’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

Treasury Management Investments

The Council typically receives its income in cash (eg. from taxes and grants) before it pays for its expenditure in cash (eg. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to average £30.0 million with fluctuations between £20.0 million and £60.0 million during the 2024/25 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council’s policies and its plan for 2024/25 for treasury management investments are covered in the treasury management strategy report 2024/25 to which this Investment Strategy is appended.

Service Investments: Loans

Contribution: The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college, and local residents to support local public services and stimulate local economic growth.

The Council provided a significant loan to Kirklees College to help facilitate a new campus in Huddersfield and the delivery of a successful further education provision for post 16 students and adults across the district.

The Council has recently provided a loan to HD1 Living to renovate the building at 103 New Street to become modern student accommodation in the town centre as part of the Huddersfield regeneration plan.

Smaller loans have also been provided to local residents to be able to provide energy efficient heating within their own homes. The Council is part of the Leeds City Region Investment Fund where all local authorities contribute to the fund which provides individual loans to support infrastructure and construction projects which help deliver economic growth and job creation.

Existing capital plans provide for further development finance loans to support major town centre regeneration and economic growth, up to a Council approved £7.6 million (per the 5-year Capital Plan 2023/24 to 2027/28) through the Property Investment Fund. Amounts have been set aside in the capital plan for this type of investment.

The Council will continue to roll forward from last year's Investment Strategy, the option to provide financial loans to support 3rd sector partners and anchor organisations, along with loans and/or match funding in support of community asset transfers. The Council would underwrite this provision from within the existing earmarked reserves.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Investment Strategy guidance states that to limit this risk and ensure that total Council exposure to loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have to be set and approved annually by Council. The proposed upper limits for Council loans are set out at Table 1 below:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.03.2023 actual			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Further education college	14.0	-0.7	13.3	14.0
Leeds City Region revolving investment fund	3.0	0.0	3.0	4.2
Local businesses and charities	16.4*	-6.1	10.3*	24.0
Local residents	2.2	-0.1	2.1	2.2
TOTAL	35.6	-6.9	28.7	44.4

* This is made up of numerous investments, the largest of which is £12.1 million towards 103 New Street.

Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding loans. This will include the nature of the market/sector to which the loan relates, and loan security against business/sector assets. The single largest current loan relates to Kirklees College which

is a public sector entity and considered to be a viable going concern. The strength of the Council's partnership with key anchor organisations in the district like the College, and ability to influence, support and monitor the College's ongoing financial position, are also key factors, including Council senior finance representation on the College's finance committee.

Development finance loans such as Property Investment Fund (PIF) will allow the Council to offer loans to development projects which offer significant economic benefits to the Council and the wider Kirklees district.

Any funding offers made will be on the basis that the loan repayments made by the recipient will cover the Council's financing costs and allow for an appropriate margin on cost of funds reflecting the level of risk involved and consistent with State Aid principles. All funding offers made will be subject to appropriate due diligence, including external specialist advice where appropriate, availability of credit ratings in respect of any potential loanee where appropriate, and loan security arrangements. Each individual loan offer will be the subject of a further Cabinet report.

It would not be the intention for the Council to directly compete with existing providers of investment funding. The Council would only look to invest, at its discretion, when there was a clear and demonstrable added value case to be made in terms of local economic benefits for development finance involvement. In many instances the Council investment would be short term to cover the construction phase of development which is the most critical period for schemes to locate finance that is timely and on reasonable terms.

Once out of the development phase there is sufficient liquidity at an appropriate risk margin in the existing investment markets for schemes to be refinanced at which point the Council investment would be repaid. Any investment from the PIF would be on terms that allowed the Council to fully cover its costs, including the costs of borrowing to fund any advance, and creation of an appropriate risk contingency.

Service Investments: Shares

Contribution: The Council invests in the shares of local businesses to support local public services and stimulate local economic growth. The main share investment (£0.9 million) is a 9.9% holding in Kirklees School Services Ltd which operates 20 schools on our behalf on a 32 year contract under PFI. The Council also has a 40% shareholding in Kirklees Stadium Development Ltd (£0.1 million), a 14% holding in QED KMC Holdings Ltd (£0.2 million) and a 50% shareholding in Kirklees Henry Boot Partnership Ltd (£0.1 million).

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.03.2023 actual			2024/25
	Amounts invested	Gains or losses (-)	Value in accounts	Approved Limit
Local businesses	1.4	-0.1	1.3	1.4

Risk assessment: The Council entered into these shareholdings for the purposes of participating in the governance and control of organisations that it considered to be important for the purposes of securing economic benefits to the borough. The Council is also the sole client in respect of one

of these investments. The Council assessed the risk of participation taking account of the financial and public benefits, including the opportunity to make a potential gain in the event of the business being successful, although this was not the core purpose for initial participation. The Council assesses the risk of loss before entering into and whilst holding shares by continued oversight and involvement in the strategic and operational aspects of the business, and participation in decision making, although the financial risk of the investment is perhaps lower than the operational and or reputational impacts of any failure by the companies in which the Council holds share based investments.

Liquidity: The Council has entered into these shareholdings for the purposes of delivery of its public service and community leadership obligations and the investments are considered to be long term. Viability of the investments in the long term is an important part of the strategy, but as the Councils share ownership and participation is strategic rather than financial the daily or periodic value is of less concern than the overall long-term health of the organisation in which the investment is held.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council invests in local commercial property such as retail town centre shops and buildings with the intention of making a profit that will be spent on local public services.

These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Table 3: Property held for investment purposes in £ millions

Property type	Actual	31.03.2023 actual		31.03.2024 expected	
	Purchase cost	Gains or losses (-)	Value in accounts	Gains or losses (-)	Value in accounts
Commercial Property	*See below	0.8	21.8	0.0	21.8

*The purchase cost cannot be ascertained as the majority of these assets have been owned by Kirklees for many years and purchased by Huddersfield Corporation during the 1920's from Ramsdens Estate. There is a signed legal document and a 'book of acquisition' which is a hard-backed ledger held in legal services.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2023/24 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the

impact of the loss on the security of investments and any revenue consequences arising therefrom.

At this stage, the George Hotel is considered a regeneration project and not counted as an investment, however once redevelopment work has been completed this will be re-assessed.

Risk assessment: The Council's current commercial asset portfolio held for investment purposes is largely a historical portfolio. It is monitored and reviewed annually as part of the Council's wider asset strategy including potential future appreciation and potential receipt value.

It is not the Council's intention to invest in any new commercial portfolio investments at this time. If any new investments are identified a risk assessment would be performed.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives. Cash flow projections are prepared on a regular and timely basis.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. The Council does not have any loan commitments, however there are some guarantees that the Council holds including a guarantee on outstanding contributions to the Pension Fund in the event of a default by certain bodies and a guarantee to the Homes & Communities Agency (HCA) in the event of a default by Kirklees Community Association (KCA) on the redevelopment of the Fieldhead Estate. The Council also acts as a guarantor to a loan of £0.9 million that KSDL hold in the event of default.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director - Finance is a qualified accountant with extensive local government experience, the Strategic Director - Growth and Regeneration has experience of major Council regeneration schemes and partnerships with major business and third-party partners, as do key Service Directors. The Council pays for staff to study towards relevant professional qualifications including CIPFA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Cabinet is responsible for the implementation and monitoring of any investment policy. The Corporate Governance and Audit Committee undertake a scrutiny role with regard to investment. Regular training for members of the Committee is provided by our treasury advisors to enable them to make decisions to ensure accountability and responsibility on investment decisions within the context of the Council's corporate values. Any new investment decisions are also approved at full Council.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure arising from its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 4: Total investment exposure in £ millions

Total investment exposure	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Treasury management investments	34.0	30.0	30.0
Service investments: Loans	35.5	42.0	44.4
Service investments: Shares	1.3	1.3	1.3
Commercial investments: Property	21.8	21.8	21.8
TOTAL INVESTMENTS	92.6	95.1	97.5
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	0.9	0.9	0.9
TOTAL EXPOSURE	93.5	96.0	98.4

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 5: Investments funded by borrowing in £ millions

Investments funded by borrowing	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Service investments: Loans	33.8	39.4	40.8

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investment rate of return (net of all costs)

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	2.0%	4.9%	4.7%
Service investments: Loans	1.6%	0.8%	0.8%

Service investments: Shares	None	None	None
Commercial investments: Property	7.1%	5.0%	5.0%

Kirklees Council

Capital Strategy

1 April 2024 – 31 March 2025

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INTRODUCTION

Like all local authorities, Kirklees Council is facing a dual challenge. We do not have adequate funding for the services we provide, while at the same time we are seeing demand in some areas increase. This document summarises the recommended capital programme for the next five years for approval by Council. It also sets out the long-term context in which capital expenditure, investment and resourcing decisions are made to contribute towards the achievement of key strategic objectives and priorities, showing how our balanced budget for 2024-25 can continue to deliver for the people and places of Kirklees.

The document provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

It sets out the updated capital programme for 2023/24 to 2031/32, split between the General Fund and the HRA, with a forecast of resources available over that period. It includes a specific update of the Multi-Year Capital Plan which has been undertaken since the MTFS Update Report to Council on 13 September 2023.

HOW WE DELIVER OUR SHARED VISION AND OUTCOMES



Our Council Plan outlines four priorities for action this year. The agreed budget supports all four, and ultimately our Shared Vision and Outcome. See Our Council Plan for more details.

1. Address our financial position in a fair and balanced way.

As with all councils across the country, rising costs and increasing demand for our services is causing significant financial pressures. Our most pressing challenge right now is to balance our budget whilst continuing to deliver positive outcomes for the people and places of Kirklees. This means we must make difficult decisions about how to reduce our spending and prioritise our resources.

However, the decisions we need to take must be fair and balanced. This means protecting those who need our help most. It also means making sure we effectively assess the impacts of our decisions in the short- and long-term and mitigate any negative impacts as far as possible. It also means proactively exploring all avenues to support local services, including funding from partners like the UK government and West Yorkshire Combined Authority.

2. Strive to transform council services to become more efficient, effective, and modern.

At the same time as balancing the budget and making decisions about where to reduce our spending, we want to transform the delivery of our services. Transformation is about better use of our limited resources, making services more efficient, effective, and modern. Its not just about doing less, but about doing things differently and better both for now and for the longer-term.

We will deliver changes to the way we do things, working collaboratively across services to do so. We will improve systems and processes and harness new technology. We will also work with our partners to avoid duplication, reduce costs, and share knowledge and resources as efficiently as we can.

3. Continue to deliver a greener, healthier Kirklees and address the challenges of climate change.

A greener Kirklees is also a healthier Kirklees and is critically important for the delivery of longer-term, positive outcomes for our people and places. The built and natural environment contributes to people's quality of life and makes the district a more attractive place in which to live and invest. We want to help people reduce waste, and recycle more, and put other actions in place to improve air quality and address the challenges of climate change.

We want people in Kirklees to be able to live their lives confidently, independently, and be in better health and for longer. It's all about preventing problems for people in the future, helping people choose healthy lifestyles and increasing physical and mental health and wellbeing. Working closely with health and wider partners will be crucial for achieving this.

4. Continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.

We will continue to invest and attract partner investment into the regeneration of our towns and villages, so that our economic recovery is as quick and secure as possible. We will work to build our resilience, by building the infrastructure that brings opportunities for future generations. Plans for the Huddersfield Cultural Heart, the Dewsbury Blueprint and investments in Heckmondwike, Cleckheaton, Batley, Marsden and Holmfirth will remain a key priority, as will delivering major transport improvements, improving and maintaining our roads, supporting housing growth, investing in employment and skills support, and supporting the growth of new and existing businesses.

Our capital investment programme will be managed flexibly in order to respond to current and future challenges; we will adapt our plans to respond to market conditions at the same time as maintaining our ambition for the future.

SUMMARY OF OVERALL CAPITAL BUDGET

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. Capital spending is different from revenue spending, which covers the day to day costs of running council services, but capital investment can assist the revenue budget by helping to reduce running costs by providing more efficient facilities and equipment.

The Capital Assurance Board (CAB) provides strategic oversight of the Council's Capital Plan to ensure capital investments align with the Council's priorities and objectives, support the regeneration of the borough, improve infrastructure, and enhance the efficient and effective operational delivery of services.

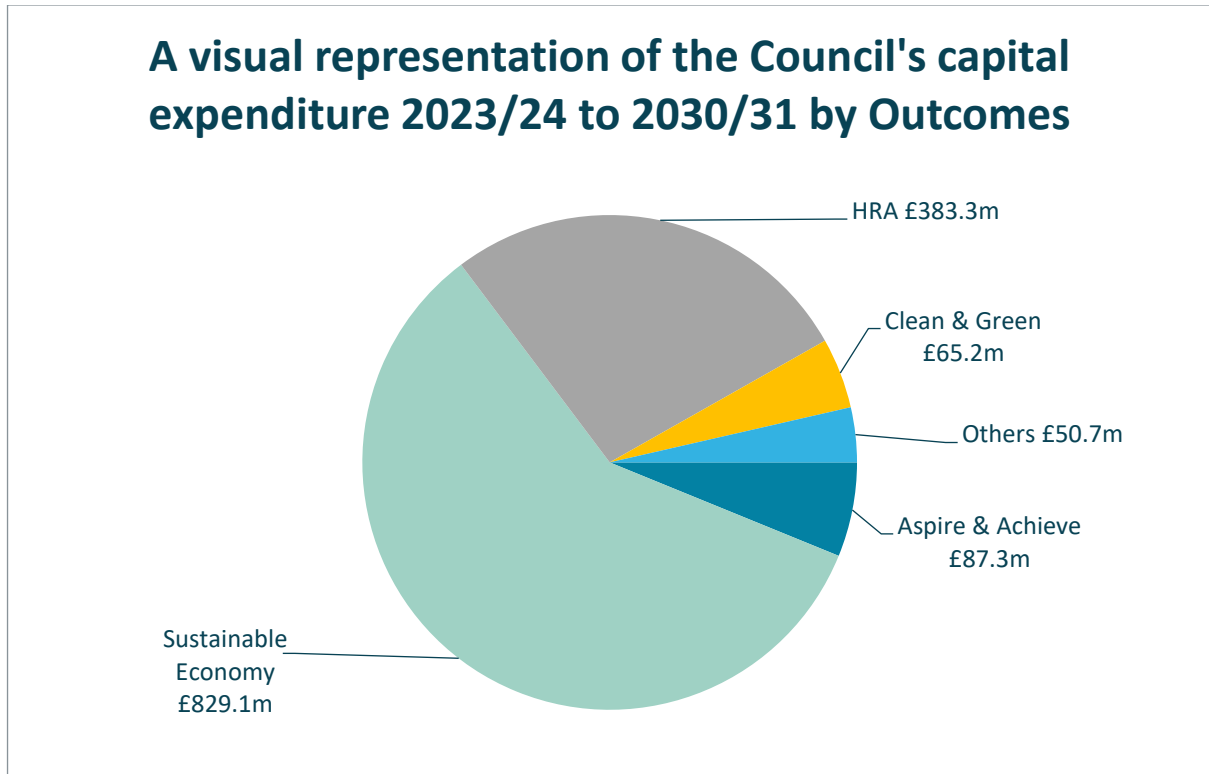
The Capital Budget proposals are set out in paragraphs 1-20 below:

- 1 For capital purposes, longer term planning horizons are required to undertake feasibility work, design, plan and build. The Council's multi-year capital investment plan has been extensively reviewed to reflect the scale of the Council's ambition whilst being cognisant of the underlying financial position. The updated multi-year plan will deliver capital investment of £1.415bn (£1.032bn General Fund, £383m Housing Revenue Account). The plan is summarised in the table below, and shown in more detail at Appendix iii.

Table 1 – Overall Multi-Year Capital Expenditure Summary

Council Plan – Primary Outcomes	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 - 31/32 £m	Total £m
Aspire & Achieve	13.8	21.8	32.6	11.5	4.6	3.0	87.3
Best Start	1.0	1.6	0.1	0.0	0.0	0.0	2.7
Independent	7.8	3.4	4.6	4.6	1.3	0.0	21.7
Sustainable Economy	117.0	166.7	133.4	99.5	76.0	236.5	829.1
Well	3.1	3.5	1.9	1.4	0.7	0.0	10.6
Safe & Cohesive	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Clean & Green	21.1	14.9	14.1	4.5	8.4	2.2	65.2
Efficient & Effective	5.5	5.6	1.3	1.2	0.9	1.1	15.6
General Fund	169.4	217.5	188.0	122.7	91.9	242.8	1032.3
HRA - Independent	39.4	55.7	64.6	64.0	49.5	110.1	383.3
Council Total	208.8	273.2	252.6	186.7	141.4	352.9	1,415.6

- 2 The overall capital plan is presented by primary outcome headings, reflecting how the Council's investment proposals align with the Council's ambitions for its residents. Each primary outcome is further structured between strategic priorities, baseline programmes and one-off projects. The term primary outcome reflects the fact that a number of schemes will in reality contribute to a number of Council outcomes, not just the primary outcomes. It should be noted that figures shown in the table's penultimate column represent spend in the last 4 years of the Plan i.e. 2028/29 – 2031/32.



Multi-Year Capital Plan Update

- 4 The 2024/25 MTFS Update Report to Council on 13 September 2023 referred to a corporate review and affordability assessment of Capital Plan being undertaken as one of several initiatives to mitigate against the forecast 2023/24 outturn position and ongoing financial challenges facing the Council.
- 5 The capital review considered options on how capital projects/programmes could be rephased, deferred or not start at all to reduce the amount of borrowing and manage the impact of debt charges on to the Council's budget. Opportunities to value engineer projects, identify alternative funding sources and bring forward asset disposals (both to reduce operational costs as well as generating capital receipts) have all been considered to help control the cost of borrowing.

General Fund

- 6 The main proposals arising from the corporate review and incorporated in the revised Capital Plan, are summarised below:
- i) £25.1m capital investment funded via Council borrowing has been re-profiled out of the early years of the Plan (2023/24 & 2024/25) and moved back into later years.
 - ii) £17.6m of borrowing has been released from the existing Capital Plan.

Of this total £6.4m relates to the West Yorkshire Transport Fund (WYTF) where a new funding strategy has been discussed with WYCA based on phasing the A62 Cooper Bridge scheme and re-allocating funds to other WYTF projects.

A further £6m borrowing is recommended for removal from the Locality Based Unclassified Road (LBUR) scheme when Phase2 of the programme ends after 24/25. All future resurfacing, repairs or reconstruction of roads and footpaths on unclassified roads being funded from the existing Local Community Road budget (CRSTS grant of £2.95m p.a. supplemented with an annual Council baseline of £1.5m).

Other borrowing released includes:

- £1.2m New Pupil Places. The programme is now exclusively reliant on grant funds.
- £1.5m on Daisy Hill acquisitions. The budget reduces from £3.3m to £1.8m as no revenue funds are available to meet the running costs of holding and maintaining the acquired buildings. Delivery will be extended into 26/27 and 27/28.
- £0.9m One Venue development funds which supported commercial opportunities.
- The remainder of borrowing is spread across Highways Safer Roads (annual baseline reduced by £100k to £150k), Our Space grant scheme (£0.3m), Property Investment Fund (£0.4m), uncommitted Leisure management budget (£0.3m)

- iii) The District Sufficiency programme has a £37m allocation to rebuild two Special Schools, Joseph Norton Academy and Woodley School. This high-level estimate was reported to Cabinet on 5th October 2021. However, updated design and survey work, coupled with price inflation, means the allocation is under resourced and the capital review took an opportunity to reprioritise all uncommitted relevant grant (New Pupil Places, Basic Need, Additionally Resourced Provision, Satellite Provision) to increase the District Sufficiency allocation. The budget has been increased by £11.3m to £48.3m.
 - iv) Grant assumptions and spend profiles have been updated with an additional £85.5m of grant being built into the Plan. Successful Levelling Up Fund (LUF) bids were recently announced to support major improvements to the Penistone rail line (£47m), and the development of Huddersfield Open Market (£16.6m). Budget profiles are provisional and will be amended in future iterations of the plan following further intelligence on timescales of schemes. Additional grant has been built into the Plan for the Trees for Climate (£12.8m), WYTF (£5.6m), Town Centre Action Plans (£1m), and Basic Need (£0.8m).
 - v) Dewsbury was one of the towns across the UK to receive government funding as part of a new Long-Term Plan. The Long-Term Plan is for a ten year period with a £20m investment (75% capital). Once greater clarification emerges on the initiative, then the Capital Plan will be amended to reflect the investment.
- 7 Baseline capital investment supports maintenance work programmes across the Council's existing asset base, including Schools, Highways, Corporate Buildings, and transport infrastructure. All baseline capital programmes include a new financial Yr5 allocation (2028/29) based on the previous year's baseline levels. The total in 2028/29 is £11m borrowing, £17.5m grant assumption and £390k assumed ringfenced capital receipts.
- 8 Corporate Landlord Asset Investment and Compliance baseline budgets address urgent and essential condition, health and safety and legislative issues within the Council's portfolio of land and buildings (328 operational buildings and 120 commercial buildings). The recent refurbishment of Civic Centre I was financed by utilising Corporate Landlord's future years baseline allocations (£6.3m p.a.) to match CCI spend. The result is a shortfall in Corporate Landlord's budget of £9.7m which creates a risk to the maintenance of our Core Estate and the delivery of a Corporate Asset Strategy. The proposal is to re-establish the £6.3m

baseline across all years which requires resources being added back across 2025/26 – 2027/28.

- 9 As part of the review, the Capital Assurance Board considered any investment needs requiring prioritisation for inclusion in the overall Capital Programme. A capital scoring matrix was developed, see Appendix i, and piloted on each new investment proposal to calculate a weighted score. The proposals supported by CAB for approval are outlined below and total £36.676m. The intention is to rollout the above methodology in 2024/25 and apply it across the overall Capital Programme to inform any further prioritisation reviews.

Table 3 – New Investment Proposed for Inclusion in the Overall Multi-Year Capital Plan

Project/Programme	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29+ £m	Total £m
Adults- Integrated Care Management System (Mosaic)	£0.110	£0.275				£0.385
Waste Procurement & Depot Strategy	£3.500	£2.760	£1.401	£2.018		£9.679
Transport – Optimising Vehicle Replacement		£6.076	£1.503	£1.801	£17.232	£26.612

- 10 The above schemes are fully funded from borrowing with a revenue cost (interest and repayment of debt) of £0.1m, £0.5m, £1.0m in 2024/25, 2025/26, and 2026/27 respectively. The revenue costs are taken into consideration in the 2024/25 and future years Revenue Budget.
- 11 Mosaic is the replacement case management system to Care First. The £0.39m is additional budget to an existing allocation in the Capital Plan. The implementation date slipped from September 2023 to February 2024 which incurs increased external contractor spend and system development costs are now expected to continue post ‘go live’. The system will promote efficiency, ease compliance, improve service user outcomes, improve data quality and performance management. The investment will ensure sufficient delivery and development capacity is maintained to successfully implement the new system.
- 12 The annual capital baseline of £1.25m for Vehicle Replacement has limited Transport Services ability to replace vehicles surpassing their optimal operational lifespan. The additional investment is sought to enable ‘critical fleet’ to operate on an optimised vehicle replacement programme whilst the remainder of the fleet is managed within the existing £1.25m p.a. baseline. ‘Critical fleet’ comprises of Refuse Collection Vehicles (RCVs) and Highways Heavy Goods Vehicles (HGVs). The Useful Economic Life of a vehicle is usually 7-9yrs.
- 13 Transport Services are currently carrying out a council-wide full review of how services utilise the fleet. The aim is to ensure the fleet is fit for purpose, utilised to its full potential and to identify savings through realigning assets, reducing vehicle hires and fleet reduction where feasible.
- 14 The Kirklees Resources and Waste Strategy was approved by Full Council on 8th September. It outlines future requirements for waste treatment, processing, and services infrastructure to enable delivery of our ambition up to 2030. The proposed £9.679m investment includes initiatives that build on the Deed of Variation interim contract arrangements agreed by Cabinet on 21st September 2021. The additional spend is focused on securing a further 3-year extension to the contract (2028) with commitments to continue to invest in EfW maintenance (Energy from Waste plant) as well as removing old and

obsolete infrastructure to ensure the EFW and MRF (Materials Recycling Facility) continue to operate effectively both now and into the new contract. A small element of investment is required due to a change in law over emissions and waste composition.

- 15 Responsibilities relating to food waste and Extended Producer Responsibility (EPR) will require the introduction of glass, mixed plastic, and food waste collections in the future. A depot strategy is needed as capacity is already limited at our existing depots prior to the above requirements. £3m of the £9.679m total is earmarked for feasibility studies and detailed design work of potential sites that will enable the Council to fulfil these future responsibilities.
- 16 The Capital Assurance Board also reviewed and supported 2 proposals to drawdown funds from the existing Strategic Acquisition Fund. £0.55m drawdown is proposed towards the consolidation of property interests at Alder Street, Huddersfield. The strategic acquisition of 33 and 39 Alder Street units would consolidate the Council's ownership of the whole depot site, giving the Council full control and providing greater flexibility should we continue to operate from the site or provide more options in terms of future redevelopment or increased desirability as a possible sale of the whole. Also £0.3m drawdown is required towards the purchase of units at Fenton Square to support post-care accommodation for vulnerable care leavers. The structured accommodation will assist care leavers to then graduate on to successful tenancies.
- 17 The Capital Assurance Board highlighted a couple of projects as being capital pipeline schemes at this stage due to their limited maturity and need for further development. The projects are a potential EfW turbine replacement (links to Waste Disposal Contract Procurement) and Depot sites (links to Waste Strategy). Pipeline schemes will be kept under regular review.

Housing Revenue Account (HRA)

- 18 The HRA is a ringfenced account where the main source of income is from rents and service charges and provides for investment for the circa 21,000 council properties owned and managed by Kirklees Council. The aim is to ensure that properties are safe and secure, with a focus on building safety and providing a fuel-efficient sustainable home for tenants and leaseholders to live in. A detailed review of capital planned work requirements has been carried out, which identified a backlog of works totalling £125m and the need to invest an additional £71.2m, net amount over the next ten years (Total cost of £383.3m). This supports the revised Asset Strategy being reported to Cabinet in March 2024. The investment is financed through the Major Repairs Reserve (MRR) and revenue contributions to capital outlay (RCCO) from the HRA, with any shortfall being financed through new borrowing. The plan assumes a reduction in the resources allocated for new build property and development activity in order to support the Asset Management plan.
- 19 The baseline capital plan budget provides for component replacements based on lifecycles in line with the Decent Homes Standard requirements and works are prioritised on a worst first basis, based on the stock condition data held. There will be a rolling programme to carry out stock condition surveys to ensure that 20% of stock is annually reviewed. Budgets have also been provided for general building safety works, works to six storey blocks, low rise blocks and retirement living schemes. The fuel poverty budget is to address fuel efficiency and carbonisation, and resources will be matched by grant funding. The council continues to provide funding to support adaptations to properties, based on need which is supported by funding from Disability Facilities Grant (DFG).

20 For strategic priorities, budgets have been provided for Housing Growth and Council House building which will increase the number of properties available to let, but budgets have only been provided for any new build or development work which has already been committed to support the requirements to carry out planned works to support the asset management plan. Budgets have been provided for the demolition of the two high rise blocks at Berry Brow and for remodelling the scheme, refurbishment of Buxton House and to carry out building safety works on all high-rise blocks including Harold Wilson Court. The plan provides for the development of an extra care scheme of 50 homes at Ash View and for the replacement of the housing management system. A full breakdown of the HRA Capital Plan is included at Appendix iii of this report.

21 **Description of Major Schemes**

Despite constrained budgets, continuing to invest in our area remains vital to grow our economy. We are investing for the long-term and want to ensure people, businesses, and other partners have confidence that we will deliver. We remain focussed on realising our long-standing priorities. Regenerated towns and villages, better transport connections, and stronger skills can all support a more productive, sustainable, and inclusive economy, leading to a better quality of life for our citizens.

Some of the major capital projects / programmes of work that are incorporated into the Authority's capital programme are identified below, with budget allocations for these schemes are included at Appendix iii:

Schools Sufficiency / SEND

- On SEND, we will continue to focus on working with schools to expand capacity. We are now working with schools to inform how we re-build two of our special schools (Joseph Norton Academy and Woodley School and College). Following the external expert review of Mainstream High Needs Funding, we will continue to use a joint approach with schools to implement the findings.

West Yorkshire plus Transport Fund (WY+TF) programme

- Improvements to junctions, roads, bus infrastructure, active travel, and trees and planting along our road network, including the A62 Leeds Road smart corridor (delivered) and A629 between Huddersfield and Ainley Top (revised planning permission secured).

Transforming Cities Fund plan

- Works worth more than £4m on Heckmondwike Bus Station will commence in 2024. The West Yorkshire Combined Authority is also continuing with their transformation of Dewsbury Bus Station.

Housing Growth Plan

- We will continue work on the housing growth programme, aiming to deliver 2,124 units to be delivered by 2030. At Dewsbury Riverside, we will appoint a master developer for the site. At Fenay Lane in Almondbury, we have agreed to move forward with sale of the land to a housing provider for development, potentially delivering up to 160 homes. We will select a provider that shares our development priorities.

George Hotel

- Work continues on the iconic George Hotel, bringing the building back into use as a hotel.

Huddersfield and Dewsbury Town centre Action Plans and Regeneration and Greening of Smaller Towns and Villages

- Moving quickly to transform Huddersfield Market, supported by £16.6m secured from government
- Continue to work with the Dewsbury Town Deal Board and others to confirm plans for £20m of new government investment in Dewsbury. This will be built into the capital plan when confirmed
- Develop options and engage the community on schemes as part of the £12m levelling up funding secured from government for regeneration in Batley
- In Cleckheaton, we will develop designs for Savoy Square and an Improved Greenway Link.
- Working in partnership with landowners, architects, and the community to explore options to bring Marsden's New Mills back in to use as part of the levelling up funding secured and to develop a longer-term plan for Marsden.

Cultural Heart

- Beginning construction on the first phase of the Cultural Heart in summer 2024, which when complete will provide a new food hall and modern library along with a brand-new outdoor public square.

Huddersfield Decentralised Energy Network (HDEN)

- Continued to progress with the commercialisation stage for the Huddersfield District Energy Network (HDEN), due for completion in 2026, supported by £8.2 million awarded in November 2022.

Technology Strategy

- The Technology Strategy has delivered on several fronts, much of which is funded with the technology refresh capital plan which has been reprofiled for the medium term to include the refresh and redesign of the data network, the reprofile of laptop replacements and the refresh of technology in our data centre.
- A technology board has been established in each of the four Council directorates to provide cross organisation peer challenge on all strategic investments, including technology fit, strategic fit, corporate priority, investment profile, benefits and return on investment. The formation of these boards gives the council the opportunity to allocate capital resource at a corporate level and hold a tight grip on the governance of capital investments and managing cost to change, particularly around changes to major systems such as ERP and Social Care over the longer term.
- The Strategy provides a long term capital allocation to fund a seven year rolling plan, with all technology investments funded from a single source that is backed by a single view of priorities and resources to deliver those changes.

Pipeline – Waste Strategy, Vehicle Replacement etc.

- On waste, the focus in 2024 will be on the updated Resources and Waste Strategy and the new annual pledges agreed in October 2023. Delivery is well underway on the pledges. For example, we have rolled out additional donation points for the reuse shop, begun a recycling roadshow at events across the district, and started to install improved litter bins. By March 2024, we also expect to have begun rolling out vape collection points and opened the community grant scheme. As well as these pledges, we will work on the changes announced in the national 'simpler recycling' reforms.

CAPITAL FINANCING

How the Capital Programme is funded

The following areas of financing are available to finance the Council's capital programme:

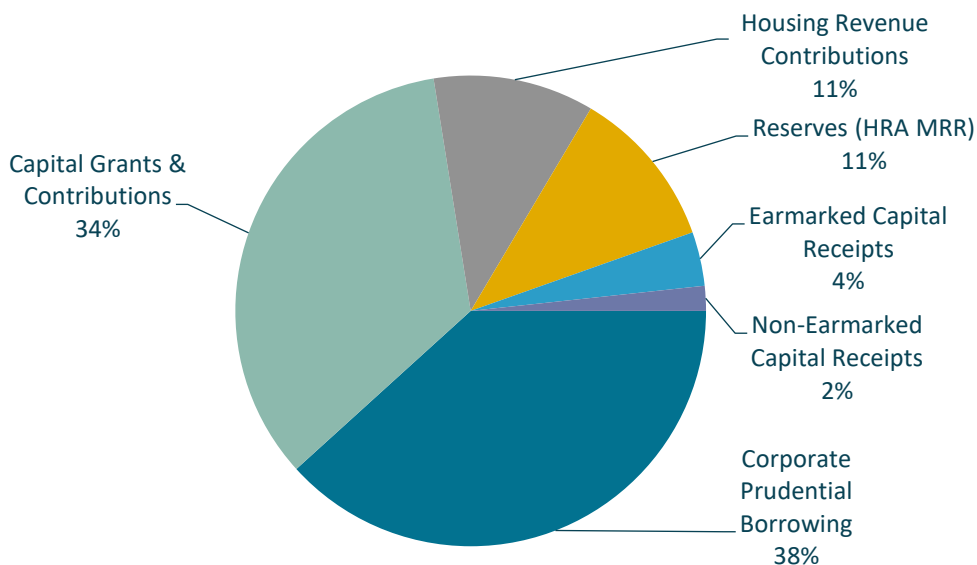
- Prudential Borrowing – the Council is permitted to set within its “prudential Indicators” a level of borrowing that can be obtained to fund capital expenditure. This borrowing has revenue implications for the Council in the form of borrowing costs, and the Council must be satisfied that this borrowing is used to fund projects that are prudent, sustainable and affordable.
- Government Grants and other external Contributions – Typically these are received to enable the Council to focus resources on central government priorities. The grants have conditions attached so spending must focus on the area concerned and sometimes will only be given if the Council can also commit its own resources. The largest form of capital funding comes through as external grant allocations from central government departments such as the Department for Transport and Department for Education.
- Housing Revenue Account Major Repairs Reserve (MRR) – Councils with an HRA must have a Major Repairs Reserve. The Major Repairs Reserve is used to build up capital sums that can be used to finance the capital programme and repayment of housing debt.
- Revenue Funding – The Council can use revenue resources from both the General Fund and the HRA to fund capital projects on a direct basis. Due to austerity pressures on the revenue budget this is only used occasionally.
- Capital Receipts – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. Part of the proceeds from the sale of Council Dwellings must be earmarked for affordable housing supply.

As part of the Budget Update, the overall Council Capital Plan funding has been assessed and is summarised in Table 2 below:

Table 2 – Overall Multi-Year Capital Funding Summary

	23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	28/29 - 31/32 £m	Total £m
Capital Grants / Contributions	89.5	134.5	76.4	41.2	54.0	86.9	482.5
Earmarked Capital Receipts	9.4	10.0	10.2	21.2	1.0	0.4	52.2
HRA Revenue Contributions/ Reserves	12.6	23.6	25.0	28.1	24.3	42.6	156.2
HRA MRR	15.9	20.6	20.7	20.7	20.7	63.0	161.6
Revenue Contributions (General Fund)	0.2	0.1	0.3	0.2	0.0	0.0	0.8
Non-Earmarked Capital Receipts	4.0	4.0	4.0	4.0	4.0	4.0	24.0
Corporate Prudential Borrowing	77.2	80.4	116.0	71.3	37.4	156.0	538.3
TOTAL	208.8	273.2	252.6	186.7	141.4	352.9	1,415.6

A visual representation of the Council's capital resources



Debt repayment

Borrowing is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). This revenue provision spreads the cost of repaying the debt for an asset over the useful economic life of the asset (in accordance with Ministry of Housing, Communities and Local Government guidance). This is done in accordance with the annual MRP Policy Statement which is approved by Council each year as part of the budget process and is set out in the Council's Treasury Management Strategy which is appended at Appendix I to the Council's 2024-29 Annual budget report.

Alternatively, proceeds from selling capital assets (known as capital receipts) or loan fund repayments may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3 - Replacement of prior years' debt finance

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Minimum Revenue Provision (MRP) (underlying cost)	23.0	19.7	20.4	22.0
Minimum Revenue Provision (MRP) (saving within current financing policy)	(6.5)	(15.2)	(10.8)	(10.7)
Minimum Revenue Provision (MRP) (unwind of over-provision)	(13.6)	(0.1)	(0.0)	(0.0)
Capital receipts - loan repayments	1.2	1.2	1.4	1.4
TOTAL	4.1	5.6	11.0	12.7

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 CFR is estimated to increase by £39.9m during 2024/25. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4 - Prudential Indicator: Estimates of Capital Financing Requirement

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund CFR- Non PFI	666.0	706.7	769.7	805.1
General Fund CFR- PFI	33.6	31.3	28.8	26.4
HRA CFR- Non PFI	165.3	169.3	176.7	181.4
HRA CFR- PFI	40.6	38.1	35.3	32.4
TOTAL CFR	905.5	945.4	1010.5	1,045.3
Less: PFI debt liabilities	74.2	69.3	64.1	58.8
Less: Other deferred liabilities	3.5	3.5	3.5	3.5
TOTAL Borrowing CFR	827.8	872.6	942.9	983.0

Prudential borrowing and debt – revenue budget implications

The Council's capital plan must be sustainable in the long term through revenue support by the Council or its partners. All capital investment decisions consider the revenue implications, both in terms of servicing the finance and running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFP, and the Section 151 officer's positive assurance statement sets out the broad assumptions underpinning current borrowing affordability, at paragraph 2.17 of the Council Budget Report 2024/25.

The affordability of the capital programme can be assessed from the Prudential Indicators of the Council for the next 3 years which are set out in Appendix ii of this report.

STRATEGIES AND POLICIES

In addition to this Capital Strategy, several other Council strategies and policies relate directly to capital expenditure and financing:

Asset Management and Asset Disposals

Asset management: To ensure that capital assets continue to be of long-term use, the Council utilises an electronic database, the 'Council Corporate Asset Management Plan (K2)' which contains detailed information about all of its assets. The Council also has in place a Disposals and Acquisition Policy, which sets out the principals, internal procedures and legal framework for asset disposals. Assets which are surplus to requirements are highlighted for potential disposal. These are reviewed at the Asset Governance Board to consider potential alternative corporate use prior to disposal.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

Treasury Management Strategy

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loan Board.

Full details of the Council's Treasury Management Strategy are set out in Appendix J in the Council's Budget Report.

Treasury Investment Strategy

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments

may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Further details on treasury investments are highlighted in the Treasury Management Strategy appended at Appendix J to the Council's annual 2024-27 budget report

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to a variety of organisations, mainly local businesses, the local education college and local residents to support local public services and stimulate local economic growth.

Further details on service investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix I in the Council's Budget Report).

Commercial Activities

With central government financial support for local public services declining, the Council invests in commercial property mainly for financial gains. Total commercial property investments are valued at £21.8 million.

Further details on commercial investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix J in the Council's Budget Report).

Liabilities

In addition to the capital financing debt detailed above, the Council is committed to making future payments to cover its PFI finance lease obligation (total liability of all schemes £78.1 million, offset by a net book value of assets of £97.4 million). It has also set aside provisions of £13.6 million to cover risks associated with Business Rates Appeals and the Council's Insurance Fund. The Council is also at risk of having to pay for a number of contingent liabilities (which are separately disclosed each year in the Statement of Accounts) and is satisfied that any potential future liabilities are covered as part of its overall financial resilience reserves.

Decisions on incurring new discretionary liabilities are taken by Strategic Directors in consultation with the Service Director Finance and in conjunction with the Council's Financial Procedure Rules. The risk of liabilities crystallising and requiring payment is monitored by central finance and any new liabilities would be reported appropriately.

Flexible Capital Receipts Policy

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.

This allows the Council to fund expenditure with capital receipts that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in such a way that reduces costs or demand for services in future years.

The Council will use the powers under the DCLG guidance on the flexible use of capital receipts to fund up to £4m qualifying transformation expenditure in 2023/24 and £4m in 2024/25. Full details are set out in Appendix G to the Council Budget report.

GOVERNANCE

Governance: The Council's annual planning cycle fully integrates the timetabling and consideration of revenue and capital resource requirements over the Council's medium term financial plan. This includes provision for Strategic Directors to submit outline bids for inclusion in the Council's capital plan. Bids are collated by corporate finance, who advise Strategic Directors on both the financing costs (which can be nil if the project is fully externally financed) and service revenue implications.

The Capital Assurance Board appraises business cases based on an assessment of Council priority outcomes, funding availability and affordability, and makes recommendations to Executive Leadership Team. There are a number of sub-officer groups with relevant specialist expertise that are also involved in shaping capital proposals for submission to the Capital Assurance Board. These include the children's capital board, the adult's capital delivery and oversight board, the major projects board, and town centre programme board..

The final multi-year capital plan is then considered in the corporate member arena to Cabinet in January/February and to Council in February/March each year.

Council Financial Procedure Rules also set out the specific financial governance requirements for consideration with regards the Council's capital investment. This includes the requirement for any schemes approved by Council at Programme level, to be considered subsequently for Cabinet approval through submission of a more detailed business case as required.

RISK MANAGEMENT

The Council is exposed to a range of broad areas of risks when undertaking capital investment :

- **Financial risks** relate to risk arising from the investment in the Council's assets, cash flow, market volatility, currency etc.
- **Macroeconomic risks** relate to risk around the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.
- **Credit and counterparty risks** relate to risk arising from investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** relate to operational exposures within the organisation, its counterparties, partners and commercial interests.
- **Strategic risks** relate to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** relate to risks around the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** relate to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** relate to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

The Council aims to minimise its exposure to risk through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk, governance risk and currency risk and where possible would avoid these risks.

KNOWLEDGE AND SKILLS

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director – Finance is a qualified accountant with extensive local government experience, the Strategic Director – Growth and Regeneration has experience of major Council regeneration schemes and partnerships with major business and third party partners, as do key Service Directors. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACA and AAT.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

APPENDIX K(i)

Prioritisation Matrix for Capital Schemes

CRITERIA	Scoring Method		Weighting
Statutory / Legal / Health & Safety Duties		Does the project contribute to fulfilling a genuine statutory function? Is there a legislative requirement which underlies the project? Is there a Health & Safety need?	
	10	Project has a specific immediate statutory or legal requirement and/or has immediate health and safety need	30%
	5	Services based on statutory/health and safety duties, but there is some degree of discretion about how the function is carried out	
	0	Services where the Council can exercise complete discretion, with no indication of status	
Council Plan Priorities		How does this project fit within the priorities of the Council as set out in the Corporate Plan?	
	10	Meets 3 Council Priorities	15%
	5	Meets 1 or 2 Council Priorities	
	0	Does not meet any Council Priorities	
Funding		Is a substantial proportion of the cost covered by external funding, or does the Council need to fund the scheme from its own resources.	
	10	Above 75% externally funded. Will generate a specifically identified capital receipt in excess of amount borrowed.	20%
	5	Above 25% and up to 75% external funded identified	
	0	0-25% external funding identified	
Service Impact		Where failure to provide a project will have a significant adverse impact on service delivery or managing demand for services. If the scheme is not pursued or is delayed, is there likely to be a failure of a Council service? Reputational Risk	
	10	Very High Risk – high level of impact. Essential to Council’s Core business – can’t function without it	15%
	5	Medium Risk. Loss of efficiencies/revenue or increased costs	
	0	No Risk. Doesn’t affect Council’s core business or infrastructure	
Revenue Implications		What are the ongoing revenue costs associated with the development. Are the future costs sustainable? Does the scheme produce any long-term savings for the Council e.g. reduced repairs and maintenance/energy costs?	
	10	Invest to Save scheme, delivering clear demonstrable income or revenue savings above capital charges and funding of future revenue costs identified	20%
	8	Capital charges equally offset by service savings	
	5	Some additional savings but capital charges are greater than operating costs	
	3	Capital costs are not covered but no additional operating costs identified	
	0	There are no revenue savings and no revenue funding identified, incurring both increased borrowing and operating costs	

Prudential Indicator: Estimates of Capital Expenditure across years

In 2024/25, the Council is planning capital expenditure of £273.2 million as summarised below:

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
General Fund services	163.6	215.7	188.0	122.7	91.9	92.0
Council Housing (HRA)	39.4	55.7	64.6	64.0	49.5	43.6
Capital Investments	5.8	1.8	0.0	0.0	0.0	0.0
TOTAL	208.8	273.2	252.6	186.7	141.4	135.6

Prudential Indicator: Gross Debt and the Capital Financing Requirement

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement.

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Debt (incl. PFI & leases)	761.4	801.3	866.5	901.2
Capital Financing Requirement	905.5	945.4	1,010.5	1,045.3

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the table above, the Council expects to comply with this in the medium term.

Prudential Indicator: Borrowing and the Liability Benchmark

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £30 million at each year-end. This benchmark is currently forecast at £713.7 million and is projected to rise to £868.9 million over the next three years.

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Outstanding borrowing	673.1	614.9	567.0	549.4
Liability benchmark	713.7	758.6	828.9	869.0

The table shows that the Council's current borrowing remains below its liability benchmark. The liability benchmark takes into account any reduction in reserves which is not offset with borrowing.

Prudential Indicators: Authorised limit and operational boundary for external debt

Affordable borrowing limit: 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.

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.

	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – borrowing	827.8	872.6	942.9	983.0
Authorised limit – PFI and leases	82.7	77.8	72.6	67.3
Authorised limit – total external debt	910.5	950.4	1,015.5	1,050.3
Operational boundary – borrowing	847.8	892.6	962.9	1,003.0
Operational boundary – PFI and leases	87.7	82.8	77.6	72.3
Operational boundary – Total	935.5	975.4	1,040.5	1,075.3

Further details on borrowing are highlighted in the Treasury Management Strategy appended at Appendix I to the Council’s annual 2024-29 budget report.

Prudential Indicator: 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 repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Financing costs (£m)	42.4	50.3	54.8	59.7	63.0	65.0
Proportion of net revenue stream	11.8%	14.1%	14.6%	15.2%	15.3%	15.1%
General Fund (excl PFI)	10.9%	12.4%	13.0%	13.7%	13.7%	13.6%
HRA	30.8%	30.7%	31.6%	31.9%	31.9%	32.2%
HRA (excl PFI)	30.1%	30.1%	31.3%	31.8%	32.1%	32.6%

Further details on the revenue implications of capital expenditure are detailed in the Council’s annual 2024-29 budget report.

Prudential Indicator: Net income from commercial and service investments to net revenue stream

	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Total net income from service and commercial investments	1.6	1.9	1.9	1.9
Proportion of net revenue stream	0.5%	0.5%	0.5%	0.5%

Further details on service and commercial investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix I in the Council's annual 2024-29 budget report).

Capital Plan Expenditure Summary

Capital Plan Expenditure Summary	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29- 2031/32 £'000	Total £'000
General Fund:							
Aspire & Achieve	13,795	21,808	32,584	11,458	4,611	3,000	87,256
Best Start	1,013	1,618	50	0	0	0	2,681
Independent	7,807	3,396	4,550	4,650	1,322	0	21,725
Sustainable Economy	117,072	166,603	133,403	99,442	75,982	236,531	829,033
Well	3,060	3,468	1,922	1,453	700	0	10,603
Safe & Cohesive	49	49	0	0	0	0	98
Clean & Green	21,155	14,894	14,158	4,481	8,412	2,150	65,250
Efficient & Effective	5,476	5,630	1,320	1,236	876	1,094	15,632
General Fund Capital Plan	169,427	217,466	187,987	122,720	91,903	242,775	1,032,278
Housing Revenue Account:							
Independent - Strategic Priorities	18,269	20,450	31,379	25,550	10,940	10,410	116,998
Independent - Baseline	21,099	35,277	33,204	38,469	38,595	99,676	266,320
HRA Capital Plan	39,368	55,727	64,583	64,019	49,535	110,086	383,318
TOTAL EXPENDITURE	208,795	273,193	252,570	186,739	141,438	352,861	1,415,596

Capital Plan Funding Summary

General Fund Funding Summary	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29- 2031/32 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	84,975	132,767	75,270	36,955	49,466	82,393	461,826
Earmarked Capital Receipts	5,023	5,440	2,990	16,691	990	390	31,524
Service Funded Prudential Borrowing	13,050	8,200	7,626	100	140	2,050	31,166
Revenue Contributions	231	50	248	248	0	0	777
<i>Pooled Resources</i>							
Non-Earmarked Capital Receipts	4,000	4,000	4,000	4,000	4,000	4,000	24,000
Corporate Prudential Borrowing	62,148	67,009	97,853	64,726	37,307	153,942	482,985
GENERAL FUND FUNDING	169,427	217,466	187,987	122,720	91,903	242,775	1,032,278



Housing Revenue Account Funding Summary	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29- 2031/32 £'000	Total £'000
Capital Grants/Contributions	4,510	1,772	1,107	4,288	4,502	4,542	20,721
Earmarked Capital Receipts	4,360	4,512	7,240	4,500	0	0	20,612
Reserves / Revenue Contributions	12,615	23,628	24,976	28,081	24,273	42,569	156,142
Reserves - MRR	15,873	20,613	20,760	20,760	20,760	62,975	161,741
Corporate Prudential Borrowing	2,010	5,202	10,500	6,390	0	0	24,102
HRA FUNDING	39,368	55,727	64,583	64,019	49,535	110,086	383,318


Multi-Year Capital Plan

Appendix K(iii)



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
ASPIRE & ACHIEVE									
	Strategic Priorities								
	New Special School for Woodley @ Almondbury	B/G	301	5,062	15,988	4,569	1,078	0	26,998
	New Special School for J.Norton @ Deighton	B/G	1,076	8,005	11,821	356	0	0	21,258
	District Sufficiency	T	1,377	13,067	27,809	4,925	1,078	0	48,256
	Additionally Resourced Provisions / Satellite Provisions	G	1,450	1,351	0	0	0	0	2,801
	Brambles Primary Academy	G	775	0	0	0	0	0	775
	King James High School	G	260	0	0	0	0	0	260
	Scissett Middle School	S106	116	0	0	0	0	0	116
	Birkby Junior Expansion	G	6	0	0	0	0	0	6
	North Huddersfield Trust School	G	1,024	1,700	450	0	0	0	3,174
	Manor Croft Academy	G/ Cont	780	0	0	0	0	0	780
	Thornhill Community Academy	G	268	300	0	0	0	0	568
	<i>New Pupil Places in Primary/Secondary Schools</i>	T	3,229	2,000	450	0	0	0	5,679
	<i>Libraries & Public Buildings</i>	T	85	207	75	3,033	283	0	3,683
	Strategic Priorities Total		6,141	16,625	28,334	7,958	1,361	0	60,419

GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
ASPIRE & ACHIEVE									
	Baseline								
	Basic Need	G	52	50	0	0	0	0	102
	Capital Maintenance	G	6,174	3,933	3,100	2,900	2,700	2,500	21,307
	Devolved Formula Capital	G	1,396	1,200	1,150	600	550	500	5,396
	Baseline Total		7,622	5,183	4,250	3,500	3,250	3,000	26,805
One Off Projects									
	SEND Provision	G	32	0	0	0	0	0	32
	One Off Projects Total		32	0	0	0	0	0	32
	ASPIRE & ACHIEVE TOTAL		13,795	21,808	32,584	11,458	4,611	3,000	87,256
BEST START									
	Strategic Priorities								
	Homes for Children	B	385	442	0	0	0	0	827
	Homes for Children (Magdale House)	B	190	0	0	0	0	0	190
	Childrens Home - Healds Road	B	270	0	0	0	0	0	270
	Our Space Grant Scheme	B	118	0	0	0	0	0	118
	Young Peoples Activity Team Reprovision - Ravensthorpe	B	50	1,176	50	0	0	0	1,276
	Strategic Priorities Total		1,013	1,618	50	0	0	0	2,681
	BEST START TOTAL		1,013	1,618	50	0	0	0	2,681



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
INDEPENDENT									
Strategic Priorities									
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	10	25	0	0	0	0	35
	Knowl Park House	B	5,172	223	0	0	0	0	5,395
	Mill Dale and Crescent Dale	B	500	2,000	0	0	0	0	2,500
	Red Laithes Court	B	95	0	0	0	0	0	95
	Day Services Support for Vulnerable Adults	B	100	400	4,500	4,500	1,322	0	10,822
	Strategic Priorities Total		5,877	2,648	4,500	4,500	1,322	0	18,847
One Off Projects									
	Adults Social Care Operation – Assistive Technology (I.T.)	G/B	290	50	50	150	0	0	540
	Carephones - Digital Switchover	B	648	423	0	0	0	0	1,071
	Carefirst System Replacement (Mosaic)	B	882	0	0	0	0	0	882
*	Carefirst System Replacement (Mosaic)	B	110	275	0	0	0	0	385
		T	992	275	0	0	0	0	1,267
	One Off Projects Total		1,930	748	50	150	0	0	2,878
	INDEPENDENT TOTAL		7,807	3,396	4,550	4,650	1,322	0	21,725

Multi-Year Capital Plan


Appendix K(iii)




GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
	Strategic Priorities								
	West Yorkshire plus Transport Schemes:								
	A62 to Cooper Bridge Corridor Improvements	G	500	500	1,500	1,500	10,000	37,387	51,387
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	90	0	0	0	0	0	90
	A629 Halifax Road Phase 5	G	1,615	6,493	1,263	81	0	55	9,507
	UTMC Urban Traffic Management	G	78	0	0	0	0	0	78
	Huddersfield Southern Corridors (including Queensgate)	G	2,221	14,581	2,137	380	0	0	19,319
	North Kirklees Orbital Route (NKOR)	G	42	0	0	0	0	0	42
	Corridor Improvement Programme:								
	Holmfirth Town Centre Access Plan	G	2,282	7,324	3,132	15	4	1	12,758
	A62 Smart Corridor	G	6,000	736	0	0	0	0	6,736
	CityConnect:								
	CityConnect Cooper Bridge	G	9	0	0	0	0	0	9
	CityConnect Huddersfield Town Centre	G	5	0	0	0	0	0	5
	Huddersfield Station Gateway Phase 1	G	22	119	89	72	0	0	302
	A641 Bradford Rd - Bradford/Brighouse/Hudds	Cont	100	100	100	100	0	0	400
	<i>West Yorkshire plus Transport Schemes</i>	T	12,964	29,853	8,221	2,148	10,004	37,443	100,633

GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
	Strategic Priorities								
	Emergency Active Travel	G	691	0	0	0	0	0	691
	Transforming Cities Fund:								
	<i>Rail-Bus Better Connected Stations:</i>								
	Huddersfield Rail Station Access	B	451	0	0	0	0	0	451
	<i>TCF Main scheme:</i>								
	Heckmondwike Bus Station	G	2,000	1,908	0	0	0	0	3,908
	Dewsbury/Cleckheaton Sust Travel Corridor	G	750	8,250	1,454	0	0	0	10,454
	Dews TC Walking & Cycling Imps	G/B	500	5,750	4,521	0	0	0	10,771
	Huddersfield Rail Station Access	G/B	650	6,100	8,161	0	0	0	14,911
	A629 Wakefield Rd Sust Travel Corridor	G	158	0	0	0	0	0	158
	Huddersfield Bus Station	G/B	260	4,340	2,412	0	0	0	7,012
	Dewsbury/Batley/Tingley Sus Travel Corridor	G/B	1,000	4,000	1,103	0	0	0	6,103
	<i>Transforming Cities Fund</i>	T	5,769	30,348	17,651	0	0	0	53,768
	Integrated Transport & Active Travel	G/B	553	20	20	20	20	20	653
	Flood Management and Land Drainage	B/G /S278	684	475	0	0	0	0	1,159
	Transpennine Route Upgrade (Network Rail)	G	385	200	200	200	200	200	1,385
	Penistone Line Rail Upgrade	G	0	500	10,000	10,000	10,000	17,417	47,917





GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
Strategic Priorities									
	Aspirational Regeneration of Major Town Centres - Feasibility	B	30	42	0	0	0	0	72
	<i>Regeneration of Strategic Town Centres - Huddersfield :</i>								
	Holding pot	B	65	20	0	0	0	0	85
	<u>Huddersfield Town Centre Schemes</u>								
	Huddersfield TC - Shop Front Grants	B	302	400	31	0	0	0	733
	The Northumberland Street Regeneration Project	B	125	125	435	0	0	0	685
	Huddersfield Open Market Regeneration Market	G	0	100	500	1,000	5,000	10,050	16,650
	Huddersfield TC Design Framework	B	62	0	0	0	0	0	62
	Cultural Interventions - Growing Seeds	B	9	0	0	0	0	0	9
		T	498	625	966	1,000	5,000	10,050	18,139
	The George Hotel HAZ Scheme	G	116	322	0	0	0	0	438
	The George Hotel	B*	12,455	7,750	0	0	0	0	20,205
	Estate Buildings HAZ Scheme	B/G	3,791	0	0	0	0	0	3,791
		T	16,362	8,072	0	0	0	0	24,434
	<u>Huddersfield Public Realm Works</u>								
	New Street Public Realm Development	B	3,687	13	0	0	0	0	3,700
	New Street Public Realm Development	B	34	30	30	0	0	0	94
	Refurb of 2 New Street, Huddersfield	B	16	0	0	0	0	0	16
	Huddersfield Public Realm Works	T	3,737	43	30	0	0	0	3,810



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
	Strategic Priorities								
	Public Realm - Golden Route	B/G	649	326	20	0	0	0	995
	Huddersfield Town Centre	T	21,311	9,086	1,016	1,000	5,000	10,050	47,463
	<i>Regeneration of Strategic Town Centres – Dewsbury:</i>								
	Better Spaces Strategy:								
	BS Phase 2 - Town Park	B/R/G	100	150	3,098	3,152	0	0	6,500
	BS Phase 2 - Public Art	B	22	0	0	0	0	0	22
		T	122	150	3,098	3,152	0	0	6,522
	Heritage Action Zone	B/G	210	2,898	0	0	0	0	3,108
	Daisy Hill Neighbourhood	B/R/G	909	300	200	1,480	700	0	3,589
	Dewsbury Market Upgrade	B/R/G	300	1,500	10,690	7,543	0	0	20,033
	The Arcade	B/G	1,100	5,774	0	0	0	0	6,874
	Fibre Capability	G/R	296	0	0	0	0	0	296
	Construction Skills Village	G/R	197	2,050	0	0	0	0	2,247
	Creative Culture	G	35	459	1,090	0	0	0	1,584
	Sustainable Transport	G	1,318	0	0	0	0	0	1,318
	Building Revival	G/B	1,090	1,487	873	708	0	0	4,158
	Dewsbury Town Centre	T	5,577	14,618	15,951	12,883	700	0	49,729
	<i>Town Centre Action Plans</i>	T	26,918	23,746	16,967	13,883	5,700	10,050	97,264

Multi-Year Capital Plan


Appendix K(iii)

GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
	Highways continued:								
	Developer Funded Schemes	s278	624	0	0	0	0	0	624
	<i>Highways Integrated Transport</i>	T	3,726	2,140	2,140	2,140	2,140	2,140	14,426
	<i>Highways Total</i>	T	24,321	20,886	16,540	15,224	12,724	13,455	103,150
	Corporate Landlord Asset Investment	B	10,397	7,883	4,300	4,300	4,300	4,300	35,480
	Corporate Landlord Compliance	B	1,321	1,000	1,450	1,000	1,000	1,000	6,771
	<i>Corporate Landlord</i>	T	11,718	8,883	5,750	5,300	5,300	5,300	42,251
	Corporate Landlord Suitability Programme	B	897	1,500	1,495	1,000	1,000	1,000	6,892
	Sustainability of Huddersfield Town Hall - Conditions	B	2,259	100	800	100	0	0	3,259
	<i>Corporate Landlord Asset Strategy Review</i>	T	3,156	1,600	2,295	1,100	1,000	1,000	10,151
	Bereavement	B	295	0	0	0	0	0	295
	Burial Provision	B	100	300	100	0	0	0	500
	<i>Bereavement</i>	T	395	300	100	0	0	0	795
	School Catering	B	294	200	200	200	200	400	1,494
	Vehicle Replacement Programme	B	4,745	566	1,688	0	0	1,250	8,249
*	Fleet Strategy & Optimising Vehicle Replacement	B	0	0	6,076	1,503	1,801	17,232	26,612
	<i>Vehicle Replacement</i>	T	4,745	566	7,764	1,503	1,801	18,482	34,861
	Baseline Total		49,120	36,585	36,800	27,619	25,175	42,787	218,086



Multi-Year Capital Plan


Appendix K(iii)



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
SUSTAINABLE ECONOMY									
	One-Off Projects								
	UKSPF Digital Hub / New to English / HWI Thrive	G	24	72	0	0	0	0	96
	UKSPF CCTV	G	500	0	0	0	0	0	500
	Housing (Regeneration)	R	24	0	0	0	0	0	24
	Strategic Asset Utilisation	B	977	55	15	0	0	0	1,047
	Operational Services Asset Mngt	B	158	1,126	276	276	0	0	1,836
	Asset Management Property Database	B	120	49	49	50	50	0	318
	Changing Places	G	189	122	0	0	0	0	311
	Leeds City Region Revolving Fund	B	0	550	661	0	0	0	1,211
	School Catering - Compliance Essential Works	B*	150	100	100	100	140	0	590
	Ward Based Activity	B	5	0	0	0	0	0	5
	One-Off Projects Total		2,147	2,074	1,101	426	190	0	5,938
	SUSTAINABLE ECONOMY TOTAL		117,072	166,603	133,403	99,442	75,982	236,531	829,033



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
WELL									
	Strategic Priorities								
	Huddersfield Leisure Centre	B	4	0	0	0	0	0	4
	Strategic Priorities Total		4	0	0	0	0	0	4
	Baseline								
	Kirklees Active Leisure	B*/ B	332	150	0	0	0	0	482
	Play Strategy	B/G S106	2,724	3,318	1,922	1,453	700	0	10,117
	Baseline Total		3,056	3,468	1,922	1,453	700	0	10,599
	WELL TOTAL		3,060	3,468	1,922	1,453	700	0	10,603
SAFE & COHESIVE									
	One Off Projects								
	UKSPF Violence against Women	G	49	49	0	0	0	0	98
	One Off Projects Total		49	49	0	0	0	0	98
	SAFE & COHESIVE TOTAL		49	49	0	0	0	0	98



GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
CLEAN AND GREEN									
	Strategic Priorities								
	Waste Strategy	B	580	334	43	535	0	0	1,492
	Waste Management Plant/ Infrastructure	B	2,084	1,897	2,539	801	0	0	7,321
	Waste Procurement & Depot Strategy:								
*	Contract Extension	B	0	0	2,690	1,401	2,018	0	6,109
*	Legislation requirements	B	0	500	70	0	0	0	570
*	Proposed Depot (feasibility)	B	0	3,000	0	0	0	0	3,000
		T	0	3,500	2,760	1,401	2,018	0	9,679
	Climate Emergency - Green Travel	B	130	429	428	0	0	0	987
	Air Quality	B	50	200	28	0	0	0	278
	Huddersfield Heat Network	G/B/ B*	1,076	7,200	7,526	0	0	2,050	17,852
	Trees for Climate Programme	G	16,852	1,234	734	1,644	6,294	0	26,758
	Strategic Priorities Total		20,772	14,794	14,058	4,381	8,312	2,050	64,367
	Baseline								
	Environment & Strategic Waste	B	101	100	100	100	100	100	601
	Baseline Total		101	100	100	100	100	100	601
	One Off Projects								
	Electric Vehicle Charge Points	G	282	0	0	0	0	0	282
	One Off Projects Total		282	0	0	0	0	0	282
	CLEAN AND GREEN TOTAL		21,155	14,894	14,158	4,481	8,412	2,150	65,250

Multi-Year Capital Plan

Appendix K(iii)

GENERAL FUND CAPITAL PLAN		Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
EFFICIENT AND EFFECTIVE									
Baseline									
	Information Technology	B	1,360	1,430	1,320	1,236	876	1,094	7,316
	One Venue Development	B	10	0	0	0	0	0	10
	Sustainability of Major Town Halls - Service Development	B*	106	200	0	0	0	0	306
	Baseline Total		1,476	1,630	1,320	1,236	876	1,094	7,632
One Off Projects									
	Transformation Capitalisation	R	4,000	4,000	0	0	0	0	8,000
	One Off Projects Total		4,000	4,000	0	0	0	0	8,000
	EFFICIENT AND EFFECTIVE TOTAL		5,476	5,630	1,320	1,236	876	1,094	15,632
GENERAL FUND CAPITAL PLAN TOTAL			169,427	217,466	187,987	122,720	91,903	242,775	1,032,278

FUNDING KEY:

B = Borrowing

B* = Service funded Borrowing

B** = Borrowing for provision of loans for development projects, covered by repayments

G = Grant

Cont = External contributions

R = Capital receipts

S106 = Section 106 developer contributions

* = Borrowing Addition



Multi-Year Capital Plan

Appendix K(iii)



HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 - 2031/32 £'000	Total £'000
INDEPENDENT								
Strategic Priorities								
Housing Growth	H / R	1,340	2,058	600	600	0	0	4,598
LAHF - Refugee Housing	H / G	3,500	1,200	0	0	0	0	4,700
New Build Phase 1 - Ashbrow Extra Care	H/R/ Cont/ S106	6,210	3,391	0	0	0	0	9,601
Berry Brow Remodelling	H/G	1,082	1,000	2,452	10,406	10,940	10,410	36,290
Harold Wilson Court	H	1,820	2,206	84	0	0	0	4,110
Buxton House	H	717	1,075	10,064	3,894	0	0	15,750
IT System (Universal Housing Replacement)	H	250	850	679	0	0	0	1,779
Council House Building	B/R	3,350	8,670	17,500	10,650	0	0	40,170
Strategic Priorities Total		18,269	20,450	31,379	25,550	10,940	10,410	116,998
Baseline								
Housing Capital Plan	H	12,750	17,035	17,285	19,285	19,785	62,055	148,195
Estate Improvements (Neighbourhood Investment)	H	658	958	990	1,100	1,100	3,300	8,106
Building Safety	H	1,212	1,274	1,244	1,324	1,530	4,090	10,674
Six Storey Blocks	H	1,500	7,440	3,675	6,000	5,420	13,481	37,516
Low Rise Blocks	H	250	1,500	1,500	1,500	1,500	1,500	7,750
Retirement Living Schemes	H	0	1,500	3,750	4,500	4,500	10,750	25,000
Fuel poverty	H/G	931	1,849	1,500	1,500	1,500	4,500	11,780
Adaptations	H	3,798	3,721	3,260	3,260	3,260	0	17,299
Baseline Total		21,099	35,277	33,204	38,469	38,595	99,676	266,320
HRA CAPITAL PLAN TOTAL		39,368	55,727	64,583	64,019	49,535	110,086	383,318

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

REPORT TITLE: HRA BUDGET REPORT 2024-25

H&N Improvement Board (HNIB)	13 th February 2024
Cabinet	13 th February 2024
Cabinet Member	Cllr Moses Crook Housing & Highways
Key Decision Eligible for Call In	Yes
Purpose of Report To recommend the approval of the HRA Budget for 2024-25 as part of the medium-term plan for 2024-2027.	
Recommendations <ul style="list-style-type: none"> To approve the HRA medium term plan for 2024-2027 To approve the HRA capital plan expenditure budget for 2024-31 	
Reasons for Recommendations <ul style="list-style-type: none"> To continue to provide the Housing Management and Repairs and Maintenance service delivered by Kirklees Homes and Neighbourhoods to the circa 21,700 properties owned and managed by Kirklees Council and to the tenants and leaseholders of Kirklees who live in them. 	
Resource Implications: The HRA is a ringfenced account and separate to other council budgets and so must be self-sufficient. The main source of income is its rental income which must cover its in-year revenue expenditure to achieve a balanced budget.	
Date signed off by <u>Strategic Director</u> & name	David Shepherd
Is it also signed off by the Service Director for Finance?	Isabel Brittain
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft

Electoral wards affected: All

Ward councillors consulted: No

Public or private: Public

Has GDPR been considered? Yes

1. Executive Summary

- 1.1 The Council is required to maintain a self-financing Housing Revenue Account (HRA), which is ring-fenced from the Council's other budgets and is a record of all revenue expenditure and income relating to the authority's own housing stock. It is the responsibility of all councils with an HRA to ensure it sets a balanced budget and make provision for adequate resources to invest in council properties. This is to keep tenants safe and ensure that they are living in properties that meet a decent home standard including energy efficiency which will support tenants with the cost of living.
- 1.2 The Council regularly reviews and updates the HRA business plan with the aim to produce a self-financed and balanced budget position over the 30-year plan that delivers the key objectives.
- 1.3 The main source of income for the HRA is from rents and service charges, income from leaseholder service charges and charges paid by tenants for specific services. The income is used to support the management and maintenance of the Council's circa 21,700 housing stock and is reviewed annually and is increased as required within the guidelines agreed by government. The recommendation to increase rents by 7.7% for 2024-25 was approved by Cabinet on 12th December 2023, which reported that the average rent charged would be £85.30 per week and would mean an average increase to tenants of £6.10 per week. The link to the Cabinet report is included later in the report.
- 1.4 The additional income will be used to provide additional resources for Tenant Safety, High Rise remediation and regeneration, improving the standard of the council's housing stock include thermal efficiency, decarbonising the council's housing stock and, where it is affordable, for providing new council homes. A review of capital planned works requirements has been carried out which has identified a backlog of capital works required totalling £125m and the need to invest an additional £71.2m over the next ten years, which supports the revised Asset Strategy being reported to Cabinet in March 2024. The proposed capital plan is summarised at Appendix 1
- 1.5 The medium-term financial forecast for the HRA is summarised at appendix 2 and includes a balanced budget for 2024-25 with total income of £108.26m, (income equals expenditure) and estimated budgets for 2025-26, 2026-27, 2027-28 and 2028-2029. This reports the movements in year where budgets have been increased or removed based on the demand for services to be delivered. The 2024-25 budget also assumes that savings of £3.1m will be achieved which are summarised at Appendix 4
- 1.6 The summary of reserves is reported at Appendix 3 and assumes a minimum level of reserves of £15m based on risk. These are as follows:
 - Strategic risks of £8.3m for unforeseen business risks, which may relate to regulatory requirements, government agreements for rent increases, new legislation around building safety compliance and insurance risks.
 - Operational risks of £915k relating to changes in welfare reform and provision for bad debts and
 - Finance risks of £5.8m relating to interest rate rises and inflationary increases linked to the Consumer Price Index (CPI) and Building Cost Indices (BCIS)

2. Information required to take a decision

2.1 Repairs and Maintenance

2.1.1 The proposed budget for repairs and maintenance is £30.91m, which is an increase of £584k. The anticipated savings from no longer requiring a waking watch service at Harold Wilson Court and the review of empty homes, relet times and the move to decorating vouchers, has meant that savings can be redirected to other planned investment and responsive repairs areas. There has been an additional £1.15m budget provided for works relating to damp, mould and repairs and planned works budgets have increased by £475k, primarily to provide for the planned cyclical programme and for additional costs of servicing including gas. An inflationary increase of 3% has been applied to works related budgets.

2.2 Management Costs

2.1.2 The proposed budget for Management costs is £45.57m, which is an overall management cost increase of £195k. This is broken down as follows:

- Policy and Management budgets have reduced by £522k, which relates to the removal of the contribution for housing related support of £1.3m and replacing it with a dedicated tenancy support service. Additional budget has been provided for the PFI extra care scheme and for properties supporting temporary accommodation.
- Homes and Neighbourhoods management cost budgets have reduced by £221k, which will be achieved by better aligning staff to priorities as part of the Homes and Neighbourhoods improvement programme.
- Council services bought in budgets have been increased by £462k which includes providing a targeted dedicated resource for support to tenants. This service will now be delivered through the Homes and Neighbourhoods management team and an additional budget to support the increased costs associated with disrepair claims.
- Community Services budgets have increased to provide for the additional cost of utilities for communal lighting and Sheltered heating. These costs are being reviewed as part of the work ongoing to recover costs through service charges.

2.3 Other costs

2.3.1 Following the review of the Asset Strategy, the budget for depreciation has been increased by £1.7m to provided for the additional cost of component asset values and the changes to life cycles, which is a technical adjustment. Additional budget of £120k has been provided for interest on debt, based on forecasts for borrowing in 2024-25.

2.3.2 An increase of £901k has been provided to the provision set aside primarily for inflation relating to the future pay award for 2024-25, which has been forecast to be 5%. Provision has also been made for other cost inflation linked to the Consumer Price Index (CPI) and the Building Cost Indices (BCIS) relating to works costs for repairs and maintenance.

2.4 Rental and Other income assumptions

2.4.1 The annual proposed increase to social housing rents and service charges is based on the government formula of CPI + 1% for five years from April 2020 to March 2025, where the CPI rate is taken from September each year. This year the rate of inflation at the end of September 2023 was 6.7% which means a proposed increase of 7.7%. The Council needs to increase rents and service charges by this amount to continue to invest in tenants' homes. The Council is also proposing a 7.7% increase for the extra care - Intensive Housing Management service and night-time security service charges.

- 2.4.2 Following a government consultation, rent increases for 2023-24 were capped at 7% instead of the agreed formula of CPI + 1% which would have meant an increase of 11.1%. This meant a reduction in income for 2023-24 of £3.3m and a cumulative reduction over the 30-year business plan of £130m. This means that to continue to invest and deliver the same level of service an additional £197m of borrowing is required. This has a direct impact on revenue budgets as the increased interest payable must be provided for.
- 2.4.3 The average weekly social rent for Kirklees for 2022-23 was £74.09 which compares to an average rent across the country of £93.10 and for Yorkshire and Humberside of £78.43 (Local Authority registered provider social housing stock and rents in England – 2022-23). The Yorkshire and Humberside region reports the lowest average social rent across the country. The average weekly social rent being proposed for 2024-25 is £85.30.
- 2.4.4 Where new properties are being developed for rent, there will be the consideration to charge an affordable rent, which is 80% of the market rental charge. This would be less than the agreed local housing allowance and supports the published rent standard.
- 2.4.5 A bad debt provision provides for bad and doubtful debts calculated on the basis of 90% of former tenant arrears and 20% of current tenant arrears, A budget of £1m is set aside to provide for topping up the provision after any write-offs or adjustments.

2.5 Capital

- 2.5.1 The baseline capital plan budget for 2024-25 is £35.28m and provides for component replacements based on lifecycles in line with the Decent Homes Standard requirements and works are prioritised on a worst first basis, based on the stock condition data held. The Asset Strategy will deliver stock condition surveys for 80% of the council's housing stock by 2027/28 and thereafter, there will be a rolling programme to carry out stock condition surveys to ensure that 20% of stock is annually reviewed. Budgets have also been provided for general building safety works, works to six storey blocks, low rise blocks and retirement living schemes. The fuel poverty budget is to address fuel efficiency and de-carbonisation, and resources will be matched by grant funding. The council continues to provide funding to support adaptations to properties, based on need which is supported by funding from Disability Facilities Grant (DFG). A full breakdown of the HRA Capital Plan is included at Appendix 1
- 2.5.2 For strategic priorities, budgets for 2024-25 of £20.45m have been provided for Housing Growth and Council House building which will increase the number of properties available to let, but budgets have only been provided for any new build or development work which has already been committed on order to create sufficient headroom to support the council's aspiration for quality and standards as articulated in the asset management plan. Budgets have been provided for the demolition of the two high rise blocks at Berry Brow and for remodeling the scheme, refurbishment of Buxton House and to carry out building safety works on all high-rise blocks including Harold Wilson Court. The plan provides for the development of an extra care scheme of fifty homes at Ash View and for the replacement of the housing management system. A full breakdown of the HRA Capital Plan is included at Appendix 1

3. Implications for the Council

3.1 Working with People

- 3.1.1 Homes and Neighbourhoods Partnership team work closely with tenants and leaseholders to identify areas where further investment is required. Any feedback will be taken into consideration when setting the annual budget.

3.2 Working with Partners

3.2.1 Homes and Neighbourhoods work in partnership with other council services to deliver a quality service to tenants and residents across Kirklees. Charges are recovered through either a service level agreement or on an agreed chargeable basis.

3.3 Place Based Working

3.3.1 Engagement proposals are informed by intelligence and evidence gathered from previous successful place-based engagement programmes delivered by Homes and Neighbourhoods and other partner services. This includes consultation at the high-rise blocks at Berry Brow and Harold Wilson Court in 2021 to inform full regeneration and fire safety improvement programmes, working with ward members and tailored to the needs of Kirklees as a place and the individual needs of its distinct communities.

3.4 Climate Change and Air Quality

3.4.1 If schemes such as Sycamore Grange are redeveloped, this would see the removal of an existing building heated by fossil fuelled gas boilers built to the building standards and requirements of the early 1970s. In removing the existing and outdated building, and combining new heat and power technologies, any future scheme is likely to lead to a net reduction in carbon emissions over its lifetime.

3.5 Improving outcomes for children

3.5.1 The current baseline capital plan is forecast to invest **£266m** to March 3031, which includes resources set aside for component replacements, estate improvements, compliance, fuel poverty and adaptations. Investing in council properties will improve living conditions by providing a warm and safe home for tenants to live in, which will improve outcomes for children.

3.5.2 The Money Advice team work closely with tenants to assess whether they are entitled to benefits and then support them to claim entitlements. This relieves poverty in the household and therefore supports children to have a better start in life, which improve outcomes.

3.6 Financial Implications

3.6.1 The HRA is a self-financed ring-fenced account where income must cover expenditure to achieve a breakeven position. The total revenue expenditure budget for 2024-25 is £108m which will be funded by revenue income and the 2024-25 capital budgets are £55.7m, which will be funded by Major Repairs Reserve, capital receipts, Revenue Contribution to Capital, reserves or additional borrowing. The annual budget for 2024-25 will provide resources to support the service provided by Homes and Neighbourhoods to tenants and leaseholders across Kirklees.

3.7 Legal Implications

3.7.1 Rents and Service charges are charged based on a formal rent agreement which is legally binding.

3.8 Other (eg Risk, Integrated Impact Assessment or Human Resources)

3.8.1 The budget proposals for 2023/24 result from a review of the HRA with the key objective to deliver a balanced 30-year HRA business plan.

4. Consultation

4.1 Where there is a change to the service which would impact on service delivery, we would consult with tenants and leaseholders.

5. Engagement

- 5.1 We engage with tenants and leaseholders through our ongoing delivery of service and through our annual report and rent increase communications.

6. Options

Options considered.

- 6.1 We considered the level of rent increase which needed to be charged to support the 2024-25 budget and the recommendation was based on the government agreement to increase rents by CPI+1% for 2024-25

Reasons for recommended option

- 6.2 The Council is required to set a balanced budget and the proposed expenditure is required to keep tenants safe and ensure that they are living in properties that meet a decent home standard including energy efficiency which will support tenants with the cost of living.

7. Next steps and timelines

- 7.1 Recommendation of the approval of the HRA medium term plan for 2024-27 and the HRA capital plan budget as part of the Kirklees Council budget.

8. Contact officer

Jacqui Fieldhouse – Head of Finance for Homes and Neighbourhoods
Tel: 07795 080373
Email: jacqui.fieldhouse@kirklees.gov.uk

9. Background Papers and History of Decisions

Budget report to Council – 8th March 2023

[Issue details - Rent & service charge setting for Housing Revenue Account properties for 2024-25 | Kirklees Council](#)

10. Appendices

Appendix 1 – HRA capital plan expenditure budget for 2024-31
Appendix 2 – HRA medium term plan for 2024-2027
Appendix 3 – HRA Reserves statement.
Appendix 4 – HRA summary of savings for 2024-25

11. Service Director responsible

Naz Parkar for Homes & Neighbourhoods
Tel: 01484 221000 ext 75312
Email: naz.parkar@kirklees.gov.uk

Appendix 1

Housing Revenue Account Capital Plan	Proposed BUDGET Plan Profile								
	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	Total £
Housing Growth	1,340,000	2,058,000	600,000	600,000	-	-	-	-	4,598,000
LAHF - Refugee Housing	3,500,000	1,200,000	-	-	-	-	-	-	4,700,000
Ash View Extra Care	6,210,000	3,390,637	-	-	-	-	-	-	9,600,637
Berry Brow Remodelling	1,082,000	1,000,000	2,452,000	10,406,000	10,940,000	7,530,000	2,880,000	-	36,290,000
Harold Wilson Court	1,820,182	2,206,000	84,000	-	-	-	-	-	4,110,182
Buxton House	717,000	1,075,000	10,064,000	3,894,000	-	-	-	-	15,750,000
IT System (Universal Housing Replacement)	250,000	850,000	678,522	-	-	-	-	-	1,778,522
Council House Building	3,350,000	8,670,000	17,500,000	10,650,000	-	-	-	-	40,170,000
Strategic Priorities Total	18,269,182	20,449,637	31,378,522	25,550,000	10,940,000	7,530,000	2,880,000	-	116,997,341
Housing Capital Plan	12,749,644	17,035,000	17,285,000	19,285,000	19,785,000	19,785,000	20,135,000	22,135,000	148,194,644
Estate Improvement (Neighbourhood Investment)	657,925	958,000	990,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	8,105,925
Building Safety	1,212,016	1,274,000	1,244,000	1,324,000	1,530,000	1,430,000	1,380,000	1,280,000	10,674,016
Six Storey Blocks - 2 projects	1,500,000	7,440,000	3,675,000	6,000,000	5,420,000	6,295,000	5,406,000	1,780,000	37,516,000
Low Rise Blocks - 700 blocks in batches	250,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-	-	7,750,000
Retirement Living Schemes	-	1,500,000	3,750,000	4,500,000	4,500,000	4,500,000	6,000,000	250,000	25,000,000
Fuel Poverty	930,792	1,849,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	11,779,792
Adaptations	3,798,300	3,720,800	3,260,400	3,260,400	3,260,400	-	-	-	17,300,300
Baseline Total	21,098,677	35,276,800	33,204,400	38,469,400	38,595,400	36,110,000	35,521,000	28,045,000	266,320,677
Overall Total	39,367,859	55,726,437	64,582,922	64,019,400	49,535,400	43,640,000	38,401,000	28,045,000	383,318,018

HRA/H&N Service Activity	Proposed Change	2024-25	2025-26	2026-27	2027-28	2028-29
		£k	£k	£k	£k	£k
Expenditure						
Repairs & Maintenance	Inflationary Pressures on repairs and increased budgets for damp and mould	584				
Policy & Management	Housing PFI Cost Pressures, removal of contribution to Intensive Housing and increased cost of temporary accomodation	(522)				
Homes & Neighbourhoods Man't Costs	Savings and efficiencies due to improvement programme	(221)	(390)	(454)		
Council Services bought in	Targeted support and increased costs for disrepair	462				
Depreciation	Technical adjustment linked to revised asset strategy	1,700	500	500	500	500
Interest payable on capital debt	Adjustment to debt interest linked to forecast borrowing	120	1,000	1,000	1,000	1,000
Special Services	Increased Utilities Costs	476				
Inflation Provision	Provision for Management & repairs Inflation	901		500	500	500
Income						
Dwelling Rent income	Rent Increase 7.7% year 1, CPI+1% Thereafter. Void Level 1.8%	(8,452)	(798)	(2,675)	(2,537)	(2,457)
Non-Dwelling Rent Income		(5)	(17)	(17)	(13)	(5)
Tenant & Leaseholder charges for services & facilities	Recovery of Service Charge costs including inflation	(394)	(426)	(442)	(206)	(228)
Interest Income on Cashflow	Interest Linked to reserve balances	(200)				
Contribution from HRA Balances	Contribution from balances	5,551	131	1,588	756	690
TOTAL Housing Revenue Account		-	-	-	-	-

Appendix 3

HRA Reserves	23-24	24-25	25-26	26-27	27-28
	£000	£000	£000	£000	£000
As at April 1	44,416	29,662	15,000	15,000	15,000
In-Year Reserve Funded	-	131	1,719	2,475	3,165
In-year capital funding	-14,754	-28,843	-35,476	-34,471	-24,273
Borrowing	-	14,050	33,757	31,996	21,108
Earmarked - business risk/Working Balance	-	-	-	-	-15,000
As at 31 March (capital sinking fund rolled forward)	29,662	15,000	15,000	15,000	-

Appendix 4

HRA savings description	Proposal Detail	Savings 24/25 (000)
Management cost savings - HMP	Realigning staffing to service priorities	428
Management cost savings - AD&BS	Realigning staffing to service priorities	93
Management cost savings - Property	Realigning staffing to service priorities	379
Recovery of Service Charges	Review of service costs and recovery through increased charges to tenants and leaseholders	250
Reduction of void rent loss		255
Removal of waking watch Harold Wilson Court	Removal of waking watch Harold Wilson Court following completion of building safety works	416
Maximising rental income when reletting properties	When council properties are relet they will be charged the target rent instead of the historic charge which was below the social housing formula rent.	300
Saving as no longer funding KBOP	A targeted approach to tenancy support will be delivered by the Homes and Neighbourhoods management team.	1,000
Total		3,121

Title of Report: Kirklees Budget Consultation 2023

Report Content: Overview of Process and Responses to the Public Consultation

1 Overview of Consultation Process

- 1.1 A six-week online consultation was launched between 21st November 2023 and 2nd January 2024 to gather the views of residents on priorities for spending in 2024/25.
- 1.2 A total of 946 responses were received. (A breakdown of respondent demographics can be found in section 3).
- 1.3 Responses will help the Council to understand what is most important to people and communities in Kirklees, as well as helping with decisions such as where to reduce spending to ensure a balanced budget.

2 Summary of Responses

Funding the Gap

2.1 To help generate additional income, respondents felt the Council should focus on:

Top 5 most frequently selected	%*
Raising money from unused buildings and land	69%
Obtaining money from Central Government	60%
Reducing office accommodation for Council staff	39%
Selling services to other organisations	23%
Means tested services (payments based on income)	20%

**Respondents were able to select up to 3 responses.*

2.2 Other suggestions provided by respondents included:

- Reducing funding/investment (e.g. in areas outlined in 2.9 below).
- Improved asset management (e.g. sell off unused buildings/land, increase use/rental of public buildings/land, improve energy efficiency in buildings, improve business rates/rental contracts, reduce fleet ownership).
- Improved internal processes (e.g. more efficient processes across the Council, simplified decision-making, digital-only services, improved procurement, improved sickness absence).
- Reviewing staffing levels (e.g. reduce staff numbers, reduce agency workers).
- Reducing senior management/salaries (e.g. reduce upper/middle management numbers, reduce senior management salaries).

Priorities

2.3 Respondents were asked to identify what's most important to them in relation to the Council budget/spending by ranking a list of priorities from 1 (most important) to 20 (least important).

2.4 The priorities ranked most often as 1 (*most* important) were:

Priorities most frequently ranked as 1 – most important	%*
Children & Young People: Protecting vulnerable children and young people	33%
Economy: Regeneration and investment in our towns and villages	10%
Children & Young People: Improving education in schools	8%
Communities & Adults: Protecting vulnerable adults	6%
Children & Young People: Supporting young people and families early on to prevent problems from getting worse	6%

**% of 898 total respondents*

2.5 The priorities ranked 1 to 5 (*most* important) most often were:

Priorities most frequently ranked 1 to 5 – most important	%*
Children & Young People: Protecting vulnerable children and young people	16%
Communities & Adults: Protecting vulnerable adults	11%
Children & Young People: Supporting young people and families early on to prevent problems from getting worse	10%
Children & Young People: Improving education in schools	9%
Economy: Regeneration and investment in our towns and villages	8%

**% of 3,705 total responses*

2.6 The priorities ranked 16 to 20 (*least* important) most often were:

Priorities most frequently ranked 16 to 20 – least important	%*
Housing: Building new homes	19%
Environment: Tackling climate change	16%
Housing: Improving Council housing, Council housing services and neighbourhoods	13%
Economy: Protecting local heritage and tourism	12%
Housing: Building affordable homes	10%

**% of 2,098 total responses*

2.7 A list of all priorities and their average rank can be found in Appendix A.

Saving Money

2.8 38% of respondents felt there were areas/services where the Council could reduce funding/investment. 16% did not feel there were any areas where the Council should reduce funding and 46% weren't sure.

2.9 Suggestions of areas/services where the Council could save money included:

- Investment and regeneration (e.g. art installations/metal structures, flower beds/planters, street furniture, signs, decorations restoration plans, re-development).
- Non-essential' projects (e.g. festivals, services that can be delivered by private/third sector, anything not a 'core' or essential service, active travel, equality policies).
- Corporate services/staffing (e.g. management, Councillors, admin, 'back office' services (e.g. translation, printing), contractors/consultants, corporate services (e.g. comms, transformation, diversity and inclusion).
- Streetscene (e.g. street lighting, lighting ornaments, waste collection (outsource), grass cutting).
- Benefits (including Jobseekers allowance, Council Tax discounts, vouchers for children receiving free school meals).

3 About Respondents

3.1 Two thirds (59%) of respondents are female.

3.2 More than half (55%) of respondents are employed full time and 13% employed part time. Just under a fifth (18%) are wholly retired from work.

3.3 16% have a household income of £20,000 or below.

3.4 Four-fifths (79%) of respondents identified their ethnic group as White British.

3.5 Just over a fifth (22%) have a long-term disability and/or health condition.

3.6 More than a third (36%) have caring responsibilities (child and/or adult).

Appendix A Average Rank for All Priorities (where 1 is most important, 20 is least important)

Priorities	Average Rank (Total Respondents)*
Children & Young People: Protecting vulnerable children and young people	3.2 (712)
Communities & Adults: Protecting vulnerable adults	5.2 (640)
Children & Young People: Supporting young people and families early on to prevent problems from getting worse	5.4 (574)
Children & Young People: Improving education in schools	5.5 (589)
Economy: Regeneration and investment in our towns and villages	6.2 (559)
Communities & Adults: Improving People's physical and mental health and wellbeing	6.3 (571)
Environment: Improving the quality and safety of roads and highways	6.8 (496)
Economy: Support for local businesses	8.3 (496)
Communities & Adults: Providing community facilities, groups and activities (e.g. library buildings)	8.4 (535)
Children & Young People: Improving further education opportunities for young people	8.5 (546)
Housing: Support for people who are homeless or about to become homeless. Ensuring the right kind of temporary accommodation is available	8.7 (519)
Environment: Cleaner streets and more attractive neighbourhoods	9.3 (489)
Communities & Adults: Helping people to get along better and feel safer in their communities	10.4 (508)
Economy: Support for adults to gain better skills and employment	11.6 (537)
Housing: Building affordable homes	13.1 (461)
Environment: Improving the quality and access to parks and open spaces	13.7 (522)
Environment: Tackling climate change	14.4 (524)
Housing: Improving Council housing, Council housing services and neighbourhoods	14.7 (474)
Economy: Protecting local heritage and tourism	14.8 (505)
Housing: Building new homes	15.8 (548)

**Total respondents for each priority provided in parenthesis. Some respondents may not have ranked all priorities.*

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

KIRKLEES METROPOLITAN COUNCIL

COUNCIL MEETING - 6 MARCH 2024

COUNCIL TAX

1. That the Revenue Budget for the year 2024/2025, as submitted, be approved.
2. That it be noted that the Service Director -Finance (acting under delegated powers from Council 22 February 2023 and delegated decision published on 29 January 2024) calculated the following amounts for Kirklees for the year 2024/25 in accordance with Section 31A of the Local Government Finance Act 1992 in accordance with Regulations 3-to 5 of the Local Authorities (Calculation of Council Tax Base (England) Regulations 2012):-

(a) 126,342.29 being the amount calculated by the Council, in accordance' with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012, as its council tax base for the year

(b) Part of the Council's area

Parish of Denby Dale	6,323.70
Parish of Holme Valley	10,741.38
Parish of Kirkburton	9,455.59
Parish of Meltham	3,071.60
Parish of Mirfield	7,083.77

being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2024-25 (excluding parish precepts) is £236,391,000
4. That the following amounts be now calculated by the Council for the year 2024-2025 in accordance with Sections 31 to 36 of the Act:-
 - (a) £ 986,751,340 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £ 749,365,592 being the aggregate of the amounts which

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

the Council estimates for the items set out in Section 31A(3) of the Act

- (c) £ 237,385,748 being the amount by which the aggregate at 4(a) exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act)
- (d) £ 1,878.91 being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £ 944,748 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £ 1,871.04 being the amount at 4(d) above, less the result given by dividing the amount at 4(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates.

g)

<u>Part of the Council's area</u>	Base Council Tax £	Parish Precept £	Resultant Council Tax £
Parish of Denby Dale	1871.04	33.52	1904.56
Parish of Holme Valley	1871.04	30.53	1901.57
Parish of Kirkburton	1871.04	16.08	1887.12
Parish of Meltham	1871.04	62.63	1933.67
Parish of Mirfield	1871.04	15.10	1886.14
Other Kirklees areas	1871.04	0.00	1871.04

being the amounts to be added to the amount at 4(g) (and the resultant council tax amounts), as the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2(b), calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

(h) Kirklees Valuation Bands

Part of the Council's area	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	1,269.71	1,481.32	1,692.95	1,904.56	2,327.80	2,751.03	3,174.27	3,809.12
Holme Valley	1,267.71	1,479.00	1,690.29	1,901.57	2,324.14	2,746.71	3,169.28	3,803.14
Kirkburton	1,258.08	1,467.76	1,677.44	1,887.12	2,306.48	2,725.84	3,145.20	3,774.24
Meltham	1,289.11	1,503.96	1,718.82	1,933.67	2,363.38	2,793.08	3,222.78	3,867.34
Mirfield	1,257.43	1,466.99	1,676.57	1,886.14	2,305.29	2,724.42	3,143.57	3,772.28
All other parts	1,247.36	1,455.25	1,663.15	1,871.04	2,286.83	2,702.61	3,118.40	3,742.08

Being the amounts given by multiplying the amounts at 4(g) by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

5. That it be noted that for the year 2024-2025 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings in the Council's area as shown below:-

Precepting Authority	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
West Yorkshire Fire & Civil Defence Authority	52.99	61.83	70.66	79.49	97.15	114.82	132.48	158.98
West Yorkshire Police Authority	166.19	193.88	221.58	249.28	304.67	360.07	415.46	498.56

**Including estimated precepts from the West Yorkshire Fire & Police Authorities
and Parish Councils**

6. That, having calculated the aggregate in each case of the amounts at 4(g) and 5, the Council, in accordance with Sections 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2024-2025 for each of the categories of dwelling shown below:-

Part of the Council's area	<u>Valuation Bands</u>							
	<u>A</u> £	<u>B</u> £	<u>C</u> £	<u>D</u> £	<u>E</u> £	<u>F</u> £	<u>G</u> £	<u>H</u> £
Denby Dale	1,488.89	1,737.03	1,985.19	2,233.33	2,729.62	3,225.92	3,722.21	4,466.66
Holme Valley	1,486.89	1,734.71	1,982.53	2,230.34	2,725.96	3,221.60	3,717.22	4,460.68
Kirkburton	1,477.26	1,723.47	1,969.68	2,215.89	2,708.30	3,200.73	3,693.14	4,431.78
Meltham	1,508.29	1,759.67	2,011.06	2,262.44	2,765.20	3,267.97	3,770.72	4,524.88
Mirfield	1,476.61	1,722.70	1,968.81	2,214.91	2,707.11	3,199.31	3,691.51	4,429.82
All other parts	1,466.54	1,710.96	1,955.39	2,199.81	2,688.65	3,177.50	3,666.34	4,399.62

7. The Council has determined that its relevant basic amount of Council Tax for 2024-2025 is **not** excessive in accordance with principles approved under section 52ZB Local Government Finance Act 1992.

As the billing authority, the Council has **not** been notified by a major precepting authority that its relevant basic amount of Council Tax for 2024-2025 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

8. That notice of the amounts set by the Council in accordance with Section 30 of the Local Government Finance Act 1992 be published in at least one newspaper circulating in the Council's area, in accordance with Section 38(2) of the Act.

Motion to be presented by Cllr Cathy Scott (Leader) and Cllr Paul Davies (Deputy Leader)



Cllr Cathy Scott



Cllr Paul Davies

RECOMMENDATIONS OF THE MEETING OF BUDGET CABINET – 13 FEBRUARY 2024

- 1) That the Motion be submitted to the Meeting of Council on 6 March 2024 with a recommendation that;
 - (i) General Fund Revenue
 - the draft Revenue Budget for 2024-2025, as attached at Appendix F, be approved
 - the forecast spending and funding plans for the 2024-2027 period, as set out at Appendix F, be noted
 - the forecast levels of statutory and other council reserves, as set out at Appendix H, be noted
 - the strategy for the use of balances and reserves (paragraph 2.15 refers) be approved
 - the Council's participation in the Leeds City Region Business Rates Pool for 2024-2025 be noted and that authority be delegated to the Chief Executive and Service Director (Finance), in consultation with the Leader and Cabinet Member (Finance), to agree the governance arrangements for 2024-2025, to be approved by the Business Rates Joint Committee (paragraph 2.20 refers)
 - it be noted that discussions regarding the uplifts on the rates paid to external providers for demand-led activities are ongoing, and that authority be delegated to the Strategic Director (Adults and Health) to agree the final uplifts to rates for 2024-2025 (paragraph 2.4.3 refers)
 - approval be given to the Council's flexible capital receipts policy for 2024-2025 (paragraph 2.8 and Appendix E refer)
 - approval be given to the Council Tax requirement for 2024-2025 (Appendix N refers)
 - the Council's Statutory 151 Officer's positive assurance statement as to the robustness of the forecasts and estimates and adequacy of financial reserves be noted (paragraph 2.21 refers)
 - authority be delegated to the Council's statutory s151 Officer to amend how the finally approved precepts are recorded in the Council's revenue budget in line with the final notifications received following decisions by the West Yorkshire Mayor Police and Crime Commissioner, the Fire and Rescue Authority and the Parish Councils, should these be received after 6 March 2023 (paragraph 3.1.3 refers)
 - (ii) Treasury Management
 - the borrowing strategy be approved (paragraphs 2.16 to 2.29 refer)
 - the investment strategy be approved (paragraphs 2.30 to 2.38 and Appendices A and B refer)
 - the policy for provision of repayment of debt (minimum revenue provision) be approved (paragraphs 2.39 to 2.41, Appendix C refer)
 - the treasury management indicators be approved (Appendix D refers)
 - the investment strategy (non treasury investments) be approved (Appendix F refers)

- (iii) Capital
 - the updated Capital Plan 2023-2032 be approved (Appendix Kiii refers)
 - the Capital Strategy (including prudential indicators) be approved (Appendix K refers)

- (iv) Housing Revenue Account
 - the draft Housing Revenue Account Budget for 2024-2025 be approved (Appendix L refers)
 - the strategy for the use of the Housing Revenue Account reserves be approved (Appendix L refers)