

**Report title:** Council Budget Report 2025/26 and 2026/27; incorporating Capital, Treasury Management, General Fund Revenue and Housing Revenue Account

<b>Meeting:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>11 February 2025</b>
<b>Cabinet Member (if applicable)</b>	<b>Cllr Graham Turner</b>
<b>Key Decision Eligible for Call In</b>	<b>Yes No – Report is a recommendation on the Cabinet’s proposed budget to full Council on 5 March 2025</b>
<p><b>Purpose of Report</b>          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><b>Recommendations</b>          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><u>General Fund Revenue</u></p> <ul style="list-style-type: none"> <li>• That the Revenue Budget for 2025/26 to deliver a balanced position, be approved (Appendix A);</li> <li>• That the forecast spending and funding plans for the 2025/26 and 2026/27 period be noted (Appendix A);</li> <li>• That the forecast levels of statutory and other Council reserves as set out at Appendix C be noted;</li> <li>• That the strategy for the use of balances and reserves, is approved; (section 2.18);</li> <li>• That members approve the Council’s flexible capital receipts policy for 2025/26 (section 2.15 and Appendix G);</li> <li>• Approve the Council Tax requirement for 2025/26 (Appendix M, budget motion);</li> </ul>	

- 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 2.23);
- 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 5 March 2025 (paragraph 3.1.3);

### Treasury Management

- Approve the following recommendations set out in the 2025/26 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 paragraphs 2.39 - 2.40 of the appended report including Appendix C of said report;
- The treasury management prudential 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 2024-32, be approved; (Appendix F)
- That the Capital Strategy (including Prudential Indicators), set out at Appendix I, be approved;

### Housing Revenue Account (HRA)

- That the HRA Budget for 2025/26 be approved; (Appendix K)
- That the strategy for the use of HRA reserves, as set out at Appendix K be approved;

### Other

- To consider the feedback from Overview and Scrutiny Management Committee in reaching decisions regarding the final budget recommendations for 2025/26 within this report.

**Reasons for Recommendations**

- The Council has a statutory duty to set a balanced budget each year before 11 March.
- 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 2025/26 and 2026/27 details of which are included in the following pages and appendices.

**Date signed off by Strategic Director & name**

**Rachel Spencer-Henshall – 3 February 2025**

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

**Kevin Mulvaney – 3 February 2025**

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

**Sam Lawton – 3 February 2025**

**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 –

- 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
- 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.

A	General Fund Summary
B	Movement in Budgets by Directorate
C	Reserves
D	Savings proposals
E	Grants Within Services
F	Capital Plan
G	Flexible Capital Receipts Strategy
H	General Fund Working Balance
I	Capital Strategy
J	Treasury Management Strategy
K	HRA
L	Budget Consultation exercise – summary
M	Council Tax Motion

### **Integrated Impact Assessments**

- 1.2 Members' attention is drawn to the information and advice in section 3.9 of this report which makes reference to the Council's Public Sector Equality Duty.
- 1.3 Cabinet are asked to:-
- (i) Approve the budget proposals contained in this report in the context of the existing medium term financial plan (MTFP), to achieve a balanced General Fund revenue budget in 2025/26, and indicative revenue budget forecast for 2026/27;
  - (ii) incorporate the Government's announcement on the provisional Local Government Finance Settlement for 2025/26, made on 18 December 2024;
  - (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 2025/26, and indicative revenue budget plan for 2026/27, 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) consider the 2025/26-2031/32 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 2025/26 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 Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance;

- (viii) make recommendations on the Council Tax requirement for 2025/26; 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 The budget for 2025/26 gives the Council stability for the coming financial year as well as supporting its ambitions for Kirklees into the future. The revenue budget is balanced so that spending matches available income. This is not only a legal obligation for the Council but also gives certainty for vital services to continue delivering for local communities.
- 1.5 Alongside the revenue budget, the capital programme is an ambitious investment into the Kirklees economy and its infrastructure. It aims to stimulate growth, jobs and opportunities for the future, not just in the largest urban areas but across the borough.
- 1.6 Budgets are about choices. To assist those choices, the 2025/26 budget has been guided by clear principles. Decisions on spending and savings will focus, as far as possible, on services that promote prevention and early intervention. This is a beneficial approach in financial terms as well as delivering better outcomes for local people.
- 1.7 The budget principles also safeguard key economic regeneration activity that will assist Kirklees households and businesses cope with future demands. The aftermath of the pandemic and the cost-of-living crisis have shown the importance of economic resilience to families and businesses in Kirklees. The Council will play its part in investing in Kirklees communities for future generations.
- 1.8 As far as possible, the budget looks to increase efficiencies and reduce administrative costs to minimise the impact of savings on residents and local businesses. Service transformation will always be the Council's preference for making its necessary savings alongside maximising income where feasible and affordable.
- 1.9 Underpinning the budget, and ensuring value for money for Kirklees taxpayers, are robust systems of financial management and cost controls across the organisation. Following a period of high inflation and increased demand, the Council has implemented controls on spending, recruitment and investment. This ethos, and the systems that support it, will continue in 2025/26 with the intention that the Council's finances are placed on a long term sustainable footing.
- 1.10 Inevitably, the budget is also constructed within strict parameters which affect the decisions available to the Council. According to the Local Government Association, more than 90% of Councils in England will need to make revenue budget savings in the coming financial year to achieve a balanced budget. Alongside Councils across the country, Kirklees continues to face similar financial pressures.

- 1.11 Savings are needed due to demand, demographic and inflationary pressures on service budgets. In Kirklees, these pressures amount to around £47m in the coming financial year and include £20m additional demand for older and disabled people, who need social care, £3.6m in extra funding required for homelessness and £9.5m to provide support for children. Any credible budget needs to take account of these demands.
- 1.12 Alongside demand pressures, all Councils face limitations on the income they generate. In order to address some of the cost pressures, the budget proposes a 2.99% increase in Council Tax with a further 2% for the social care precept. In total, the budget increases the Kirklees Council element of Council Tax bills for a typical Band D property by £1.80 per week.
- 1.13 Whilst the Provisional Local Government Finance Settlement has provided additional funding to the sector and a some redistribution of funding through the Recovery grant (see paragraphs 2.3.4 and 2.3.6), this Council still loses an estimated £20m per year compared to other parts of the country of a similar size, due to the historic local government funding formula.
- 1.14 In light of both the limitations on the Council's income and increases in the cost and demand of many services, the revenue budget includes £11.0m of new savings and £15.8m of savings set out in the 2024/25 budget in order to achieve a balanced budget. Achieving these savings requires difficult decisions and not every Council will be able to meet the same obligation. In fact an LGA survey conducted in Autumn 2024 estimated nearly half of Councils with social care responsibilities forecast that they will require emergency budget intervention in the next two years.
- 1.15 Failing to set a balanced budget and requiring Government intervention represents a threat to service provision and in some cases could remove local decision making responsibility. Budget savings would still need to be made but they could be imposed from outside the borough and in the event that exceptional financial support was required, this would need to be repaid with interest, worsening the Council's financial position for years. The Council's budget strategy for 2025/26 continues to move further away from this risk and the increase of additional budget this year makes this possible.
- 1.16 A balanced budget also allows the Council to invest in services that are important to local people. For the coming financial year that means the Council will invest in vital social care for adults in Kirklees and for care services for children who need extra support. The Council will invest in maintaining and improving local roads and in dealing with residents' waste and recycling. The Housing Revenue Account will also provide the necessary funding to achieve the improvements to local homes that the Council is committed to delivering.
- 1.17 In the medium term, the capital programme will invest in over £1bn in the Kirklees economy and infrastructure over the next five years. Alongside major investments by partner organisations and Government, this budget provides additional resources for Kirklees' economic future and well beyond the life of the plan itself.
- 1.18 The Council's budget for 2025/26 is a means to an end. Achieving a balanced budget where key demand pressures are appropriately funded provides a step towards financial stability and allows Kirklees Council to focus on the priorities that matter to people in Kirklees. It provides the platform for improving services and the experience

residents have when they deal with the Council. As well as supporting people and communities, it will fund the services and activities that make Kirklees neighbourhoods greener and healthier. Finally, while the budget funds important day-to-day services, it also invests in the future.

1.19 However, there is still much work to be done to deliver long term sustainability and so the Council will continue its transformation journey to be more efficient and effective, it will need to replenish reserves that have been used to fund overspends in the recent past and live within its means on an ongoing basis.

1.20 **Overall Budget Position**

1.21 The table below summarises the updated balanced budget position for 2025/26 from the 2024/25 base.

	<b>2025/26 £m</b>
<b>Opening Position Balanced 2024/25 Budget</b>	-
Additional Funding	(28.5)
Use of Reserves Changes	5.0
Directorate Spend Changes (net)	50.3
Savings Proposals (total inc previously approved)	(26.8)
<b>Balanced Budget</b>	<b>0.0</b>

**Information required to make a decision.**

**2 BACKGROUND**

**2.1 Financial Strategy**

2.1.1 The 2025/26 Medium Term Financial Strategy (MTFS) reported to Council on 18<sup>th</sup> September 2024 is a five-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 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 A sustainable financial plan is required to help ensure the Council is well placed to achieve its ambitions as set out in the Council plan. The overarching principles of the Financial Strategy are:

- The Council will become more sustainable by reducing the reliance of one-off funding sources, such as reserves, to fund recurring expenditure and it must continue to make an appropriate provision to top up its unallocated (general) reserve to ensure that on a risk-based approach this reserve is always above a minimum level.

- The strategy will also provide specific funding earmarked reserves to continue to fund transformation costs that will be required to deliver service change across the Council. This change can help deliver its ambition of being a modern efficient Council.
- The strategy also recognises the need to provide the Council's agreed contribution to the SEND Safety Valve plan at c.£10m by 2029/30.
- This financial plan aims to provide funding to address known pressures in the base budget and will make appropriate provision for inflation (pay and prices) and a reasonable assessment of demand pressures based upon the latest available information. In the main these are the demand pressures being reported in Q2 2024/25 financial monitoring along with anything else we already know about for 2025/26.
- In general, fees and charges to the public are assumed to be increased annually by 3%. Where costs rise beyond this, services will continue to seek to recover full costs in line with the Council policy on fees and charges - so as to not to create additional burdens on the general fund. Charges for users of Adult Social Care services will continue to be based on assessment of a clients' ability to pay.
- The Capital plan, currently £1.4bn, will continue to be subject to review and presently no new schemes that require council borrowing have been added to those already in the plan. It is likely that as part of the ongoing review, some schemes will need to be slipped or removed from the Capital Plan.
- New capital schemes will be considered for inclusion in the Capital plan as part of the Council's investment and modernisation programme if they deliver ongoing revenue savings against the base budget; or are required to meet health and safety priorities or on the basis that new bids are assessed as a greater priority than existing Council funded schemes which would subsequently be removed. To this end, £50m is available over the life of the plan to support proposals that deliver a net revenue saving after capital financing costs are taken into account.
- Collectively, these principles are designed to create a more stable base budget from which Members can make decisions on savings proposals.
- By recognising the ongoing pressures within the base budget the S151 Officer is content that this ensures a more robust budget for the Council.

## **2.2 Proposed Budget 2025/26**

- 2.2.1 The budget 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 2025/26, based on detailed up to date estimates of all the pressures and developing savings proposals to address the immediate reported gap, which for 2025/26 alone stood at £29.3m when reported in September. A more



significant piece of work to update the Council's Medium Term Financial Plan for 2026/27 onwards will commence in the Spring of 2025.

2.2.3 The overall budget process was directed by these guiding principles:

We must set a **balanced budget** and maintain **prudent levels of reserves** and:

- Continue to maintain a focus on services that deliver **prevention and intervention** early on before issues become worse for people
- Safeguard key **regeneration activity** to support longer-term inclusive economic growth
- Consider opportunities for **maximising income** and identify alternative sources of funding where possible
- Prioritise **transformation of services** which increase efficiency and effectiveness of service delivery
- Make sure we maintain appropriate **risk and governance** practices
- **Learn lessons from the past** – for example from our approach to responding to the pandemic

2.2.4 The Draft Budget Report published in December reflected detailed work undertaken to close the £29.3m savings gap for 2025/26. The report presented a balanced budget for consultation.

2.2.5 The updated figures presented in this report include changes in funding in the Provisional Local Government Finance Settlement released in December 2024. Members should be aware that the Final Settlement is expected in early February 2025.

### **2.3 Autumn Budget and Provisional Financial Settlement 2024**

2.3.1 The Chancellor announced the Autumn Budget 2024 on 30 October 2024.

2.3.2 Within the Autumn Budget, Core Spending Power (CSP) was confirmed to be increasing by 3.2% in real terms nationally; equivalent to c5.6% in cash terms. 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 Provisional Local Government Finance Settlement and includes assumptions from Government around Council Tax increases.

2.3.3 The CSP increase for individual Councils was published as part of the Provisional Local Government Finance Settlement announced on 18 December 2024. Nationally, the CSP cash increase rose from the 5.6% issued in the Autumn Budget, up to 6.0%.

2.3.4 The Autumn Budget confirmed an increase in grants within the CSP uplift of £1.3bn nationally in 2025/26. This total was increased to £1.7bn in the Provisional Local Government Finance Settlement and is made up of three priority grants:

- Recovery Fund - £600m
- Social Care Grant Increase - £880m
- Children's services Preventative Grant - £250m

- 2.3.5 These grants will be funded by the £1.3bn announced in the Autumn Budget, savings in other grants (abolition of the Rural Services Delivery Grant (RSDG, £110m) and the Services Grant (£87m), and the scaling-back of the Minimum Funding Guarantee (MFG)).
- 2.3.6 The £600m Recovery Grant has been used to redistribute funding to the most deprived areas. It targets funding very clearly towards high-need, low-taxbase authorities, with Metropolitan authorities due to receive over half of the national total.
- 2.3.7 The £250m Children's Social Care Prevention Grant also uses a new formula that gives a higher share of funding to high-need authorities than the current Children's Relative Needs Formula (RNF).
- 2.3.8 The Adult Social Care grant will increase by £880m (£600m announced in the 2024 Budget plus a further £80m in the Policy Statement and a further £200m in the provisional settlement). The distribution methodology remains the same as in 2024/25.
- 2.3.9 Overall, the 2025/26 settlement gives much higher increases in CSP to high-need, low-taxbase authorities (areas of high deprivation). Metropolitan authorities will receive an average CSP increase of 8.3% (Kirklees 7.4%), compared to only 5.9% in shire counties and Districts 0.4%. These figures include Government assumptions on maximising Council Tax increases.
- 2.3.10 Further increases in other grants outside of the CSP were also announced as part of the Autumn Budget. This includes £1bn nationally for SEND (paragraph 2.19.10) and £230m for homelessness (paragraph 2.10.1). In addition, Household Support Fund (£1bn nationally) was confirmed to be continuing into 2025/26, although it is has since been indicated that this will be rolled up with existing Discretionary Housing Payments funding within the national pot. Confirmation of the final value of the Household Support Fund for the Council is awaited.
- 2.3.11 The Autumn Budget also confirmed changes to Employers National Insurance Contributions (NICs) from 1 April 2025. Currently, employers pay secondary class 1 NIC at the rate of 13.8% on the amount by which an employee's earnings exceeds the secondary threshold (ST) of £9,100 per year. The Chancellor announced that the rate will be increased to 15%, and that the ST will be reduced to £5,000 per year. This will significantly increase costs to employers.
- 2.3.12 The Provisional Local Government Finance Settlement confirmed that a £515m national pot has been made available by Government to fund directly employed staff costs in councils; although individual council allocations will only be announced in the Final Settlement, expected early February 2025. The £515m has been determined based on Local Government's share of the directly employed staff across the public sector however it is estimated by the LGA that this amount will fall short of the actual increase in direct costs within Local Government. Allocations to individual councils will be made as part of the final settlement figures expected in early February.
- 2.3.13 In the Autumn Budget the Chancellor also announced that Local authorities are expected to receive around £1.1bn of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme. Extended producer responsibility (EPR) aims to make producers responsible for the cost of

collection, managing and recycling of packaging and incentivise them to make their products recyclable by modulating fees based on the recyclability of products. It will also aim to reduce unnecessary packaging, increase quality and reduce litter. Exceptionally for 2025/26 only and recognising the importance of local authorities being able to effectively plan their budgets, the Treasury will guarantee that if local authorities do not receive Extended Producer Responsibility income in line with the central estimate there will be an in-year top up, with the detail on this to be set out through the Local Government Finance Settlement. It is currently assumed this funding does not come with additional responsibilities for councils. The Council received written notification from DEFRA on November 28<sup>th</sup> of this allocation, and advised this amount was indicative at this stage, but was included in the December budget proposals.

### **Updates to Budget Plans following the Draft Budget Report**

2.3.14 The draft budget plans published in December have been updated for the detailed funding figures that were released as part of the Provisional Local Government Finance Settlement. It should be noted that not all grant allocations are published alongside the settlement and estimates remain within the budget figures where this is the case.

2.3.15 Overall, the funding adjustments arising from the Provisional Local Government Finance Settlement have resulted in additional grant income of £3.9m compared to the assumptions in the Draft Budget Report. These changes are as follows:

<b>Provisional Finance Settlement - Funding Changes since Draft Budget Report</b>	<b>2025/26 £m</b>
<b>Directorate Funding</b>	
Social Care Grant	(1.4)
Children's Social Care Prevention Grant	(1.8)
Homelessness Grant	(0.2)
	<b>(3.4)</b>
<b>Other Funding</b>	
Business Rates Top Up	0.1
Revenue Support Grant	(0.4)
New Homes Bonus	1.3
Services Grant	0.5
Recovery Funding	(4.2)
Estimated shortfall NI funding*	2.2
	<b>(0.5)</b>
	<b>(3.9)</b>

\* Additional NI costs for direct council employees are £5.8m compared to estimated Government funding of £3.6m. The Draft Budget Report assumed the £5.8m costs would be fully funded.

2.3.16 The additional £3.9m funding outlined above has been used to increase expenditure budgets in priority areas as per the below table and are discussed in the relevant service area within this report. The overall net budget position remains balanced.

Expenditure Budget Changes	2025/26
	£m
<b>Children</b>	
Contribution to increased costs of NI and ongoing demand pressures being seen in year to date	0.5
Special Guardianship Orders	0.1
Staffing Sendact team	0.2
	0.8
<b>Adults</b>	
Contribution to increased costs of NI and ongoing demand pressures being seen in Q3	1.5
Removal of Libraries Saving agreed in 2024/25 budget (24AH17)	0.8
	2.3
<b>Place</b>	
Removal of proposed Bins Saving (PL2527)	0.1
Additional Seasonal Weather Budget to reflect increase in number of weather events	0.5
Allocate additional Homelessness Grant increase	0.2
	0.8
	<b>3.9</b>

## 2.4 Net Revenue Charge Assumption

- 2.4.1 The Council's net revenue budget is primarily determined from the amount of Council Tax collected and funding provided from the Government Settlement Funding Assessment (SFA) with adjustments made with either contributions to or from reserves to support the overall total base budget for service provision.
- 2.4.2 The table below summarises the funding assumed to support the updated net budget plans. The figures exclude specific grant funding streams that are budgeted within directorates.
- 2.4.3 The net revenue budget changes from the December report reflect a combination of additional funding (£3.9m) and also that the Government in its commitment to grant simplification has rolled up a number of service specific grants into the SFA figures.

	2024/25	2025/26	Change
	£m	£m	£m
Retained Business Rates	(62.5)	(62.4)	0.1
Government Funding	(70.7)	(82.5)	(11.8)
Council Tax	(234.0)	(250.8)	(16.8)
<b>Funding Total</b>	<b>(367.2)</b>	<b>(395.7)</b>	<b>(28.5)</b>

## 2.5 **Business Rates (NNDR) and Government Funding**

2.5.1 A breakdown of the Business Rates and Government funding allocations included in the updated budget plans is outlined in the table below.

	2024/25	2025/26
	£m	£m
<b>Funding</b>		
Business Rates Local Share	(63.2)	(64.1)
Deficit Repayment	0.7	1.7
Retained Business Rates	(62.5)	(62.4)
Government Funding:		
- Business Rates Top Up	(31.7)	(32.0)
- Business Rates Grants	(19.3)	(20.3)
- Revenue Support Grant	(16.5)	(17.1)
- Recovery Funding	-	(8.4)
- Estimated share of £515m NI funding	-	(3.6)
- New Homes Bonus	(1.5)	(0.1)
- Housing Benefit Admin Grant	(1.1)	(1.0)
- Services Grant	(0.6)	-
Total Government Funding	(70.7)	(82.5)
<b>Total</b>	<b>(133.2)</b>	<b>(144.9)</b>

### Business Rates

- 2.5.2 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.
- 2.5.3 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 £32.0m for 2025/26.
- 2.5.4 The updated funding figures reflect the new business rates multiplier levels for 2025/26. 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 54.6p to 55.5p, in line with September 2024 CPI, at 1.67%. Each authority's baselines are indexed based on their proportion of business rates derived from each of the multipliers. This equates to approximately 0.9% for Kirklees.
- 2.5.5 Government also compensates councils for any business rates income foregone as a result of freezing the business rates multipliers (or uplifting them by less than CPI). These compensation payments are built into the updated budget figures.

- 2.5.6 The net business rates retained income is also reduced for losses on collection and losses due to appeals. Collectively these adjustments equate to approximately 3.2% of net rates payable.

### Revenue Support Grant (RSG) and Other Unringfenced Grants

- 2.5.7 RSG forms part of the Settlement Funding Assessment set by Government. For 2025/26, Kirklees' allocation is £17.1m; an increase of £0.6m from 2024/25.
- 2.5.8 As illustrated in the table at 2.5.1, there are also other un-ringfenced grants of £13.1m in the 2025/26 budget plans. This figure includes £8.4m Recovery Funding and an estimated £3.6m compensation from Government for increased NI costs. The remaining balance relates to £0.1m New Homes Bonus and an estimated £1.0m for Housing Benefit Admin Grant. Note that the allocation of this grant has not yet been announced.

## **2.6 Business Rates Pool**

- 2.6.1 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 2025/26 MTFs update report to Council on 18 September 2024 gave delegated authority for the Chief Executive and Service Director – Finance, in consultation with the Leader and Finance and Regeneration Portfolio holder to endorse the Council's continued participation in a Leeds City Region (LCR) Pool for 2025/26, which included all West Yorkshire Councils and York.
- 2.6.2 The acceptance of the LCR Pool bid for 2025/26, was confirmed by Government through the 2025/26 Financial Settlement announcement.
- 2.6.3 As in previous years, the governance arrangements for the 2025/26 LCR Pool will be ratified in March 2025 through the Business Rates Joint Committee. On 11 December 2024 Cabinet approved 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 2025/26, for approval through the Business Rates Joint Committee.
- 2.6.4 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.

## **2.7 Council Tax**

### Council Tax Base

- 2.7.1 Council budget plans incorporate the updated 2025/26 Council Tax Base (CTB) calculation as approved by the Section 151 Officer, in consultation with the relevant Cabinet member; reflecting a proposed increase of 2,400 Band D equivalents to 128,742 for 2025/26. This is equivalent to 1.9% growth overall. This growth includes an assessment of the impact of additional premiums for second homes which come into force on 1 April 2025.

## Council Tax Referendum Principles

- 2.7.2 Government Council Tax referendum principles are set out in the 2025/26 Provisional Local Government 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 2025/26 (excluding precepts).
- 2.7.3 In addition to allowable Council Tax uplifts within referendum principles, Government also granted councils with Social Care responsibilities local discretion to uplift Council Tax in 2025/26 up to a maximum of a further 2%.
- 2.7.4 Council updated budget plans include the maximum allowable uplift of 2% for Adult Social Care (ASC) precept in 2025/26 and this will be ring-fenced to support adult social care base budget additional spend requirements in 2025/26.
- 2.7.5 Taking into account both the basic Council Tax uplift and the ASC precept, the current budget includes a total proposed Council Tax increase for 2025/26 of 4.99%.
- 2.7.6 A breakdown of the 2025/26 Council Tax Income and assumptions is provided below.

	2024/25 £m	2025/26 £m
<b>Base Council Tax Income</b>		<b>(236.4)</b>
<i>2025/26 Changes:</i>		
Change in Taxbase - 2nd Homes		(1.6)
Change in Taxbase - Net growth		(2.9)
Increase - Basic Council Tax Charge 2.99%		(7.2)
Increase - ASC precept 2%		(4.8)
<b>Council Tax Income</b>	<b>(236.4)</b>	<b>(252.9)</b>
<b>Deficit Repayment</b>	<b>2.3</b>	<b>2.1</b>
<b>Total Council Tax Funding</b>	<b>(234.1)</b>	<b>(250.8)</b>

- 2.7.7 Council Tax charges are assumed to increase by a total of 4.99% as outlined above. The impact of this uplift on households in Kirklees is shown in the below table.

Council Tax Charge - Kirklees Only	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
<b>Annual</b>								
2024/25	1,247.36	1,455.25	1,663.15	1,871.04	2,286.83	2,702.61	3,118.40	3,742.08
2025/26	1,309.60	1,527.87	1,746.13	1,964.40	2,400.93	2,837.47	3,274.00	3,928.80
Increase	62.24	72.62	82.98	93.36	114.10	134.86	155.60	186.72
<b>Weekly</b>								
2024/25	23.99	27.99	31.98	35.98	43.98	51.97	59.97	71.96
2025/26	25.18	29.38	33.58	37.78	46.17	54.57	62.96	75.55
Increase	1.19	1.39	1.60	1.80	2.19	2.60	2.99	3.59

- 2.7.8 The Council is mindful of the current financial challenges facing the citizens of Kirklees but faces a tough choice about whether to increase Council Tax to bring in desperately needed funding to protect services to the most vulnerable residents, whilst at the same time being acutely aware of the significant financial burden that places on households.
- 2.7.9 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.

### **Directorate Portfolios**

The 2025/26 proposed budgets identifying the additional pressures and savings are provided at Appendix B by Directorate with the key points described below.

### **2.8 Children and Families**

- 2.8.1 Updated budget plans include a total of £7.7m of additional funding to be invested into Children's Services (prior to savings proposals). This provides funding to support demand led pressures including External Residential Placements, Leaving Care Supported Accommodation 18+, Special Guardianship Orders Educational Psychology and Home Care support to Children with Disabilities. The service will continue to develop local internal residential provision which 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. The additional funding includes a total of £0.8m from the new Children's Social Care Prevention Grant.
- 2.8.2 Within the £7.7m, £5.1m is specifically from demand led pressures for Children Looked After and a sum of £1.1m is initially provided for the cost of Home Care/ Direct payments support for Children with Disabilities.
- 2.8.3 An additional £1.3m is included for pressures highlighted in the current year with regard to both cost and demand. These include Section 17 wrap around support, support to families with no recourse to public funds, financial support for Care Leavers, commissioned services including Kirklees Integrated Community Equipment Service and Inter Agency Adoption Fees, and SENDACT.
- 2.8.4 There is also a £2.15m contribution to High Needs built into the budget figures as part of the High Needs Safety Valve Agreement, as referenced in section 2.19.
- 2.8.5 Children's Services new savings proposals total £3.4m in 2025/26, and a further £0.2m in 2026/27, and these are summarised at Appendix D.
- 2.8.6 Directorate savings proposals include the redesign of a number of internal and commissioned areas to ensure the most effective service is delivered. Individual savings proposals include the mainstreaming of the Multisystemic Therapy (MST) Service, further savings from review of Family Help Services, rationalisation of the Early Years SEND function, rationalisation of Early Help Community Hub Co-ordinators, consolidation of the Compliments and Complaints team, and savings across commissioned services.



## 2.9 **Adults & Health**

- 2.9.1 The budget proposals provide an additional £19m of gross spend (excluding pay awards for directly employed staff as these are budgeted for centrally until pay awards are agreed) to cope with demand and cost pressures due to the volume and complexity of need.
- 2.9.2 Within this figure, there are significant forecast pressures arising from the impact of the Chancellor's budget. The Government's 6.7% headline National Living Wage (NLW) uplift for 2025/26 will raise the NLW to £12.21 per hour. This is estimated to cost c.£6.9m.
- 2.9.3 Similarly, the recently announced changes to National Insurance for employers has added a further pressure. Collectively both the change in the underlying % rate to 15% from 13.8%, and the change in the threshold level to £5,000 from £9,100 is forecast to add an additional £2.6m.
- 2.9.4 These pressures and the continuing economic landscape continues to bring uncertainty within the Adult Social Care market. Continued review remains key, alongside dialogue with key partners. Discussions around the uplifts on the rates paid to external providers for demand-led activities are ongoing and will consider the pressure on the market as well as the available funding envelope for the Council.
- 2.9.5 The Government has announced an extra £880m of social care funding in the Provisional settlement. Total additional grant is now £6.9m (£5.5m was assumed in the budget proposals) and was being used to help mitigate various pressures in the service including, NLW increase and the changes in National Insurance referenced above. The additional grant is being added in full to the social care demand budget.
- 2.9.6 Savings approved as part of last year's budget for 2025/26 were £13.5m and are in the main on the way to being delivered. As Adult Social care had already identified significant savings towards the 2025/26 budget gap, there is reduced scope for further savings and a total of £1.8m is proposed.
- 2.9.7 These new proposals for Adult Social Care savings centre around reviewing the scope and means of current provision. A sum of £0.8m is proposed for the transfer of 2 care homes to the private sector, which is subject to a separate report on this agenda. Additional staffing savings of £0.5m are proposed, mainly from long held budgeted vacancies and a saving of £0.5m from Commissioned activity.
- 2.9.8 With regard to the wider trends and shape of the market, transformational work will continue to model future demand and to identify and deliver social care efficiencies.
- 2.9.9 Additional funding as part of the 2025/26 settlement is being used to protect the existing Libraries service from reductions by removing £800k saving originally planned in the 24/25 budget.

## 2.10 **Place**

- 2.10.1 In Development there are pressures relating to the management and maintenance of the Core Estate at £1.4m and £0.4m to address the reduction in rental income from properties no longer held. There is an assumption of new grant funding of £0.6m,

relating to additional Homeless Prevention grant, which will be used to partially offset temporary accommodation pressures.

- 2.10.2 New savings proposals include reductions in the level of cleaning across the Core Estate £0.6m, building disposals/mothballing £0.4m, reductions in grounds maintenance of council buildings £0.1m and income increases £0.2m.
- 2.10.3 Elsewhere in Development there are £0.3m of savings including management savings across the directorate of £0.1m and £0.2m of vacancies within Housing Growth.
- 2.10.4 For Skills & Regeneration new proposed savings include a £0.2m reduction in management capacity and vacant posts. There is also £0.1m in reduced activity and capitalisation across Employment & Skills, Business & Economy and Major projects.
- 2.10.5 Environmental Strategy & Climate Change has recognised pressures of £0.4m related to Home to School Transport. New savings include £0.4m for an authority wide review on Business Support activity, £0.1m related to Employers NI savings from the introduction of an Electric Vehicle Salary Sacrifice scheme and £0.1m from a new approach to the management of the Nighttime Noise service.
- 2.10.6 In Waste there are pressures of in the region of £3.1m, of which £1.4m relates to the extension of the waste disposal contract including Qualifying Change in NI costs of £0.1m, £1m relates to disposal costs, landfill tax and chemical treatment costs and £0.8m relates to the cost of hiring vehicles, pending the delivery of new council owned vehicles. Additional grant of £6m is recognised related to Externed Producer Responsibility in Waste.
- 2.10.7 There are proposed savings of £0.4m including £0.1m in Trade Waste. There are also further savings related to efficiencies in better management and usage of Pool Cars £0.1m.
- 2.10.8 Following feedback on the budget, the proposal around the reduction in bin sizes has been removed.
- 2.10.9 Parking services have an income pressure of £0.8m following a revised decision by cabinet in October 2024, which revised the offer and amended the full year saving arising from residential and district parking and penalty charge notices.
- 2.10.10 There is a pressure of £0.5m recognised for Adverse Weather in Highways, with further increases in future years. Within Highways there is a saving related to increased capital recharging of £0.2m.
- 2.10.11 There is a further pressure in transport of £0.3m related to fleet maintenance.
- 2.11 **Public Health and Corporate Resources**
- 2.11.1 The updated proposals for 2025/26 include pressures of £3.95m, existing savings of £0.6m and new savings of £1m.

- 2.11.2 Housing Benefit Subsidy loss pressures in 2024/25 are currently reported at £4.4m. The proposed budget provides for an additional £3.6m reflecting the work being undertaken to reduce Temporary Accommodations and Bed and Breakfast numbers. The Government's subsidy system does not fully support councils in placing housing benefit recipients in certain types of temporary accommodation, such as temporary bed and breakfast accommodation. Under Housing Benefit Subsidy rules the maximum claim for bed and breakfast is limited to the one bedroom (self contained) January 2011 Kirklees Local Housing Allowance rate. For temporary accommodation the maximum claim is 90% of the January 2011 Kirklees Local Housing Allowance rate, based on the property size. Any costs above these rates must be funded by the Council. The significantly increasing demand for temporary housing is a national issue and very challenging in terms of finding appropriate accommodation.
- 2.11.3 A sum of £0.35m is provided to reflect the reduction in court fee income.
- 2.11.4 IT savings are £0.5m in total reflecting continuation of plans to improve efficiencies of IT usage including reducing contract spend, and general cost of equipment printing, mail, and peripherals.
- 2.11.5 A review of fees and charges across various services plans to generate £0.6m, and the remaining £0.5m will be achieved through vacancy management across the directorate.

## 2.12 **Central budgets**

- 2.12.1 The budget provides for a pay award of 3% in 2025/26. Each 1% costs broadly £2.5m per annum and therefore £7.5m is budgeted.
- 2.12.2 Inflation budgets for 2025/26 reflect a review of requirements across the organisation, including energy cost uplifts of £0.5m and waste contract inflation of £1m. Budgets for pay awards and inflation continue to be held centrally until they are agreed nationally or are contractually committed.
- 2.12.3 Central Budgets also reflect a 0.1% reduction in the superannuation budget as part of the current triennial review, covering the period 2023-2026. This is equivalent to a reduction of £0.2m compared with current budget levels and a further reduction of £0.1m relating to fall out of historic pension charges from the WYPF.
- 2.12.4 Updated central budgets also reflect the removal of one-off funding from the insurance provision which had been used to support the 2024/25 base budget at £1.5m.

## 2.13 **West Yorkshire Combined Authority Funding (WYCA)**

- 2.13.1 WYCA have provided a total of £5.3m of funding to Kirklees over 3 years as part of the Devolution Gainshare agreement. This will be used to pay for council resources to deliver WYCA priorities, thereby reducing pressure on council budgets for additional schemes.
- 2.13.2 The 2024/2025 base budget already provides c.£930k of funding from WYCA which is used to support Housing Growth staff costs in the Place Directorate. This was due to end in 2025/2026 but has now been extended until 2027/28. This commits £2.8m

of the total funding against existing costs for the next 3 years .

2.13.3 As the 2025/26 budget was balanced prior to this additional funding, the remaining £2.5m will be set aside to spread out over the next three years.

## 2.14 **Treasury Management**

2.14.1 Treasury management budgets assume that the Bank of England base rate of 4.75% (as at January 2025) is estimated to fall to 3.75% by March 2026 based on advice from the Council's Treasury advisors. The budget reflects assumed combined average borrowing rates of 4.69% in 2025/26. This is based on the continuation of current borrowing strategy, which combines the use of both short- and long-term borrowing.

2.14.2 The budget also provides in full for the borrowing associated with the updated Capital Plan borrowing requirements and associated annual revenue resources to be set aside to service council debt, including additional interest payable of £4.7m and Minimum Revenue Provision (MRP) costs of £17m following the unwind of a previous overprovision from the 2017/18 review. There has been a further independent review in 2023/24 which identified an overprovision which allowed for an unwind of £6.3m to revenue in 2023/24. A saving of £15.2m was released through a Voluntary Revenue Provision in 2024/25 and £10.8m in 2025/26.

## 2.15 **Flexible Capital Receipts**

2.15.1 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 was a 'Call for Views' from the then 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. Whilst we await an official announcement from Government, the expectation is that the current capital receipt flexibilities are extended up to 2030.

2.15.2 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.

2.15.3 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 2024/25 and £4m in 2025/26. It is assumed that guidance this will continue up to 2030, although the Council will need to review capital receipts disposal forecasts over this period. 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.

## 2.16 **Budget Savings**

2.16.1 On the 18 September 2024, Council approved the Medium-Term Financial Strategy (MTFS) 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 MTFS identified that there was a projected budget gap of £29.3m for the 2025/26 financial year. Additional funding in the settlement combined with an ongoing review of pressures and has reduced the new savings proposals down to £11m in 2025/26.

2.16.2 In order to bridge that gap, further savings have been developed. These are summarised by Directorate in the table below:

<b>SAVINGS PROPOSALS 2025/26</b>	<b>Existing £m</b>	<b>New £m</b>	<b>Total £m</b>
Children & Families	(0.5)	(3.4)	(3.9)
Adults & Health	(13.0)	(1.7)	(14.7)
Place	(1.3)	(3.0)	(4.3)
Public Health and Corporate Resources	(1.0)	(0.9)	(1.9)
Central	-	(2.0)	(2.0)
<b>TOTAL</b>	<b>(15.8)</b>	<b>(11.0)</b>	<b>(26.8)</b>

2.16.3 Full details of each proposal within **Appendix D**, can be accessed on the Council's website here: [Detailed Saving Plans: 25/26 Budget](#) and any associated Integrated Impact Assessments here: [Integrated Impact Assessments - IntegratedImpactAssessment \(kirklees.gov.uk\)](#).

2.16.4 A number of actions have already been taken to control net expenditure. These include:

- Cessation of all but priority expenditure (limiting spending to maintaining health and safety, meeting statutory service requirements, fulfilling contractual obligations, preventing further costs and to helping generate income).
- Stricter controls on recruitment whereby all posts subject to release are approved by the relevant Executive Director and the Council's People Panel but stopping short of a total recruitment freeze.
- An ongoing review of all discretionary fees and charges to seek to ensure full cost recovery in line with the Council's approved fees and charges policy.
- Accelerating the sale of assets that the Cabinet has already agreed to dispose of and bring forward further options for assets disposals (both to reduce the operating cost of the Council's Estate and to generate capital receipts);
- Continuing to explore all external funding opportunities to bring additional income into the Council;

- Undertaking a review of the Council’s Capital Programme to determine to what extent schemes can be rephased, deferred, stopped or not started at all to the reduce the cost of borrowing to the Council and to free up capital receipts so that they can be reallocated to essential spending commitments. To date over £136m of spend has been slipped from 2024/25 into future years which has reduced Council borrowing requirements to be in line with the budget

2.16.5 When the Council Plan, and Annual Budget for 2025/26 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.

2.16.6 It is not expected that these controls will be removed in the short term as the Executive needs to be satisfied that the volatile demand budgets and savings proposals are on track to be delivered, but the position will be reviewed on a quarterly basis.

## 2.17 **Monitoring & Challenge**

2.17.1 Throughout the process of developing the current MTFs and the detailed proposals contained here for the 2025/26 budget, Members and Executive Directors have been regularly briefed regarding the base budget pressures the Council faces and which need to be reflected in the base budget. Savings proposals have been developed by Service teams and agreed with Executive Directors and their Portfolio leads as a means of helping deliver a balanced budget for 2025/26.

2.17.2 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. Given the consultation with Service Directors, they are fully aware of what pressures have been funded and the savings they are expected to deliver. 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. 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.

2.17.3 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.

## 2.18 **Reserves**

2.18.1 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 C.

2.18.2 General reserves are balances held as contingencies against risks such as emergency events. The general reserves are expected to be £22.0m by March 26, assuming no further use of these balances is required in 2024/25 as illustrated in the table below and assumes the use of £3m in 2024/25 to offset overspends that have been caused by slippage in savings.

31 March 2024 £m	31 March 2025 £m	31 March 2026 £m	31 March 2027 £m
(25.0)	(22.0)	(23.0)	(24.5)

2.18.3 £2.5m will be added to the Transformation Reserve to help deliver change capacity within the organisation.

2.18.4 The base budget will be supported by £5.5m from the Voluntary Revenue Provision reserve. This is a temporary source of funding that will need to be removed from the base over the life of the MTFs. It should be noted that the 2024/25 budget is supported by c.£13m of one off provisions and reserves. The Council is moving in the right direction to reduce the reliance on one off funding to support ongoing revenue expenditure and will need to remove the use of and then replenish reserves in the medium term plan.

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

2.18.6 Appendix H provides the risk assessment of the Council's level of general reserves, which estimates the minimum value of the general reserve at £16.0m and a desirable value at £29m based on this approach. 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.

## **2.19 Schools Funding (Dedicated Schools Grant or DSG)**

2.19.1 A detailed report on Schools funding for 2025/26 was approved at Cabinet on 21 January 2025. The link to this report is included at section 9.

- 2.19.2 Overall, School funding is increasing by £52 million or 10.6% from 2024/25 to 2025/26.
- 2.19.3 Kirklees' Schools Block funding allocation for 2025/2026 is £397.2m (£368.1m in 2024/2025), the High Needs Block is £72.02m (£65.9m in 2024/2025), the indicative Early Years Block figure is £68.3m (£48.7m in 2024/2025) and the Central Schools Services Block £2.8m (£2.6m in 2024/2025). 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 2025/26.

### **High Needs Safety Valve funding agreement**

- 2.19.4 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.
- 2.19.5 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, complexity of cases and inflationary costs, the original timescale has been extended, with approval from the DfE, 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.
- 2.19.6 Further annual contributions by Government of £2.3m between 2025/26 – 2029/30 will be released quarterly 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, £2.2m for 2023/24 and £1.5m so far in 2024/25.
- 2.19.7 The Council has also prioritised significant revenue resources of its own, including Capital Plan to increase High Needs sufficiency across the district, to be funded through a mix of borrowing and grant funding and a commitment to contribute more than £10m of its own revenue resource, the first £2.15m of this is to be provided as part of the 2025/26 budget.
- 2.19.8 There has also been significant broader schools' system support through schools block funding transfers to the High Needs Block; £1.6m in 2022/23, £2.1m in 2023/24, £2.6m for 2024/25 and £3.6m recently agreed for 2025/26. 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.
- 2.19.9 Any future year annual block transfer requests will be subject to review and consultation through Schools Forum. Despite this additional funding, both locally and nationally, there is a forecast overspend of £20.6m in year, increasing the deficit at the end of the 2024/25 to around £65m. This is primarily due to the rising numbers, inflationary costs and complexity of cases.
- 2.19.10 As part of the Autumn Budget and in recognition of the severe pressures in this service, the Government announced an additional £1bn is being made available to



councils in 2025/26 to help fund SEND pressures (paragraph 2.3.10). To date individual council allocations have not been provided, however the current guaranteed funding uplift of 4%, will rise to a minimum of 7%.

2.19.11 The latest reporting to the DfE on the SEND position indicates that the deficit is estimated at £17m by the end of the Safety Valve period.

2.19.12 There is currently a statutory override in place for DSG deficits. This is a provision introduced by the Government in 2020 (and extended to 2026) that separates local authorities' Dedicated Schools Grant (DSG) deficits from their wider financial position. The DSG is a ring-fenced grant for local authorities' school budgets, and any deficit associated with it is held in an Unusable Reserve due to this statutory override.

2.19.13 Further guidance is awaited from Government with regard to the statutory override and the implications for those councils with a Safety Valve agreement.

## **2.20 Housing Revenue Account (HRA)**

2.20.1 The Council is required to maintain a self-financing Housing Revenue Account (HRA), which is a ring-fenced account separate to the General Fund 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 makes 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. The main requirements of the HRA are as follows:

- Capital component replacements, improvements and maintenance of all Council housing stock to a decent standard with a focus on building safety, warmth and energy efficiency and decarbonisation.
- Delivery of a high quality and cost-effective housing management service, engaging with tenants and putting the tenant voice at the forefront of service delivery. Delivering a repairs service which maintains the housing stock at a decent standard and addresses tenants requirements.
- Inclusion of funding for new build and other strategic capital priorities
- Annual servicing of HRA debt
- Maximising rent and service charge income which complies with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA, the Welfare Reform and Work Act 2016 and the rent standard.
- Holding reserves at a level which is adequate to address business risks. (£500 per unit)
- Addressing the requirements of the Social Housing Regulation Act which includes the consumer standards.

Link to the inflationary uplift report which went to Cabinet on 10<sup>th</sup> December 2024.

- [Rent Inflationary Uplift Report to Cabinet 10th December 2024 final.pdf](#)

## **2.21 CAPITAL**

2.21.1 The Council Budget Strategy Update (18th September 2024) and the Corporate Financial Monitoring Report, Quarter 2 (Cabinet 10th December 2024) referred to a corporate review and affordability assessment of the Capital Plan being undertaken

as one of several initiatives to mitigate against the forecast 2024/25 outturn position and ongoing financial challenges facing the Council.

2.21.2 As part of the Councils governance arrangements, 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.

2.21.3 The capital review undertaken by the Capital Assurance Board considered options to re-phase capital projects/programmes, examine opportunities to release borrowing or identify alternative funding sources, and bring forward asset disposals (both to reduce operational costs as well as generating capital receipts) to help control the cost of borrowing. Given the extent of borrowing that underpins the Programme, and the current and forecast cost of that debt, the focus of the review is to consider what scope there is to reduce/re-profile the Capital Plan for the Council. This is being balanced against the future investment needs of the Council, both in maintaining the delivery of essential services, providing match funding where it is necessary to leverage external funding and to deliver ambitions around growth and regeneration.

### **Update of the Medium-Term Capital Plan 2024/32**

2.21.4 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.

2.21.5 Following a review of the plan, the updated multi-year plan will deliver capital investment of £1.418bn (£1.036bn General Fund, £382m Housing Revenue Account). The plan is summarised in the table below, and shown in more detail at Appendix F.

### **Overall Multi-Year Capital Expenditure Summary**

<b>Council Plan</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>27/28 £m</b>	<b>28/29 £m</b>	<b>29/30 - 31/32 £m</b>	<b>Total £m</b>
Children & Families	19.0	35.1	21.1	4.7	3.0	2.8	<b>85.7</b>
Adults & Health	5.5	3.9	8.2	1.6	0.0	0.0	<b>19.2</b>
Place	128.3	258.7	171.4	84.6	86.8	132.3	<b>862.1</b>
Public Health & Corporate Resources	6.5	16.5	11.9	11.6	11.5	11.1	<b>69.1</b>
<b>General Fund</b>	<b>159.3</b>	<b>314.2</b>	<b>212.6</b>	<b>102.5</b>	<b>101.3</b>	<b>146.2</b>	<b>1,036.1</b>
<b>Housing Revenue Account</b>	<b>43.2</b>	<b>47.6</b>	<b>71.1</b>	<b>63.0</b>	<b>50.8</b>	<b>106.3</b>	<b>382.0</b>
<b>Council Total</b>	<b>202.5</b>	<b>361.8</b>	<b>283.7</b>	<b>165.5</b>	<b>152.1</b>	<b>252.5</b>	<b>1,418.1</b>

\*It should be noted that figures shown in the table's penultimate column represent spend in the last 3 years of the Plan i.e. 2029/30 – 2031/32.

2.21.6 The Quarter 2 Financial Monitoring report was presented at the meeting of Cabinet on 10th December 2024. Members were asked to consider an updated position on the Council's multi-year Capital Plan. £67.6m of spend had been slipped from 2024/25 into future years, overall grant levels increased by £4.7m and £2.3m borrowing removed for the General Fund. The Quarter 2 budget of £208.4m for

2024/25 remained under review, particularly in terms of borrowing. A further £5.9m borrowing slippage has been identified, including £4.3m slippage for the Cultural Heart. This has now been incorporated into the Capital Plan, leading to a revised budget of £202.5m for 2024/25. Any further slippage will be reported at Quarter 3

### **General Fund Capital Plan**

2.21.7 The Capital Plan is under a continual review and budget allocation from 2025/26 onwards have been updated since Quarter 2. The main proposals from the corporate review which are incorporated into the revised Capital Plan for the General Fund are summarised below:

- i) £16.4m capital investments funded via borrowing has been re-profiled out of 2025/26 and moved back into later years to help deliver the £2m saving within Treasury Management. £0.5m grant funded expenditure has been brought forward into 2025/26, resulting in a net re-profile of £15.9m. Any further re-profiling of the multi-year financial budget is to be reported within the Quarter 3 Financial Monitoring Report.
- ii) £0.68m borrowing relating to Leeds City Region Revolving Investment Fund (RIF) partnership agreement has been removed from the programme. The remaining balance of £0.5m in the revised plan reflects the Councils obligations in relation to the RIF.
- iii) Grant assumptions and spend profiles have been updated with an additional £9.6m of grant being built into the Plan. Indicative CRSTS grant funding is included for major Transport schemes A62 / A644 Bus Priority Scheme (£4.8m), Dalton / Deighton Cycle Track (£2.8m), and Active Travel (£2m). A further £2.9m Local Highways Maintenance funding allocation was announced in December 24 and has since been added into the Highways Baseline Capital Plan for 2025/26.
- iv) Invest to Save schemes approved by Cabinet have now been added into the Plan; £3.26m to replace Waste and Recycling hired fleet with capital purchase and £1.8m to replace the current fleet of hired bulk gritting vehicles.
- v) The proposal to extend the Flexible Capital Receipts Strategy over the 2024-30 period (see section 2.15). This allows for the annual capitalisation of transformation related revenue costs, funded from in-year capital receipts. An additional £4m has been added to 2025/26.
- vi) Cabinet (5 November 2024) continues to support the redevelopment of the George Hotel, with £9.8m agreed to be re-profiled from future phases of the Our Cultural Heart budget, increasing the budget allocation to £30m. This transfer is now reflected in the updated Capital Plan.
- vii) 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, £17.2m grant assumption and £0.4m assumed ringfenced capital receipts.

- 2.21.8 New capital schemes will be considered for inclusion in the Capital plan if they deliver ongoing revenue savings against the base budget; or are required to meet health and safety priorities or on the basis that new bids are assessed as a greater priority than existing Council funded schemes which would subsequently be removed.
- 2.21.9 In order for the Council to achieve key strategic objectives and priorities and to help deliver transformation at pace, it is recognised that a more corporate and flexible approach to the application of capital funding is needed. As part of the new approach, it is proposed to add a new 'Investment and Modernisation Fund' into the Capital Plan under Corporate from 2025/26 for 5 years at £10m per annum. This fund will be entirely self-financing and meets the criteria around using capital to help transform services to deliver ongoing revenue savings.
- 2.21.10 In terms of Governance processes, the Capital Assurance Board will appraise business cases based on an assessment of Council priority outcomes, strategic and operational significance and delivery of revenue savings. This Board will make recommendations to both Executive Leadership Team and Cabinet towards a draw down against the 'Investment and Modernisation Fund'. Final approval of Invest to Save initiatives will be via Cabinet. Drawn down allocations will then be transferred to Directorate Capital plans.
- 2.21.11 In December, Cabinet approved the permanent closure of the Dewsbury Sports Centre. This requires the demolition of the wet side building and the conversion of the cleared space to car parking or other alternative use to be identified at a cost of £3.483m. It was noted that it could be possible to generate a capital receipt from the disposal of the wet side site to offset the demolition cost, however funding for this work needs to be identified from reprofiling or reductions in the plan.

### Summary Capital Plan Changes

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 – 31/32 £'000	Total £'000
<b>Q2 Financial Monitoring Report</b>	<b>208,350</b>	<b>355,344</b>	<b>245,571</b>	<b>161,433</b>	<b>135,278</b>	<b>186,564</b>	<b>1,292,540</b>
<b>General Fund:</b>							
Re-profiling (24/25)	(5,858)	5,858	0	0	0	0	<b>0</b>
Re-profiling (25/26)	0	(15,897)	25,607	2,035	(126)	(11,619)	<b>0</b>
Invest to Save	0	5,064	0	0	0	0	<b>5,064</b>
Grant Adjustments	0	7,350	5,191	7	0	0	<b>12,548</b>
LCR Removal	0	0	0	0	(274)	(411)	<b>(685)</b>
Transformation Capitalisation (FCR)	0	4,000	0	0	0	0	<b>4,000</b>
Investment and Modernisation Fund	0	10,000	10,000	10,000	10,000	10,000	<b>50,000</b>
Continued Baseline	0	0	0	0	0	28,674	<b>28,674</b>
<b>Housing Revenue Account:</b>							
Change incl Re-profiling	0	(9,979)	(2,623)	(7,937)	7,272	13,267	<b>0</b>
Continued Baseline/Council House building	0	0	0	0	0	25,985	<b>25,985</b>
<b>Revised Capital Plan</b>	<b>202,492</b>	<b>361,740</b>	<b>283,746</b>	<b>165,538</b>	<b>152,150</b>	<b>252,460</b>	<b>1,418,126</b>

2.21.12 The General Fund Capital Plan has a net increase of £99.6m and this is to be funded mainly by £55m self-financed borrowing (55%), £10.4m borrowing (10%), £29.8m grants (30%) and £4.4m un-ringfenced capital receipts (5%). The Housing Revenue Account Capital Plan has increased by £26m, to be funded by a mixture of increased HRA reserves/revenue contributions to capital by £38.8m and increase in £4.6m grants offset by a reduction in £11.2m borrowing and reduction of capital receipts by £6.3m.

2.21.13 Officers will continue to re-shape the plan to reflect realistic delivery timescales and funding needs/opportunities going forward; including emerging further National Government and regional intelligence on emerging infrastructure developments. The Plan will continue to be reviewed to identify areas where potential exists to reduce capital allocations to lower the Council's borrowing costs. Where pressures are identified, the current borrowing envelope will be assessed, and funds reprioritised to areas of highest need.

## **2.22 Risk**

2.22.1 The corporate risk register summarises the key strategic risks or barriers to achieving the organisation objectives, including meeting challenging savings targets and successfully completing transformation projects along with the continued financial challenges. It also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Many of these are of a financial nature and provide contextual information when setting the Council's budget.

2.22.2 The risk assessment reflects the provisional budget proposals put forward by officers. Subsequent changes to these proposals may affect the risk assessment. The areas identified are summarised below:

- Risk that additional funding announced comes with new burdens
- Failure to maintain sufficient level of priority and focus leading to required savings initiatives not being delivered, resulting in budget overspend.
- Risk of increased costs due to inflation, in particular the pay award and NLW increases being above those assumed in the budget.
- Risk that the capital programme is not sustainable due to a reliance on capital receipts from asset disposals that are not guaranteed and borrowing at a time of elevated interest rates.
- The risk of a reduction in expected income as tenants, residents and businesses are unable to meet financial commitments, resulting in a failure to meet budgeted income targets.
- Risk of medium-long term financial instability caused by failure to develop or adhere to robust financial planning processes and procedures leading to reductions in service provision, possible Government intervention and reputational damage.
- Risks associated with the availability and provision of Temporary Accommodation for persons accepted as homeless and the resulting cost implications.
- Demand pressures, generally, and particularly within Adults Social Care result in unbudgeted additional costs.

- Inability to meet the needs of the SEND community due to continued increases in demand, greater complexity in clients' needs and insufficient locally available provision.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.

## **2.23 Positive Assurance Statement**

- 2.23.1 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

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

- 2.23.2 This report sets out proposals for the delivery of an overall balanced budget for 2025/26.
- 2.23.3 Cabinet has received in year financial monitoring reports for 2024/25 with pressures being reported particularly in social care, temporary accommodation and a range of place based services including waste management.
- 2.23.4 The Quarter 2 position shows the projected overspend is £9.9m (draft Quarter 3 position is unchanged from Quarter 2 overall) and whilst officers will continue to explore all available options to reduce this, there will be a requirement to use some reserves bring the 2024/25 budget back into balance.
- 2.23.5 The financial pressures highlighted in-year impact the 2025/26 budget plans. There is a clear strategy to make the 2025/26 budget as robust as possible reflecting pressures services are currently facing and providing over £20m of additional funding for demand pressures alone and over £50m of funding for pressures in total. Budget plans also reflect the Government funding allocations included in the 2024/25 provisional financial settlement and will be updated once the final settlement is announced in the early February 2025.
- 2.23.6 Proposals to bring the revenue budget position into balance in 2025/26 include new budget savings totalling c.£11m, bringing total savings required to c£27m. Around 55% of the savings totals are required to be delivered by Adult Social Care as part of the Transformation Programme. Social care budgets can be volatile in nature and there is an inherent risk that the assumptions made in the budget, both relating to activity levels and the cost of packages may prove to be incorrect. However, countering that is the fact the an extra £21m of costs has been added to this budget for demand and inflationary pressures. The Council must ensure that it delivers the £27m of total savings in 2025/26 to prevent further diminution of reserves.
- 2.23.7 The Capital Plan proposals set out in the Capital Strategy, reflect the previously agreed Capital plan. Ongoing reviews of A target saving of £2m of capital financing costs have been built into these proposals and this is deliverable for 2025/26 based on the plan.

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.

2.23.8 The Council's reserves strategy identifies a minimum working balance of unallocated balances of £16m with a desirable balance recalculated at £29m. The current forecast unallocated balance at March 31 2026 is £23m, equivalent to 5.8% of the net revenue budget.

2.23.9 As noted in the reserves section in the report, unallocated reserves within the range of c.£16m to £29m 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. Therefore, the financial strategy will be updated to remove the reliance on one off funding and increase general balances over the medium term to provide greater sustainability. The use of reserves to support the 2025/2026 budget has reduced by around £8m to £5.5m and the financial strategy will continue to remove reserves as a source of funding for recurring expenditure.

2.23.10 Whilst there is no set percentage value as to the level of general balances and Councils are required to take a risk based approach to these issues, the s151 Officer's view is that £16m must be considered the absolute minimum level of unallocated reserves for this Council to hold at any one and the Council should strive to achieve the desirable balance of £29m over time.

2.23.12 The report also makes reference to the Safety Valve (SV) 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.

2.23.13 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.

2.23.14 Government confirmation that DSG deficits will continue to roll forward on council balance sheets as 'unusable negative reserves' until at least March 2026 when the Statutory Override date is scheduled to end. This Council, along with others across the country, are awaiting updated guidance with regard to the treatment of the Statutory override. The Council's own position is further complicated by the fact it is has a SV agreement which ends some 4 years after the current Statutory Override date. Should there be a DSG deficit after the SV ends and there is no permissible statutory override then councils will be required to offset their DSG deficits against usable reserves and put significant further pressure on council financial resilience.

2.23.15 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 ongoing demand and 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.

2.23.16 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 for this budget.

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

#### **3.1 Formal Resolution**

3.1.1 It is necessary for the motion to Budget Council on 5 March 2025, set out at Appendix M, 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 budget papers are published. 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 5 March 2025.

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 5 March 2025.

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.

### 3.2 Council Plan

Our 2025/26 Council Plan, sets out our ongoing commitment to our long-term vision and shared outcomes, and our council priorities and areas of focus for the 2025/26 financial year. The Council Plan sets out the overarching strategic direction for the services and activities relating to the business of the Council, across all directorates and service delivery areas. As such, the Council Plan sets out the strategic framework for the Council's budget and is to be considered alongside the annual budget for decision at Council in March 2025.

### 3.3 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 Council's strategic priorities as listed above.

### 3.4 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.

### 3.5 Climate Change & Air Quality

### 3.6 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 Executive Directors in conjunction with the Service Director - Finance, following initial assessment through the Capital Assurance Board.

The 2025/26 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 31 January 2025.

The public consultation to support the 2025/26 annual budget was launched on the 11 December 2024 and ran up until the 15 January 2025. The purpose of the consultation is to help the Council understand what is most important to people and communities in Kirklees, and to inform the development of, and decision making related to, the Council's 2025/26 annual budget, and associated Council Plan.

The public consultation was available online and was supported by information which provides an overview of what the Council does, and the funding challenges the Council is currently facing. The supporting information also provided a summary of the proposed areas for savings which were included in the draft budget documentation that was made publicly available and considered by Cabinet on the 10 December 2024. The consultation asked the public for opinions on the draft budget, and whether they are impacted by any of the savings' proposals contained within it. The consultation was promoted to citizens, communities, businesses and partners.

A summary of the consultation responses is attached at Appendix L. There was a total of 881 respondents.

As a direct result of the feedback received through the consultation, the Executive has taken the decision to not proceed with one of the savings proposals that was contained within the draft budget documentation. The proposal was around reducing the size of household waste wheeled bins from 240L to 180L (proposal reference number in the draft budget PL2527). The proposal was aimed at helping to encourage more recycling in Kirklees, and to contribute to our climate commitments, while also reducing the cost of the service. A significant number of respondents completing the consultation expressed a number of concerns relating to this proposal, citing reasons such as potential increased fly-tipping as a result of the changes, and how there would be a disproportionate impact on larger households. Further details on the feedback received is included in the consultation summary at Appendix L.

The public budget consultation also highlighted the council services which matter the most to respondents. These were: emptying bins and cleaning streets, highways maintenance and improvement, schools, and services to support vulnerable adults and children and families.

## 5. Engagement

The Council has sought to ensure transparent engagement, and an ongoing dialogue with all key stakeholders throughout the process of developing the Council's annual budget for the 2025/26 financial year.

A draft annual budget for 2025/26 was made publicly available and was considered by Cabinet on the 10 December 2024. The budget was released earlier this year in comparison to previous years, to allow for greater transparency and engagement on the proposals contained within it. Also different to previous years, this time the Council has sought to encourage improved engagement on the budget through pre-decision scrutiny. As such, a session of the Overview and Scrutiny Management Committee (OSMC) took place on the 17 January 2025 for this purpose.

Cross-party budget meetings have brought all the different political group leaders together to receive regular updates on the development and delivery of the Council's budget. The forum provides group leaders with an opportunity to ask questions, and to provide feedback as part of this process. It is attended by the Chief Executive, the Deputy Chief Executive and also includes the Service Director for Finance. The first meeting took place on the 29 August 2024 and it continues to meet on a two-weekly basis.

Meetings to engage with each political group were undertaken between 13 and 21 January 2025. The purpose of these meetings was to ensure political groups are aware of the financial challenges facing the Council, the details relating to key elements of the budget, and to allow space for any feedback or questions they might have on the draft budget itself.

Over the last year, we have also regularly provided budget briefings to representatives from our Trade Unions, and representatives from our internal Employee Networks, to ensure they understand developments associated with the budget and our financial position, and to discuss and receive feedback on implications of associated budget proposals on staffing and services across the Council.

On the 17 January 2025, the Overview and Scrutiny Management Committee (OSMC) considered proposals relating to the development of the 2025/26 Council Plan and associated draft budget for the 2025/26 financial year. Feedback from the committee has been considered when finalising and preparing the final proposed budget as presented and will be considered at the beginning of the process of developing annual budgets for the next financial year. Cabinet/Council are asked to consider this feedback when final decisions on the budget are made. Comments made by the committee are as follows:

- The improvements made in terms of the approach to pre-decision scrutiny in the last few years are welcomed and it is recommended that engagement with scrutiny be undertaken at the earliest possible stage of decision-making or policy formulation.
- The proposals to support and assist communities to undertake activities and minimise barriers are welcomed.
- The importance of ward budgets and, whilst recognising the need for monitoring, a review of the complexity of the governance arrangements would be welcomed.

- The importance of the principle of developing resilience being adopted in the approach to budget development.
- Consideration should be given to how the budget is presented, with the recommendation that additional detail should be provided for context and to help understanding of the impacts and risks associated with the key pressures and savings, and how they would be addressed.
- The improvements in children’s services over the last ten years and the recent ‘Good’ Ofsted outcome are welcomed and that all those involved be thanked for their dedication and hard work in contributing to this.
- The important investment into early years and support and the efforts being made to reduce the numbers of out of area placements for children looked after is welcomed.

## **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 5 March 2025 (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 26 February 2025.
- 7.2 Proposed amendments shall be submitted to the Chief Executive on or before 12.00pm on Monday 24 February 2025 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 26 February 2025. 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**

Kevin Mulvaney      Service Director – Finance  
 Jacqui Fieldhouse    Head of Finance

James Anderson    Head of Accountancy  
Sarah Hill            Finance Manager

## 9. Background Papers and History of Decisions

### Background Papers

- Council budget report 2025/26, Cabinet 10 December 2024 (Item 10)
- Council approved annual budget report 2024-25, 6 March 2024 (Item 7)
- Council financial outturn report 2023/24 to Council, 14 July 2024 (item 12)
- Autumn Budget 2024 - GOV.UK
- Kirklees' School Funding Arrangements for the Financial Year 2025/26
- Council Budget Strategy Update report; 2025/26 and future years; 18th September 2024 (Item 10)
- Our 2024/25 Council Plan: Council 6 March 2024
- Corporate Financial Monitoring Report Quarter 2, 2024/25 to Cabinet December 2024 (item 12)
- Provisional local government finance settlement 2025 to 2026 - GOV.UK
- Housing Revenue Account annual rent setting and service charge and key housing challenges report, to Cabinet on 10 December 2024 (Item 11)
- Integrated Impact Assessments (kirklees.gov.uk).
- Budget Consultation exercise 2024/25

## 10. Appendices

Appendix A    General Fund Summary  
Appendix B    Movement in Budgets by Directorate  
Appendix C    Reserves  
Appendix D    Savings Proposals  
Appendix E    Grants Within Services  
Appendix F    Capital Plan  
Appendix G    Flexible Capital Receipts Strategy  
Appendix H    General Fund Working Balance  
Appendix I    Capital Strategy  
Appendix J    Treasury Management Strategy  
Appendix K    Housing Revenue Account (HRA)  
Appendix L    Budget Consultation exercise – summary  
Appendix M    Council Tax Motion

## 11. Service Director Responsible

Kevin Mulvaney    Service Director – Finance

**PROPOSED BUDGET 2025/26**

**APPENDIX A**

	2024-25 NET BUDGET	ADD BACK SAVINGS FALL OUT	DEMAND PRESSURE	INFLATION/ PAY PRESSURE	OTHER PRESSURE - EXPENDITURE	OTHER PRESSURE - INCOME	FUNDING FALL-OUT	FUNDING INCREASE	SAVINGS	2025-26 BUDGET PROPOSAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>DIRECTORATE BUDGETS:</b>										
Children	82,292	-	8,269	1,253	1,300	-	-	(2,321)	(3,860)	86,933
Adults	114,824	344	8,991	11,890	109	-	-	(7,066)	(14,746)	114,346
Place	56,835	298	250	3,271	3,913	1,125	178	(6,728)	(4,343)	54,799
Corporate	53,439	314	3,600	1,807	-	350	-	-	(1,885)	57,625
Central	56,059	-	-	7,732	10,792	-	1,500	(870)	(2,000)	73,213
<b>TOTAL NET BUDGET</b>	<b>363,449</b>	<b>956</b>	<b>21,110</b>	<b>25,953</b>	<b>16,114</b>	<b>1,475</b>	<b>1,678</b>	<b>(16,985)</b>	<b>(26,834)</b>	<b>386,916</b>
<b>FUNDED BY:</b>										
Council Tax	(234,051)									(250,849)
Retained Business Rates	(62,509)									(62,378)
Government Funding:										
- Business Rates Top Up	(31,687)									(31,986)
- Business Rates Grants	(19,309)									(20,256)
- Revenue Support Grant	(16,517)									(17,073)
- Other Un-ringfenced Grants	(3,171)									(13,132)
<b>TOTAL FUNDING</b>	<b>(367,244)</b>									<b>(395,674)</b>
<b>TRANSFERS TO/(FROM) RESERVES:</b>										
VRP* Contribution	15,195									10,804
VRP* Drawdown	-									(5,546)
WYCA* Levy Rebate Drawdown	(9,400)									-
Collection Fund Smoothing Drawdown	(2,000)									-
Transformation Reserve Contribution	-									2,500
General Reserves Contribution	-									1,000
<b>TOTAL RESERVES TRANSFERS</b>	<b>3,795</b>									<b>8,758</b>
<b>BALANCED BUDGET</b>	<b>0</b>									<b>0</b>

\*VRP = Voluntary Revenue Provision, WYCA = West Yorkshire Combined Authority

**PROPOSED BUDGET 2026/27**

**APPENDIX A**

	2025-26 NET BUDGET	ADD BACK SAVINGS FALL OUT	DEMAND PRESSURE	INFLATION/ PAY PRESSURE	OTHER PRESSURE - EXPENDITURE	OTHER PRESSURE - INCOME	FUNDING FALL-OUT	FUNDING INCREASE	SAVINGS	2026-27 BUDGET PROPOSAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>DIRECTORATE BUDGETS:</b>										
Children	86,933	329	(6)	1,200	-	-	-	500	(199)	88,757
Adults	114,346	400	7,300	6,500	-	-	125	(1,700)	(2,428)	124,543
Place	54,799	-	250	100	(300)	58	100	-	(680)	54,327
Corporate	57,625	500	200	200	200	750	767	-	(385)	59,857
Central	73,213	-	-	8,490	16,795	-	-	-	-	98,498
<b>TOTAL NET BUDGET</b>	<b>386,916</b>	<b>1,229</b>	<b>7,744</b>	<b>16,490</b>	<b>16,695</b>	<b>808</b>	<b>992</b>	<b>(1,200)</b>	<b>(3,692)</b>	<b>425,982</b>
<b>FUNDED BY:</b>										
Council Tax	(250,849)									(266,894)
Retained Business Rates	(62,140)									(64,078)
Government Funding:										
- Business Rates Top Up	(31,986)									(32,345)
- Business Rates Grants	(20,494)									(21,772)
- Revenue Support Grant	(17,073)									(17,265)
- Other Un-ringfenced Grants	(13,132)									(13,060)
<b>TOTAL FUNDING</b>	<b>(395,674)</b>									<b>(415,414)</b>
<b>TRANSFERS TO/(FROM) RESERVES:</b>										
VRP* Contribution	10,804									-
VRP* Drawdown	(5,546)									(4,750)
Collection Fund Smoothing Drawdown	-									1,000
Transformation Reserve Contribution	2,500									1,500
General Reserves Contribution	1,000									1,500
<b>TOTAL RESERVES TRANSFERS</b>	<b>8,758</b>									<b>(750)</b>
<b>BALANCED BUDGET</b>	<b>0</b>									<b>9,818</b>

\*VRP = Voluntary Revenue Provision, WYCA = West Yorkshire Combined Authority



**MOVEMENT IN BUDGETS BY DIRECTORATE**
**APPENDIX B**

CHILDREN & FAMILIES	REF	2025-26 £000	2026-27 £000
<b>NET CONTROLLABLE BUDGET STARTING POSITION</b>		<b>82,292</b>	<b>86,933</b>
<b>DEMAND PRESSURE</b>			
Children Looked After – Demand Led Pressures		4,844	169
Children with Disabilities – Home Care / Direct Payments		1,100	
Safety Valve Contribution (DSG)		2,150	
Educational Psychology - Locum costs due to demand on the service		175	(175)
		8,269	(6)
<b>INFLATION/PAY PRESSURE</b>			
Children Looked After		251	1,200
Additional NI Costs		1,002	
		1,253	1,200
<b>OTHER PRESSURE - EXPENDITURE</b>			
Section 17 Payments - Wrap around support to prevent family breakdown		100	
Support to those with No Recourse to Public Funds		250	
Financial Support for Care Leavers		300	
Kirklees Communities Equipment Store (Contribution to pooled budget)		150	
Adoption Fees		150	
Special Guardianship Orders (SGOs)		150	
SENDACT		200	
		1,300	0
<b>FUNDING INCREASE</b>			
Drawdown from Stronger Families Reserve – one off		(500)	500
Children’s social Care Prevention Grant		(1,821)	
		(2,321)	500
<b>SAVINGS</b>			
<b>Add Back Savings Fall-Out</b>			<b>329</b>
<b>Existing Savings</b>		<b>(486)</b>	
Mainstream MST approaches in Family Help	CF2501	(589)	
Review Family Help Resources	CF2502	(199)	(199)
Rationalisation capacity in the LADO service	CF2504	(60)	
C&K Careers & children’s commissioning contracts	CF2505	(300)	
Rationalise Early Years functions	CF2506	(200)	
Rationalisation of Community Hub Coordinators	CF2507	(465)	
Mainstream the compliments and complaints function	CF2508	(161)	
Reduction in residential out of area placements	CF2509	(900)	
Review the way Children with Disabilities are supported in the community	CF2510	(500)	
<b>New Savings</b>		<b>(3,374)</b>	<b>(199)</b>
<b>TOTAL CHANGES</b>		<b>4,641</b>	<b>1,824</b>
<b>NET CONTROLLABLE BUDGET UPDATED POSITION</b>		<b>86,9233</b>	<b>88,757</b>

**MOVEMENT IN BUDGETS BY DIRECTORATE**
**APPENDIX B**

ADULTS & HEALTH	REF	2025-26 £000	2026-27 £000
<b>NET CONTROLLABLE BUDGET STARTING POSITION</b>		<b>114,824</b>	<b>114,346</b>
<b>DEMAND PRESSURE</b>			
Adults Demand Pressures		8,991	7,300
		8,991	7,300
<b>INFLATION/PAY PRESSURE</b>			
Adults Demand Pressures - CPI element		900	800
Adults Demand Pressures - NLW element		6,900	5,700
Adults Demand Pressures - NI element		2,600	
Additional NI costs		1,490	
		11,890	6,500
<b>OTHER PRESSURE - EXPENDITURE</b>			
'Community Based Integrated Library and customer service functions & assets' – reduced saving in 2024/25		109	
		109	0
<b>FUNDING FALL-OUT</b>			
Use of Communities Refugee & Asylum Grants Reserves Fall-Out			125
		0	125
<b>FUNDING INCREASE</b>			
Increase in Social Care Funding		(6,941)	(1,700)
Use of Communities Refugee & Asylum Grants Reserves		(125)	
		(7,066)	(1,700)
<b>SAVINGS</b>			
<b>Add Back Savings Fall-Out</b>		<b>344</b>	<b>400</b>
<b>Existing Savings</b>		<b>(13,046)</b>	<b>(2,428)</b>
Transfer the dementia long stay residential homes owned by the Council to a private sector operator*	<b>AH2501</b>	(645)	
Other minor savings variations of <£50k	<b>AH2502</b>	(20)	
Kirklees Better Outcomes Partnership reductions in contract value	<b>AH2504</b>	(500)	
Staffing – Review of turnover/vacancy factor allowances	<b>AH2505</b>	(535)	
<b>New Savings</b>		<b>(1,700)</b>	<b>0</b>
<b>TOTAL CHANGES</b>		<b>(478)</b>	<b>10,197</b>
<b>NET CONTROLLABLE BUDGET UPDATED POSITION</b>		<b>114,346</b>	<b>124,543</b>

\*£220k of saving AH2501 included within Place

**MOVEMENT IN BUDGETS BY DIRECTORATE**
**APPENDIX B**

PLACE	REF	2025-26 £000	2026-27 £000
<b>NET CONTROLLABLE BUDGET STARTING POSITION</b>		<b>56,835</b>	<b>54,799</b>
<b>DEMAND PRESSURE</b>			
Home to School Transport		250	250
		<u>250</u>	<u>250</u>
<b>INFLATION/PAY PRESSURE</b>			
Waste - Disposal Contract - Chemical Treatment Consumables		300	
Waste - Disposal Contract - DoV2 Extension		1,231	
Waste – Disposal Contract – NI Pressure		145	
Home to School transport - New Contract wef Sept 25		100	100
Additional NI costs		1,495	
		<u>3,271</u>	<u>100</u>
<b>OTHER PRESSURE - EXPENDITURE</b>			
Corporate Landlord – Management and Maintenance of Core Estate		1,395	(400)
Waste - Hire Vehicles		750	(250)
Waste - Disposal Contract - Legislation - Persistent Organic Pollutants		700	
Transport - Fleet Maintenance		340	
Homelessness Prevention Grant Estimated Additional Spend		173	
Rough Sleeping Grant Estimated Additional Spend		55	
Seasonal Weather		500	250
OSAMS Revenue Costs			100
		<u>3,913</u>	<u>(300)</u>
<b>OTHER PRESSURE – INCOME</b>			
Corporate Landlord - Reduction in income (Assets no longer held)		375	58
Parking – reassessment of income (reduced full year effect) – residential permits		200	
Parking - reassessment of income (reduced full year effect) - districts		400	
Parking – reassessment of income (reduced full year effect) – PCNs		150	
		<u>1,125</u>	<u>58</u>
<b>FUNDING FALL-OUT</b>			
Extended Rights to Free Travel Grant – Rolled into RSG		178	
Use of Employment & Skills Reserves Fall-Out			100
		<u>178</u>	<u>100</u>
<b>FUNDING INCREASE</b>			
Extended Producer Responsibility (EPR) Estimated Funding Allocation		(6,000)	
Use of Employment & Skills Reserves		(100)	
Homelessness Prevention Grant Estimated Funding Increase		(573)	
Rough Sleeping Grant Estimated Funding Increase		(55)	
		<u>(6,728)</u>	<u>0</u>

## MOVEMENT IN BUDGETS BY DIRECTORATE

## APPENDIX B

PLACE	REF	2025-26 £000	2026-27 £000
<b>SAVINGS</b>			
<b>Add Back Savings Fall-Out</b>		<b>298</b>	
<b>Existing Savings</b>		<b>(1,344)</b>	
Corporate Landlord savings re Adults Dementia proposal*	AH2501	(220)	
Reduction in cleaning to service delivery buildings excluding care homes.	PL2502	(587)	
Reduction in grounds maintenance	PL2503	(125)	
Asset transfer of the Hudawi Centre	PL2504	(75)	
Housing Growth – Maximising of existing funding	PL2505	(180)	
Housing – Delete vacant posts	PL2506	(80)	
TransPennine Rail Upgrade Income	PL2508	(150)	
Asset Strategy – Delete Vacant posts	PL2509	(100)	
Major Projects Team - Charging to Capital	PL2510	(50)	
Knowl House – Mothball	PL2511	(72)	
School Transport – Additional Transformation savings beyond existing	PL2512	(156)	(280)
Changes to night-time noise service	PL2514	(70)	
Electric Vehicle Salary Sacrifice Scheme - NI savings	PL2515	(89)	
Review of council wide support services	PL2516	(400)	
Highway Network Management Income & Efficiencies	PL2519		(400)
Trade Waste Charge Review	PL2524	(95)	
Highways and Streetscene - Charges to Capital	PL2525	(155)	
Efficiencies related to Council Service Cars and Bookable Pool Cars	PL2528	(100)	
Review of management across the service	PL2529	(155)	
Reduction in Support to Business – match funding reduction	PL2531	(50)	
Major Projects income	PL2532	(50)	
Utilisation of Neighbourhood capital grant funding	PL2533	(40)	
<b>New Savings</b>		<b>(2,999)</b>	<b>(680)</b>
<b>TOTAL CHANGES</b>		<b>(2,036)</b>	<b>(472)</b>
<b>NET CONTROLLABLE BUDGET UPDATED POSITION</b>		<b>54,799</b>	<b>54,327</b>

**MOVEMENT IN BUDGETS BY DIRECTORATE**

**APPENDIX B**

<b>PUBLIC HEALTH &amp; CORPORATE RESOURCES</b>		<b>REF</b>	<b>2025-26 £000</b>	<b>2026-27 £000</b>
<b>NET CONTROLLABLE BUDGET STARTING POSITION</b>			<b>53,439</b>	<b>57,625</b>
<b>DEMAND PRESSURE</b>				
Housing Benefit Subsidy - Shortall due to increasing use of B&B / Temp Accom			3,600	200
			<u>3,600</u>	<u>200</u>
<b>INFLATION/PAY PRESSURE</b>				
Additional NI costs			1,807	
KAL Funding Contribution				200
			<u>1,807</u>	<u>200</u>
<b>OTHER PRESSURE - EXPENDITURE</b>				
Cultural Heart - Museum/Gallery pre opening				200
			<u>0</u>	<u>200</u>
<b>OTHER PRESSURE - INCOME</b>				
Court Fee Income			350	150
Housing Benefit Overpayment Income – Reduction from UC roll out				600
			<u>350</u>	<u>750</u>
<b>FUNDING FALL-OUT</b>				
Household Support Fund Fall-Out				767
			<u>0</u>	<u>767</u>
<b>SAVINGS</b>				
<b>Add Back Savings Fall-Out</b>			<b>314</b>	<b>500</b>
<b>Existing Savings</b>			<b>(946)</b>	<b>(290)</b>
Review of Fees and Charges across C&VE & restructuring of the Town Halls workforce		CR2501	(220)	(20)
Annual increase in Bereavement Services Fees and Charges		CR2503	(60)	
Reductions in spend on IT contracts		CR2504	(100)	
Vacancy Management – Strategy and Innovation		CR2505	(234)	
Vacancy Management – Financial Management		CR2506	(50)	
Review of Governance Service and Structure		CR2507	(75)	(75)
Review of People Service		CR2508	(200)	
<b>New Savings</b>			<b>(939)</b>	<b>(95)</b>
			<u>(939)</u>	<u>(95)</u>
<b>TOTAL CHANGES</b>			<b>4,186</b>	<b>2,232</b>
			<u>4,186</u>	<u>2,232</u>
<b>NET CONTROLLABLE BUDGET UPDATED POSITION</b>			<b>57,625</b>	<b>59,857</b>
			<u>57,625</u>	<u>59,857</u>

**MOVEMENT IN BUDGETS BY DIRECTORATE**

**APPENDIX B**

CENTRAL BUDGETS	REF	2025-26 £000	2026-27 £000
<b>NET CONTROLLABLE BUDGET STARTING POSITION</b>		<b>56,059</b>	<b>73,213</b>
<b>INFLATION/PAY PRESSURE</b>			
Additional Inflation requirement		7,932	8,490
Reduction in Superannuation Rate (0.1%)		(200)	
		7,732	8,490
<b>OTHER PRESSURE - EXPENDITURE</b>			
Treasury Management Budget requirement - capital financing		21,746	5,418
WYPF – Reduction in historical pension costs		(150)	
MRP review 23/24 Savings (to Voluntary Revenue Provision reserve)		(10,804)	10,804
Joint Committees Levy Uplifts			573
		10,792	16,795
<b>FUNDING FALL-OUT</b>			
Use of Insurance reserve - fall out		1,500	
		1,500	0
<b>FUNDING INCREASE</b>			
WYMCA Gainshare Funding Increase		(870)	
		(870)	0
<b>SAVINGS</b>			
Treasury Management Savings – from review of Capital Plan	<b>CB2501</b>	(2,000)	
		(2,000)	0
<b>TOTAL CHANGES</b>		<b>17,154</b>	<b>25,285</b>
<b>NET CONTROLLABLE BUDGET UPDATED POSITION</b>		<b>73,213</b>	<b>98,498</b>

## RESERVES

## APPENDIX C

	Reserves position as at 31st March 2024	Budget report Approved Movements	Revised reserves position at 1st April 2024	Estimated Movements In-Year	Reserves position as at 31st March 2025	Estimated Reserves position as at 31st March 2026	Estimated Reserves position as at 31st March 2027
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Statutory</b>							
Schools Balances	(11,597)	-	(11,597)	369	(11,228)	(11,228)	(11,228)
Public Health	(1,119)	-	(1,119)	560	(559)	-	-
<b>Total Statutory</b>	<b>(12,716)</b>	<b>-</b>	<b>(12,716)</b>	<b>929</b>	<b>(11,787)</b>	<b>(11,228)</b>	<b>(11,228)</b>
<b>Earmarked</b>							
Ward Based Activity	(693)	-	(693)	347	(346)	-	-
Place Standard	(556)	-	(556)	278	(278)	-	-
<b>Sub Total (member led)</b>	<b>(1,249)</b>	<b>-</b>	<b>(1,249)</b>	<b>625</b>	<b>(624)</b>	<b>-</b>	<b>-</b>
Apprenticeship Levy	(3,574)	-	(3,574)	500	(3,074)	(2,574)	(2,074)
Transformation	(3,067)	-	(3,067)	1,534	(1,533)	-	-
Demand Reserve	(3,000)	-	(3,000)	3,000	-	-	-
Development Funding	(621)	-	(621)	621	-	-	-
Revenue Grants	(9,020)	-	(9,020)	4,510	(4,510)	-	-
Stronger Families Grant	(784)	-	(784)	284	(500)	-	-
Other	(1,953)	-	(1,953)	977	(976)	-	-
Specific Risk Reserves	(3,500)	3,500	-	-	-	-	-
WYCA Returned Levy	(9,424)	9,400	(24)	-	(24)	(24)	(24)
Voluntary Revenue Provision	-	(15,195)	(15,195)	-	(15,195)	(20,453)	(20,453)
<b>Earmarked reserves sub-total</b>	<b>(36,192)</b>	<b>(2,295)</b>	<b>(38,487)</b>	<b>12,051</b>	<b>(26,436)</b>	<b>(23,051)</b>	<b>(22,551)</b>
<b>General Balances</b>	<b>(25,045)</b>	<b>-</b>	<b>(25,045)</b>	<b>3,043</b>	<b>(22,002)</b>	<b>(23,002)</b>	<b>(24,502)</b>
<b>Total usable reserves</b>	<b>(61,237)</b>	<b>(2,295)</b>	<b>(63,532)</b>	<b>15,094</b>	<b>(48,438)</b>	<b>(46,053)</b>	<b>(47,053)</b>
<b>Grand Total All Reserves</b>	<b>(73,953)</b>	<b>(2,295)</b>	<b>(76,248)</b>	<b>16,023</b>	<b>(60,225)</b>	<b>(57,281)</b>	<b>(58,281)</b>

## Glossary of Reserves

RESERVE	DESCRIPTION
<b>School Balances</b>	Statutory reserves relating to both individual schools' balances/deficits carried forwards.
<b>Public Health</b>	Timing issues on Public Health grant spend commitments (Public health grant is statutorily ring-fenced)
<b>Ward Based Activity</b>	Set aside reflecting timing issues on ward-based activity spend commitments
<b>Place Standard</b>	Set aside to support the resourcing of emerging Place Standard action plans.
<b>Apprenticeship Levy</b>	Set aside to fund future payments into the Apprenticeship levy
<b>Transformation</b>	Set aside for strategic transformation developments over the next 12 to 24 months.
<b>Demand Reserve</b>	Set aside to mitigate the impact/volatility of a range of potential demand risks on statutorily provided service activity
<b>Development Funding</b>	To address the scale of development costs required to support targeted development and the upscaling of capital investment activity and major project activity over the MTFP.
<b>Revenue Grants</b>	Represents grants and contributions recognised in the Comprehensive Income and Expenditure Statement before expenditure has been incurred.
<b>Stronger Families</b>	Set aside reflecting timing issues on expenditure commitments supporting a range of Stronger Families activity, funded from external grant.
<b>Other</b>	A range of smaller reserves earmarked for specific purposes.
<b>Specific Risk Reserves</b>	Set aside to manage specific risks, including the potential risk of future loan defaults and managing the volatility surrounding treasury management budgets with respect to both potential changes in interest rates and the level of delivery of the capital plan.
<b>WYCA Returned Levy</b>	Returned levy income from WYCA that will be drawn down in 2024/25 (as per the approved 2024/25 Annual Budget Report).
<b>Voluntary Revenue Provision</b>	To fund voluntary overpayments of Minimum Revenue Provision (MRP).
<b>Unallocated Reserves</b>	General reserve to support Council working capital and cashflow requirements, and unbudgeted/financial resilience risks highlighted in the Council's corporate risk register.



**New Savings Proposals**

**Totals**

	2025/26 £000	2026/27 £000	2027/28 £000
<b>Children and Families</b>	<b>(3,374)</b>	<b>(199)</b>	<b>0</b>
<b>Adults and Health</b>	<b>(1,920)</b>	<b>0</b>	<b>0</b>
<b>Place</b>	<b>(2,779)</b>	<b>(680)</b>	<b>41</b>
<b>Public Health and Corporate Resources</b>	<b>(939)</b>	<b>(75)</b>	<b>0</b>
<b>Central Budgets</b>	<b>(2,000)</b>	<b>0</b>	<b>0</b>
<b>All Directorates</b>	<b>(11,021)</b>	<b>(954)</b>	<b>41</b>
<b>Housing revenue account</b>	<b>(3,785)</b>	<b>(907)</b>	<b>(395)</b>

**Impacted FTE**

The new budget saving proposals outlined within the 2025/26 budget (and within this appendix) have a total potential impact on FTE (Full time equivalent posts) in the region of 150-200. However, we can mitigate some of this impact by deleting vacant posts that are currently being held in service structures, equating to approximately 70-100 FTE.

This means that the number of staff potentially at risk, because of the 2025/26 budget saving proposals, is currently **80-100 FTE in total**. As such, we will be making an HR1 declaration of 80-100 FTE posts that are potentially at risk of redundancy.

We will continue to try and reduce the number of staff potentially at risk of redundancy through vacancy management and deployment. We may also need to offer voluntary redundancy in certain situations. This will be agreed only on a case-by-case basis and we will not be offering this council wide.

**Children and Families Directorate**

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
CF2501	Family Support and Child Protection	Mainstream MST approaches in Family Help	Mainstream Multi-Systemic Therapy (MST) and Formulation approaches through embedding practice in our new family help model.	(589)	0	0	Yes
CF2502	Family Support and Child Protection	Review Family Help Resources	The new Family Help model will be implemented in January through service integration between early help and family support and child protection. We will review	(199)	(199)	0	Yes

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
			the required resources to deliver the model post implementation and look for further efficiencies.				
CF2504	Family Support and Child Protection	Rationalise Capacity in the LADO Service	Review and rationalise the resources deployed in the Local Authority Designated Officer (LADO) Service.	(60)	0	0	Yes
CF2505	Learning and Early Support	C&K Careers & children's commissioning contracts	Reduce the Calderdale and Kirklees Careers contract by a further 150k to focus resources on children and young people who are the most vulnerable. We will also look at further efficiencies in children services commissioned contracts to reduce expenditure by 150k.	(300)	0	0	No
CF2506	Learning and Early Support	Rationalise Early Years functions	Rationalise central support functions for early years special educational needs provision, outcomes and sufficiency to provide further integration of the support provided. We will also utilise the additional Dedicated Schools Grant to fund wider aspects of the work undertaken.	(200)	0	0	No
CF2507	Learning and Early Support	Rationalisation of Community Hub Coordinators	Redesign our approach to Community Hub Coordination and develop better integrated models of community and school support in line the Community Connector functions and roles.	(465)	0	0	Yes
CF2508	Children and Families Directorate	Mainstream the compliments and complaints function.	Redesign our service specific compliments and complaints function to be fully integrated into the wider corporate complaints function.	(161)	0	0	Yes
CF2509	Children and Families Directorate	Reduction in residential out of area placements	Continue to ensure that where appropriate our looked after children and young people are living in local family-based settings and homes. This will reduce the number of children and young people living in private homes away from Kirklees.	(900)	0	0	No
CF2510	Family support and child protection	Review the way Children with Disabilities are supported in the community	Redesign our procurement model for packages of home care support and direct payment provision. We will further explore how our redesign of short breaks provision can offer a more flexible community-based offer including outdoor learning opportunities.	(500)	0	0	No

## Adults and Health Directorate

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
AH2501	Mental Health, Learning Disabilities and Commissioning – Provider Services	Transfer the dementia long stay residential homes owned by the Council to a private sector operator	Transfer the dementia long stay residential homes owned by the Council to a private sector operator and exit from the provision of mainstream long stay residential beds.	(865)	0	0	Yes
AH2502	Adults and Health	Other minor savings variations of <£50k	Other minor savings variations of <£50k	(20)	0	0	Yes
AH2504	Mental Health, Learning Disabilities and Commissioning	Kirklees Better Outcomes Partnership reductions in contract value	Following a substantial loss of income in 24/25, the service has been reduced to fit within the ongoing budget of £1.6m. In 24/25 £0.5m was required to support the managed reductions in service delivery but these savings have now been realised effective from April 25/26.	(500)	0	0	No
AH2505	Directorate Wide	Staffing – Review of turnover/vacancy factor allowances	Realignment of staffing budgets across Adults Social Care assessment and provider services to reflect true position of staff turnover, recruitment and staff progression. No impact on current staffing levels.	(535)	0	0	No

## Place Directorate

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
PL2502	Development	Reduction in cleaning to service delivery buildings excluding care homes.	To reduce the frequency of cleaning in all office accommodation, service building and depots by 50% - excluding any care homes.	(587)	0	0	Yes

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
PL2503	Development	Reduction in grounds maintenance	Reductions in grounds maintenance associated with council buildings and facilities.	(125)	0	0	No
PL2504	Development	Asset transfer of the Hudawi Centre	Community asset transfer of the Hudawi Centre.	(75)	0	0	No
PL2505	Development	Housing Growth	Maximise funding allocation for housing growth from WYCA.	(180)	0	0	No
PL2506	Development	Housing	Delete post(s) in Housing solutions that have been vacant for some time.	(80)	0	0	Yes
PL2508	Development	TransPennine Rail Upgrade Income	Income from the TransPennine Rail Upgrade for further leased site.	(150)	0	0	No
PL2509	Development	Asset Strategy	Delete post(s) in Asset strategy that have been vacant for some time.	(100)	0	0	Yes
PL2510	Development	Charging to Capital	Capitalisation of building enhancement costs.	(50)	0	0	No
PL2511	Development	Knowl House – Mothball	Children’s service who currently use Knowl House as a contact centre, wish to move to an alternative delivery model by the new financial year. It is proposed to take advantage of the move out and mothball pending a decision on its future the building.	(72)	0	0	No
PL2512	Environmental Strategy and Climate Change	School Transport Transformation	Implementing the planned next stages of the School Transport Transformation Programme.	(156)	(280)	41	No
PL2514	Environmental Strategy and Climate Change	Changes to night-time noise service	There will be no night-time staffed noise service for the public, which currently operates during the summer months. A new digital app-based service will be available and emergency cases will still be covered by staffed officers on standby.	(70)	0	0	Yes
PL2515	Environmental Strategy and Climate Change	Savings from Electric Vehicle Salary Sacrifice Scheme	Introducing a salary sacrifice scheme for electric vehicles, savings generated by reduction in National Insurance contributions.	(89)	0	0	No
PL2516	Environmental Strategy and Climate Change	Review of council wide support services	Review of a range of departmental support services – Council wide.	(400)	0	0	Yes

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
PL2519	Highways	Highway Network Management Income & Efficiencies	Reducing the general fund subsidy of network management costs where possible, using other income streams to cover costs as appropriate.	0	(400)	0	No
PL2524	Streetscene	Trade Waste Charge Review	Review charges and increase in line with market to attain an additional £95k of income.	(95)	0	0	Yes
PL2525	Streetscene	Review of the staffing capital recharge rates to reflect the annual pay award and overhead costs	To review the recharge rates of staff employed on externally funded capital projects/programmes inclusive of agency/temporary staff who record time using Profess.	(155)	0	0	No
PL2528	Streetscene	Efficiencies related to Council Service Cars and Bookable Pool Cars.	Considering a range of options for making efficiencies to council service cars and pool cars, whilst still maintaining provision of pool cars.	(100)	0	0	No
PL2529	Skills and Regeneration	Review of management across the service	Reduction in management capacity and deletion of vacant posts across the Skills and Regeneration teams	(155)	0	0	Yes
PL2531	Skills and Regeneration	Reduction in Business and Economy activity	Reduction in support we provide to business, through reduction of match funding for external programmes (start up and growth support).	(50)	0	0	No
PL2532	Skills and Regeneration	Major Projects income	Increase in re-charges to externally funded (WYCA) capital transport projects and income generated from Major Projects activity.	(50)	0	0	No
PL2533	Housing Growth	Utilisation of Neighbourhood capital grant funding	Utilisation of Neighbourhood Capital Grant Funding to cover officer project management fees.	(40)	0	0	No

## **Public Health and Corporate Resources**

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication?
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							Y/N
CR2501	Culture and Visitor Economy	Review of Fees and Charges across the C&VE directorate and the restructuring of the Town Halls workforce	Increased charges which aim to cover the additional operating costs which commercial services (e.g. Catering & Hospitality) in C&VE are facing such as food costs plus the restructuring of the Town Halls team as part of a wider transformation project which includes increased digital efficiencies and commercial activity in the halls.	(220)	0	0	Yes
CR2503	Culture and Visitor Economy	Annual increase in Bereavement Services Fees and Charges	Increased charges across the service to cover additional operating costs.	(60)	0	0	No
CR2504	IT	Reductions in spend on IT contracts	Achieve a reduction in the costs of IT contracts that are up for renewal with suppliers – negotiating terms and reducing volumes.	(100)	0	0	No
CR2505	Strategy and Innovation	Vacancy Management – Strategy and Innovation	Savings achieved by releasing several posts that are vacant in a number of the council's corporate 'back office' services. Specifically, this involves roles in administration, project management, and communications support.	(234)	0	0	Yes
CR2506	Financial Management	Vacancy Management – Financial Management	Management of staffing levels within the Financial Management service with a 6% Vacancy Factor.	(50)	0	0	No
CR2507	Governance	Review of Governance Service and Structure	To review governance service structure and ensure efficiency and flexibility of roles to provide a more streamlined and efficient governance service.	(75)	(75)	0	Yes
CR2508	People Service	Review of People Service	Reviewing the activities undertaken by People Services and exploring opportunities for more efficient ways of delivering the services that we provide, reviewing what can be stopped or delivered in a more efficient way and what can be done differently through further embracing of systems and technology and things like AI.	(200)	0	0	Yes

## **Central Budgets**

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication?
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							<b>Y/N</b>
CB2501	Treasury Management	Treasury Management Savings	Reprofiling and prioritisation of the Capital Plan financing savings.	(2000)	0	0	No

## **Housing Revenue Account**

<b>Reference Number</b>	<b>Service Area</b>	<b>Proposal Title</b>	<b>Proposal Description</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>Staffing implication? Y/N</b>
HNHMP1a	Housing Management and Partnerships	Service Charge Review – Communal Grounds Maintenance	Review of all service charges.	(725)	(386)	(155)	No
HNHMP1b	Housing Management and Partnerships	Service Charge Review – Communal Cleaning	Review approach to service charging.	(20)	(14)	(14)	No
HNHMP2a	Housing Management and Partnerships	Personal Heat and Water Charges	Raising charges in line with inflation.	(573)	(17)	(18)	No
HNHMP2b	Housing Management and Partnerships	Service Charge Review	Communal & Personal Heating in Retirement Living Schemes.	(267)	(8)	(8)	No
HNHMP3	Housing Management and Partnerships	Housing Management Savings – Staffing	Reduction in staffing levels.	(80)	(228)	(200)	Yes
HNHMP4	Housing Management and Partnerships	Council Tax Charges on Empty Properties	Reducing Council Tax Charges on Empty Properties by improving void turnaround times.	(50)	0	0	No
HNHMP5	Housing Management and Partnerships	Move to decorating vouchers for works to void properties	Move from decorating two rooms prior to the tenant moving in to issuing decorating vouchers scheme.	(500)	0	0	No
HNHMP8	Housing Management and Partnerships	Review of concierge service	Review of concierge service currently operated from Holme Park Court at Berry Brow.	(250)	0	0	No

Reference Number	Service Area	Proposal Title	Proposal Description	2025/26 £000	2026/27 £000	2027/28 £000	Staffing implication? Y/N
HNASS01	Asset Management and Development	Reduction of void rent loss with improved relet days	Savings to be achieved by implementation of the improved, consistent and streamlined void process.	(255)	(255)	0	No
HNASS02	Asset Management and Development	Review of staffing structure	Staff related savings to be achieved by reducing the number of interims in the service and conducting a review of the establishment structure.	(100)	0	0	Yes
HNASS05	H&N Assets and Building Safety	Reduction in interest costs	Review of the Capital Plan for Homes and Neighbourhoods.	(775)	0	0	No
HNPTY01	Property Services	Overhead Efficiency	Overhead cost savings in Property Services (PS), Homes and Neighbourhoods (HN) on the back of efficiencies achieved following a review.	(190)	0	0	Yes



**DIRECTORATE FUNDING ASSUMPTIONS****SPECIFIC GRANTS WITHIN SERVICES**

1. 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:

<b>Grant</b>	<b>Budget 25/26 £m</b>	<b>Budget 26/27 £m</b>
Dedicated Schools Grant	289	289
Social Care Support Grant	46	46
DWP-Rent Allowance	29	29
DWP - Rent Rebate	28	28
Department of Health (Public Health)	28	28
Improved Better Care Fund (IBCF)	18	18
PFI Grant (ring fenced to HRA)	16	16
Pupil Premium Grant	11	11
Schools Grants - Other	9	9
ASC Market Sustainability	8	8
Extended Producer Responsibility	6	6
ASC Discharge Fund	4	4
Homeless prevention grant	2	2
Children's Social Care Prevention Grant	2	2
Stronger Families	2	1
Other Government Grants (less than £2m)	9	10
<b>Total</b>	<b>507</b>	<b>507</b>

**OTHER INCOME – BETTER CARE FUND**

2. 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.
3. The current year programme and plan are shown below. Discussions around the 25/26 plan are ongoing with partners, subject to agreement around key outcomes, activities and available funding.

<b>Better Care Fund</b>	<b>Total Pooled Budget (Local Authority &amp; ICB) £m</b>
<b>2024-25 Programme Areas:</b>	
Aids to Daily Living	9.2
Intermediate Care & Reablement	22.4
Carers	2.5
Protecting Social Care	30.6
Supporting the Voluntary Sector	0.3
Investment in Care Home Support	0.4
Discharge to Assess	7.8
<b>Total</b>	<b>73.2</b>

## Capital Plan Expenditure Summary

Capital Plan Expenditure Summary	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>General Fund:</b>							
Children & Families	18,976	34,997	21,176	4,684	3,000	2,750	<b>85,583</b>
Adults & Health	5,534	3,913	8,197	1,605	0	0	<b>19,249</b>
Place	128,330	258,678	171,395	84,656	86,781	132,296	<b>862,136</b>
Public Health & Corporate Resources	6,486	16,504	11,906	11,636	11,516	11,100	<b>69,148</b>
<b>General Fund Capital Plan</b>	<b>159,326</b>	<b>314,092</b>	<b>212,674</b>	<b>102,581</b>	<b>101,297</b>	<b>146,146</b>	<b>1,036,116</b>
<b>Housing Revenue Account Capital Plan</b>	<b>43,166</b>	<b>47,648</b>	<b>71,072</b>	<b>62,957</b>	<b>50,853</b>	<b>106,314</b>	<b>382,010</b>
<b>TOTAL EXPENDITURE</b>	<b>202,492</b>	<b>361,740</b>	<b>283,746</b>	<b>165,538</b>	<b>152,150</b>	<b>252,460</b>	<b>1,418,126</b>

## Capital Plan Funding Summary

## Appendix F

General Fund Funding Summary	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<i>Direct / Earmarked Contributions to Schemes</i>							
Capital Grants/Contributions	104,444	165,986	53,569	48,589	47,566	28,715	<b>448,869</b>
Earmarked Capital Receipts	5,998	6,990	8,612	390	3,390	3,390	<b>28,770</b>
Service Funded Prudential Borrowing	1,545	34,685	17,626	10,140	10,000	12,050	<b>86,046</b>
Revenue Contributions	36	40	0	0	0	0	<b>76</b>
Non-Earmarked Capital Receipts	4,000	4,000	4,000	4,000	4,000	4,000	<b>24,000</b>
Corporate Prudential Borrowing	43,303	102,391	128,867	39,462	36,341	97,991	<b>448,355</b>
<b>GENERAL FUND FUNDING</b>	<b>159,326</b>	<b>314,092</b>	<b>212,674</b>	<b>102,581</b>	<b>101,297</b>	<b>146,146</b>	<b>1,036,116</b>

Housing Revenue Account Funding Summary	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
Capital Grants/Contributions	1,534	1,307	9,929	7,584	929	741	<b>22,024</b>
Earmarked Capital Receipts	5,396	3,227	366	1,599	6,456	4,611	<b>21,655</b>
Reserves / Revenue Contributions	12,247	8,913	2,403	6,421	473	0	<b>30,457</b>
Reserves - MRR	23,989	23,989	24,239	24,489	24,739	75,717	<b>197,162</b>
Corporate Prudential Borrowing	0	10,212	34,135	22,864	18,256	25,245	<b>110,712</b>
<b>HRA FUNDING</b>	<b>43,166</b>	<b>47,648</b>	<b>71,072</b>	<b>62,957</b>	<b>50,853</b>	<b>106,314</b>	<b>382,010</b>

# Multi-Year Capital Plan

# Appendix F

GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>CHILDREN &amp; FAMILIES</b>									
	<b>LEARNING &amp; EARLY SUPPORT</b>								
	<b>Strategic Priorities</b>								
	New Special School for Woodley @ Almondbury	B/G	4,823	15,920	4,569	1,078	0	0	<b>26,390</b>
	New Special School for Joseph Norton @ Deighton	B/G	3,000	10,846	6,000	356	0	0	<b>20,202</b>
		T	7,823	26,766	10,569	1,434	0	0	<b>46,592</b>
	High Needs	B/G	500	500	6,057	0	0	0	<b>7,057</b>
	Additionally Resourced Provisions / Satellite Provisions	G	885	800	0	0	0	0	<b>1,685</b>
	District Sufficiency	T	<b>9,208</b>	<b>28,066</b>	<b>16,626</b>	<b>1,434</b>	<b>0</b>	<b>0</b>	<b>55,334</b>
	Brambles Primary Academy	G	15	0	0	0	0	0	<b>15</b>
	King James High School	G	216	0	0	0	0	0	<b>216</b>
	Scissett Middle School	S106	10	0	0	0	0	0	<b>10</b>
	Birkby Junior Expansion	G	5	0	0	0	0	0	<b>5</b>
	North Huddersfield Trust School	G/B	1,800	987	0	0	0	0	<b>2,787</b>
	Manor Croft Academy	G	105	0	0	0	0	0	<b>105F</b>
	Thornhill Community Academy	G	512	50	0	0	0	0	<b>562</b>
	Secondary Places Basic Need	G	48	0	0	0	0	0	<b>48</b>
	New Pupil Places in Primary/Secondary Schools	T	<b>2,711</b>	<b>1,037</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,748</b>
	Childcare Expansion	G	50	849	0	0	0	0	<b>899</b>
	<b>Strategic Priorities Total</b>		<b>11,969</b>	<b>29,952</b>	<b>16,626</b>	<b>1,434</b>	<b>0</b>	<b>0</b>	<b>59,981</b>

# Multi-Year Capital Plan

# Appendix F

GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>CHILDREN &amp; FAMILIES</b>									
<b>LEARNING &amp; EARLY SUPPORT</b>									
<b>Baseline</b>									
	Basic Need	G	34	0	0	0	0	0	34
	Capital Maintenance	G	4,951	3,400	2,900	2,700	2,500	2,300	18,751
	Devolved Formula Capital	G	1,524	1,200	600	550	500	450	4,824
	<b>Baseline Total</b>		<b>6,509</b>	<b>4,600</b>	<b>3,500</b>	<b>3,250</b>	<b>3,000</b>	<b>2,750</b>	<b>23,609</b>
	<b>LEARNING &amp; EARLY SUPPORT TOTAL</b>		<b>18,478</b>	<b>34,552</b>	<b>20,126</b>	<b>4,684</b>	<b>3,000</b>	<b>2,750</b>	<b>83,590</b>
<b>RESOURCES, IMPROVEMENT AND PARTNERSHIPS</b>									
<b>Strategic Priorities</b>									
Homes for Children:									
	Magdale House	B	12	0	0	0	0	0	12
	Healds Road	B	3	0	0	0	0	0	3
	Satellite Provision	B	452	345	0	0	0	0	797
	Children with Disabilities	B	31	100	1,050	0	0	0	1,181
	<b>RESOURCES, IMPROVEMENT AND PARTNERSHIPS TOTAL</b>		<b>498</b>	<b>445</b>	<b>1,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,993</b>
	<b>CHILDREN &amp; FAMILIES TOTAL</b>		<b>18,976</b>	<b>34,997</b>	<b>21,176</b>	<b>4,684</b>	<b>3,000</b>	<b>2,750</b>	<b>85,583</b>

GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>ADULTS &amp; HEALTH</b>									
<b>COMMUNITIES AND ACCESS SERVICES</b>									
	Libraries	B	99	232	3,033	283	0	0	3,647
	Library Open Access	G	69	55	14	0	0	0	138
	UKSPF - Grant for Safety of Women & Girls	G	74	0	0	0	0	0	74
	<b>COMMUNITIES AND ACCESS SERVICES TOTAL</b>		<b>242</b>	<b>287</b>	<b>3,047</b>	<b>283</b>	<b>0</b>	<b>0</b>	<b>3,859</b>
<b>LEARNING DISABILITIES &amp; MENTAL HEALTH</b>									
	Commissioning Option Appraisals to facilitate outcomes of Specialist Accommodation Strategy	B	31	0	0	0	0	0	31
	Day Services Support for Vulnerable Adults	B	423	1,000	4,500	1,322	0	0	7,245
	Milldale and Crescentdale	B	730	2,576	500	0	0	0	3,806
	Knowl Park House	B	2,827	0	0	0	0	0	2,827
	Red Laithes Court	B	74	0	0	0	0	0	74
	<b>LEARNING DISABILITIES &amp; MENTAL HEALTH TOTAL</b>		<b>4,085</b>	<b>3,576</b>	<b>5,000</b>	<b>1,322</b>	<b>0</b>	<b>0</b>	<b>13,983</b>
<b>ADULT SOCIAL CARE OPERATION</b>									
	Adults Social Care Operation - AT IT	G/B	268	50	150	0	0	0	468
	Carephones - Digital Switchover	B	555	0	0	0	0	0	555
	Carefirst System Replacement	B	384	0	0	0	0	0	384
	<b>ADULT SOCIAL CARE OPERATION TOTAL</b>		<b>1,207</b>	<b>50</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,407</b>
	<b>ADULTS &amp; HEALTH TOTAL</b>		<b>5,534</b>	<b>3,913</b>	<b>8,197</b>	<b>1,605</b>	<b>0</b>	<b>0</b>	<b>19,249</b>

# Multi-Year Capital Plan

# Appendix F

GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
<b>SKILLS &amp; REGENERATION</b>									
<b>Business Economy</b>									
	Start Up & Retention Policy Grants	B	50	150	398	0	0	0	598
	UKSPF E19 HWI (Health & Wellbeing Incubator) Thrive	G	20	0	0	0	0	0	20
	Leeds City Region Revolving Fund	B	0	0	0	526	0	0	526
	<b>Business Economy Total</b>		<b>70</b>	<b>150</b>	<b>398</b>	<b>526</b>	<b>0</b>	<b>0</b>	<b>1,144</b>
<b>Major Projects</b>									
West Yorkshire plus Transport Schemes:									
	A62 to Cooper Bridge Corridor Improvements	G	851	3,199	6,095	16,899	10,801	605	38,450
	A653 Leeds to Dewsbury Corridor (M2D2L)	G	17	5	0	0	0	0	22
	A641 Bradford Rd - Brad/Brig/Hudds	G	11	147	0	0	0	0	158
	A629 Halifax Road Phase 5	G	589	5,870	755	199	64	2,748	10,225
	UTMC Urban Traffic Management	G	76	0	0	0	0	0	76
	Huddersfield Southern Corridors	G	1,544	3,070	2,096	128	662	88	7,588
	North Kirklees Orbital Route (NKOR)	G	42	0	0	0	0	0	42
Corridor Improvement Programme:									
	Holmfirth Town Centre Access Plan	G	2,107	5,841	184	21	0	123	8,276
	A62 Smart Corridor	G	747	1,272	0	100	0	0	2,119
	Fenay Lane	G	3	0	0	0	0	0	3
CityConnect:									
	CityConnect Cooper Bridge	G	2	0	0	0	0	0	2
	CityConnect Huddersfield Town Centre	G	4	0	0	0	0	0	4
	<b>West Yorkshire plus Transport Schemes</b>	<b>T</b>	<b>5,993</b>	<b>19,404</b>	<b>9,130</b>	<b>17,347</b>	<b>11,527</b>	<b>3,564</b>	<b>66,965</b>





# Multi-Year Capital Plan

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GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
	Trees for Climate:								
	White Rose Forest Tree Planting	G	18	0	0	0	0	0	18
	Trees for Climate	G	15,750	2,112	1,644	3,000	9,055	0	31,561
	Urban Tree Challenge Fund	G	184	60	8	0	0	0	252
	Northern Forest GA2	G	900	866	609	0	0	0	2,375
	Trees for Climate	T	16,852	3,038	2,261	3,000	9,055	0	34,206
	<b>Major Projects Total</b>		<b>44,428</b>	<b>81,118</b>	<b>30,442</b>	<b>30,621</b>	<b>30,282</b>	<b>11,481</b>	<b>228,372</b>
	<b>EMPLOYMENT &amp; SKILLS</b>								
	UKSPF Digital Hub / New to English	G	52	0	0	0	0	0	52
	<b>Employment &amp; Skills Total</b>		<b>52</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>
	<b>SKILLS &amp; REGENERATION TOTAL</b>		<b>44,550</b>	<b>81,268</b>	<b>30,840</b>	<b>31,147</b>	<b>30,282</b>	<b>11,481</b>	<b>229,568</b>
	<b>DEVELOPMENT</b>								
	<b>HOUSING GROWTH</b>								
	Dewsbury Riverside	B	115	885	1,000	2,000	500	1,500	6,000
	Site Development:								
	Homes England - Soothill Development	G/Cont	120	27	23	0	0	0	170
	Bradley Park	R	598	200	0	0	0	0	798
	Highmoor Lane, Heartshead	G	210	0	0	0	0	0	210
	Site Development	T	928	227	23	0	0	0	1,178



GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
<b>TOWN CENTRES</b>									
	Aspirational Regeneration of Major Town Centres - Feasibility	B	5	0	0	0		0	5
	<i>Regeneration of Strategic Town Centres - Huddersfield :</i>								
	Holding pot	B	81	0	0	0	0	0	81
	<u>Huddersfield Town Centre Schemes</u>								
	Huddersfield TC - Shop Front Grants	B	630	84	0	0	0	0	714
	The Northumberland Street Regeneration Project	B	88	470	0	0	0	0	558
	Huddersfield Open Market Regeneration Market	G	950	12,593	3,107	0	0	0	16,650
	Huddersfield TC Design Framework	B	26	0	0	0	0	0	26
	Cultural Interventions - Growing Seeds	B	9	0	0	0	0	0	9
	Huddersfield Town Centre Schemes	T	1,703	13,147	3,107	0	0	0	17,957
	<u>Heritage Action Zone</u>								
	The George Hotel HAZ Scheme	G	131	0	0	0	0	0	131
	The George Hotel	B*/B	900	19,305	9,800	0	0	0	30,005
	Estate Buildings HAZ Scheme	G	115	0	0	0	0	0	115
	Heritage Action Zone	T	1,146	19,305	9,800	0	0	0	30,251
	<u>Huddersfield Public Realm Works</u>								
	New Street Public Realm Development	B	503	0	0	0	0	0	503
	Huddersfield Town Centre Cameras	B	38	30	0	0	0	0	68
	Refurb of 2 New Street, Huddersfield	B	16	0	0	0	0	0	16
	Huddersfield Public Realm Works	T	557	30	0	0		0	587

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GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
	Public Realm - Golden Route								
	St Peters Gardens	B/G	334	0	0	0	0	0	334
	Church St Design Development	B	2	5	0	0	0	0	7
	Church Street Main Scheme	B	21	9	0	0	0	0	30
	Market Place Investigative Works	B	32	10	0	0	0	0	42
	Cross Church Street	B	34	0	0	0	0	0	34
	St Georges Hotel Improvements	B	12	73	0	0	0	0	85
	Public Realm - Golden Route	T	435	97	0	0	0	0	532
	Huddersfield Town Centre Action Plan	T	3,922	32,579	12,907	0	0	0	49,408
	<i>Regeneration of Strategic Town Centres – Dewsbury:</i>								
	<i>Better Spaces Strategy</i>								
	BS Phase 2 - Town Park	B/R/G	28	3,098	3,119	0	0	0	6,245
	Spring Upgrade	G	92	0	0	0	0	0	92
	Better Spaces Strategy	T	120	3,098	3,119	0	0	0	6,337
	Heritage Action Zone	B/G	3,063	0	0	0	0	0	3,063
	Daisy Hill Neighbourhood	B/R/G	981	200	1,480	700	0	0	3,361
	Dewsbury Market Upgrade	B/R/G	1,149	10,690	7,543	0	0	0	19,382
	The Arcade	B/G	4,244	2,201	0	0	0	0	6,445
	Fibre Capability	R	148	0	0	0	0	0	148
	Construction Skills Village	G/R	2,224	0	0	0	0	0	2,224
	Creative Culture	G	470	1,090	0	0	0	0	1,560

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GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
	Sustainable Transport	G	1,215	0	0	0	0	0	1,215
	Building Revival	G/B	500	1,928	708	0	0	0	3,136
	Dewsbury Town Centre Action Plan	T	14,114	19,207	12,850	700	0	0	46,871
	<i>Town Centre Action Plans</i>	T	<b>18,041</b>	<b>51,786</b>	<b>25,757</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>96,284</b>
	Regeneration and Greening of Smaller Towns and Villages:								
	Smaller Towns & Villages	B	150	215	1,000	1,000	1,481	0	3,846
	Batley Smaller Towns & Villages	B/G	2,448	10,861	648	0	0	0	13,957
	Cleckheaton Smaller Towns & Villages	B	250	1,184	0	0	0	0	1,434
	Holmfirth Smaller Towns & Villages	B	243	169	1,054	0	0	0	1,466
	Heckmondwike Smaller Towns & Villages	B	240	194	0	0	0	0	434
	Marsden New Mills Redevelopment Scheme	G	347	5,157	0	0	0	0	5,504
	Other - Our Local Centres	B	100	0	0	0	0	0	100
	Regeneration and Greening of Smaller Towns and Villages	T	3,778	17,780	2,702	1,000	1,481	0	26,741
	Cultural Heart	B	12,959	51,639	50,309	20,031	28,981	75,892	239,811
	Strategic Acquisition Fund	B	798	800	0	0	0	0	1,598
	<b>Town Centres Total</b>	T	<b>35,576</b>	<b>122,005</b>	<b>78,768</b>	<b>21,731</b>	<b>30,462</b>	<b>75,892</b>	<b>364,434</b>
	<b>DEVELOPMENT TOTAL</b>	T	<b>50,668</b>	<b>137,244</b>	<b>95,133</b>	<b>34,830</b>	<b>41,012</b>	<b>87,842</b>	<b>446,729</b>

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GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
	<b>HIGHWAYS &amp; STREETSCENE</b>								
	Highways								
	Maintenance:								
	Principal Roads	B/G	3,562	5,339	6,678	3,678	3,678	3,678	<b>26,613</b>
	Roads Connecting Communities	G	2,204	1,640	1,096	1,096	1,096	1,096	<b>8,228</b>
	Local Community Roads	B/G	7,115	7,805	5,953	4,453	5,185	4,753	<b>35,264</b>
	Structures	G	1,200	1,200	1,200	1,200	1,200	1,200	<b>7,200</b>
	Active Travel / PROW	B/G	241	106	155	156	156	156	<b>970</b>
	Streetlighting	G	1,000	1,000	1,000	0	0	0	<b>3,000</b>
	Locality Based U Roads Improvements	B	3,316	0	0	0	0	0	<b>3,316</b>
	Highways Maintenance	T	<b>18,638</b>	<b>17,090</b>	<b>16,082</b>	<b>10,583</b>	<b>11,315</b>	<b>10,883</b>	<b>84,591</b>
	Integrated Transport:								
	Network Management	G/s278	1,296	949	715	715	715	715	<b>5,105</b>
	Safer Roads	B/G	1,757	821	1,397	1,176	1,175	1,175	<b>7,501</b>
	Flood Management and Drainage Improvements	B	250	250	250	250	250	250	<b>1,500</b>
	Developer Funded Schemes	s278	2,383	0	0	0	0	0	<b>2,383</b>
	Highways Integrated Transport	T	<b>5,686</b>	<b>2,020</b>	<b>2,362</b>	<b>2,141</b>	<b>2,140</b>	<b>2,140</b>	<b>16,489</b>
	Highways Total	T	<b>24,324</b>	<b>19,110</b>	<b>18,444</b>	<b>12,724</b>	<b>13,455</b>	<b>13,023</b>	<b>101,080</b>
	UKSPF CCTV (Highways)	G	519	0	0	0	0	0	<b>519</b>
	Car Park Meters	B	323	181	241	0	0	0	<b>745</b>
	Public Realm Improvements	B	19	0	0	0	0	0	<b>19</b>
	OSAMS	B	207	626	876	0	0	0	<b>1,709</b>

# Multi-Year Capital Plan

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GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PLACE</b>									
	WASTE								
	Waste Strategy	B	496	20	626	0	0	0	1,142
	Waste Management Plant/ Infrastructure	B	1,794	2,383	2,390	2,018	0	0	8,585
	Waste Procurement & Depot Strategy:								
	Contract Extension	B	0	2,396	75	75	0	0	2,546
	Legislation requirements	B	100	470	0	0	0	0	570
	Proposed Depot (feasibility)	B	93	128	3,000	0	0	0	3,221
	Waste Procurement & Depot Strategy	T	193	2,994	3,075	75	0	0	6,337
	Environment & Strategic Waste	B	103	100	100	100	100	100	603
	Waste Total	T	2,586	5,497	6,191	2,193	100	100	16,667
	Vehicle Replacement Programme	B	859	2,587	6,679	1,801	1,932	17,800	31,658
	Recycling Fleet	B*	0	3,264	0	0	0	0	3,264
	Bulk Gritters	B*	0	1,800	0	0	0	0	1,800
	Project Fleet	B	0	750	0	0	0	0	750
	Play Strategy:								
	Playable Spaces	B/ S106/ RCCO	1,673	1,411	1,434	1,732	0	0	6,250
	Parks & Greenspaces	G	2	0	0	0	0	0	2
	Section 106 Funded Schemes	B/ cont/ S106	1,508	990	62	0	0	0	2,560
	Play Strategy	T	3,183	2,401	1,496	1,732	0	0	8,812
	<b>HIGHWAYS &amp; STREETSCENE TOTAL</b>		<b>32,020</b>	<b>36,216</b>	<b>33,927</b>	<b>18,450</b>	<b>15,487</b>	<b>30,923</b>	<b>167,023</b>



GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
PLACE									
	<b>ENVIRONMENT STRATEGY &amp; CLIMATE CHANGE</b>								
	Climate Emergency - Green Travel	B/G	211	250	250	229	0	0	940
	Air Quality	B/G	205	100	119	0	0	0	424
	Huddersfield Heat Network	G/B*	400	3,600	11,126	0	0	2,050	17,176
	Electric Vehicle Rapid Charge Points	G	276	0	0	0	0	0	276
	<b>ENVIRONMENT STRATEGY &amp; CLIMATE CHANGE TOTAL</b>		<b>1,092</b>	<b>3,950</b>	<b>11,495</b>	<b>229</b>	<b>0</b>	<b>2,050</b>	<b>18,816</b>
	<b>PLACE TOTAL</b>		<b>128,330</b>	<b>258,678</b>	<b>171,395</b>	<b>84,656</b>	<b>86,781</b>	<b>132,296</b>	<b>862,136</b>

GENERAL FUND CAPITAL PLAN		Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>PUBLIC HEALTH &amp; CORPORATE RESOURCES</b>									
	<b>STRATEGY &amp; INNOVATION</b>								
	Information Technology	B	1,496	1,598	1,406	1,246	1,116	900	7,762
	Transformation Capitalisation	R	4,000	4,000	0	0	0	0	8,000
*	Investment and Modernisation Fund	B*	0	10,000	10,000	10,000	10,000	10,000	50,000
	<b>STRATEGY &amp; INNOVATION TOTAL</b>		<b>5,496</b>	<b>15,598</b>	<b>11,406</b>	<b>11,246</b>	<b>11,116</b>	<b>10,900</b>	<b>65,762</b>
<b>SERVICE DIRECT REPORTS – PUBLIC HEALTH</b>									
	Kirklees Active Leisure	B*	445	0	0	0	0	0	445
	<b>SERVICE DIRECT REPORTS – PUBLIC HEALTH TOTAL</b>		<b>445</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>445</b>
<b>CULTURE &amp; VISITOR ECONOMY</b>									
	Sustainability of Major Town Halls - Service Development	B*	100	111	0	0	0	0	211
	School Catering	B/B*	250	595	300	340	400	200	2,085
	Bereavement	B	195	200	200	50	0	0	645
	<b>CULTURE &amp; VISITOR ECONOMY TOTAL</b>		<b>545</b>	<b>906</b>	<b>500</b>	<b>390</b>	<b>400</b>	<b>200</b>	<b>2,941</b>
	<b>PUBLIC HEALTH &amp; CORPORATE RESOURCES TOTAL</b>		<b>6,486</b>	<b>16,504</b>	<b>11,906</b>	<b>11,636</b>	<b>11,516</b>	<b>11,100</b>	<b>69,148</b>
<b>GENERAL FUND CAPITAL PLAN TOTAL</b>			<b>159,326</b>	<b>314,092</b>	<b>212,674</b>	<b>102,581</b>	<b>101,297</b>	<b>146,146</b>	<b>1,036,116</b>

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HOUSING REVENUE ACCOUNT CAPITAL PLAN	Funding	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30- 2031/32 £'000	Total £'000
<b>Strategic Priorities</b>								
Housing Growth	H / R	867	2,516	732	11	0	0	4,126
LAHF - Refugee Housing	H / G	492	358	1,142	0	0	0	1,992
LAHF 3 - Refugee Housing	H / G	1,090	1,560	521	0	0	0	3,171
New Build Phase 1 - Ashbrow Extra Care	R/Cont	3,700	146	0	0	0	0	3,846
Berry Brow Remodelling	H/G	1,267	947	19,005	13,150	792	0	35,161
Harold Wilson Court	H	2,367	0	0	0	0	0	2,367
Buxton House	H/B	1,357	4,148	6,145	3,267	79	0	14,996
IT System (Universal Housing Replacement)	H	530	809	0	0	0	0	1,339
IT System Property/Assets	H	0	1,000	500	0	0	0	1,500
Council House Building	B/R/G/H	1,396	565	4,557	8,434	13,872	9,380	38,204
<b>Strategic Priorities Total</b>		<b>13,066</b>	<b>12,049</b>	<b>32,602</b>	<b>24,862</b>	<b>14,743</b>	<b>9,380</b>	<b>106,702</b>
<b>Baseline</b>								
Housing Capital Plan	H/B	17,850	19,150	19,285	19,785	19,785	63,500	159,355
Estate Improvements (Neighbourhood Investment)	H/B	1,233	990	1,100	1,100	1,100	3,329	8,852
Building Safety	H/B	1,506	1,274	1,324	1,530	1,430	4,118	11,182
Six Storey Blocks	H/B	915	3,675	6,000	5,420	6,295	15,211	37,516
Low Rise Blocks	H/B	1,750	1,500	1,500	1,500	1,500	0	7,750
Retirement Living Schemes	H/B	1,500	3,750	4,500	4,500	4,500	6,250	25,000
Fuel poverty	H/G/B	1,632	1,500	1,500	1,500	1,500	4,526	12,158
Adaptations	H	3,714	3,760	3,261	2,760	0	0	13,495
<b>Baseline Total</b>		<b>30,100</b>	<b>35,599</b>	<b>38,470</b>	<b>38,095</b>	<b>36,110</b>	<b>96,934</b>	<b>275,308</b>
<b>HRA CAPITAL PLAN TOTAL</b>		<b>43,166</b>	<b>47,648</b>	<b>71,072</b>	<b>62,957</b>	<b>50,853</b>	<b>106,314</b>	<b>382,010</b>

**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  
S278 = Section 278 developer contributions  
H = HRA revenue contribution/major repairs reserve  
\* = Addition

## Capital Plan - 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 included in the tables above:

### **Schools Sufficiency / SEND**

- On SEND, we will continue to focus on working with schools to expand capacity. Work has been ongoing with schools to inform how we re-build two of our special schools (Joseph Norton Academy and Woodley School and College), and construction is due to commence on both schools in 2025. These two schemes are integral to the Council's DSG Safety Valve agreement.

### **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 to Cooper Bridge Corridor Improvements, A629 between Huddersfield and Ainley Top, and Holmfirth Town Centre Access Plan.

### **Transforming Cities Fund plan**

- Works worth more than £8m on Heckmondwike Bus Station will continue in 2025. 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.

## **George Hotel**

- Following Cabinet approval in late 2024, it is expected that work on the iconic George Hotel, bringing the building back into use as a hotel will commence.

## **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's Levelling Up Fund.
- Continue to work with the Dewsbury Town Deal Board and others to confirm plans for £20m of new government investment in Dewsbury allocated from the Town Centres Fund.
- 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**

- Construction on the first phase of the Cultural Heart began in summer 2024, which when complete will provide a new food hall and modern library along with a brand-new outdoor public square. Cabinet approval has recently been given to award a Pre Contract Services Agreement for Phase 2 (Museums and Galleries) and this work has commenced.

## **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.

## **Vehicle Replacement**

- Cabinet approval of £21.7m for new vehicles was agreed in the Autumn. Additionally, Invest to Save schemes approved by Cabinet have been added into the Capital Plan, to replace Waste and Recycling hired fleet with capital purchase, and to replace the current fleet of hired bulk gritting vehicles.

### **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.

### **Investment and Modernisation Fund**

- As part of a new approach to the application of capital funding, a new 'Investment and Modernisation Fund' has been added into the Capital Plan for 5 years at £10m per annum, to enable the Council to achieve key strategic objectives and priorities and to help deliver transformation at a pace. This fund will be entirely self-financing and meets the criteria around using capital to help transform services to deliver ongoing revenue savings.

### 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 covers the period up to and including 2024/25. Further to this, there was a 'Call for Views' from the then 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. Whilst we await an official announcement from government, the expectation is that the current capital receipt flexibilities are extended up to 2030.
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 2024/25 and £4m in 2025/26 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**

Note - The following projects are indicative of current service areas and costs against which flexible capital receipts funding could be applied under the government guidance for qualifying expenditure for flexible capital receipts. Finalised proposals for the flexible use of capital receipts will be incorporated into an annual closedown review report for Cabinet consideration in June 2026.

<b>Project</b>	<b>Project Description</b>	<b>Service Transformation / Savings</b>	<b>Directorate</b>	<b>Estimated Use of Receipts 2025/26 (£k)</b>
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
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
Occupational therapy & Moving and Handling staff team	Funding for additional staff to reduce demand for more costly social care support over long term	Cost reduction	Adults	250
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
Fostering Recruitment	Improvements to foster care recruitment process to increase internal placements.	Cost reduction	Childrens	100

<b>Project</b>	<b>Project Description</b>	<b>Service Transformation / Savings</b>	<b>Directorate</b>	<b>Estimated Use of Receipts 2025/26 (£k)</b>
Resources and Waste Strategy - staff costs	Development of the council's Waste Strategy transformation agenda over the medium term.	Environmental improvements	Place	200
Assets / Corporate Landlord	Planning Service support in delivery of major capital projects	Transformational activity	Place	115
School Transport Transformation	Delivery of Transformation programme to achieve cost savings in delivery of School Transport	Efficiency savings	Corporate	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	1,500
Service Director costs	Cost of senior management support to cross-cutting programme delivery projects aligned to reshaping the Council, e.g. People Panel, major transformational capital scheme boards etc.	Transformational activity and efficiency savings	All	200
NDC Capitalisation - pension costs	Charging the statutory element of redundancy costs and the cost of pension strain where staff have left the Council under a service redesign / transformation programme.	Cost reduction	Central	235
				<b>4,000</b>

# Appendix H

## 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:
  - 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 2025/26, 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£16.0m**.

## Appendix H

**Table 1: Risk Assessment for General Fund Working Balance – 2025/26**

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
1,200	2,500	<p><b>Pay</b> – the opening MTFP includes annual provision for a 3% pay award for 25/26 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.</p> <p style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b> <b>Low £0-2.5m    Medium £2.5m    High £5m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b> <b>Minimum reserve needed: £1.2m</b></p>
1,000	1,500	<p><b>Prices</b> – 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, IT software, Utilities). Inflation is now broadly in-line with the Bank of England target level of 2% which should reduce the impact of the inflation within the sector. Inflation contingency in central budgets only covers the waste contract and energy inflation.</p> <p style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b> <b>Low £0.5m    Medium £1.0m    High £1.5m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b> <b>Minimum reserve needed: £1.0m</b></p>
500	500	<p><b>Litigation Claims</b> – 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 style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b> <b>Low £0.5m    Medium £1.0m    High £2.0m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b> <b>Minimum reserve needed: £0.5m</b></p>
2,000	3,000	<p><b>Income from Fees and Charges</b> – 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;"><b>Assessment: Degree of risk / reserve needed:</b> <b>Low £1m    Medium £2.0m    High £3.0m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b> <b>Minimum reserve needed: £2.0m</b></p>

## Appendix H

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
3,000	5,000	<p><b>Demand Led Pressures on Services</b> – 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 the continuing backlog of pressures in the Health Service.</p> <p>Both Housing and Council Tax Support may also come under pressure given the prevailing 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. There has also been a large increase over recent years in both the volume and cost for Temporary Accommodation. 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.</p> <p style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £1.0m Medium £3.0m High £5.0m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b>  <b>Minimum reserve needed: £3.0m</b></p>
500	500	<p><b>Grant income</b> – 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 style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £0.5m Medium £1.0m High £2.0m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b>  <b>Minimum reserve needed: £0.5m</b></p>

## Appendix H

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
3,000	4,000	<p><b>Non-achievement of Savings</b> – 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 style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £2.0m    Medium £3.0m    High £4.0m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b>  <b>Minimum reserve needed: £3.0m</b></p>
500	500	<p><b>Unforeseen / emergency expenditure</b> – 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 style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £0.5m    Medium £1.0m    High £2m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low (assuming Bellwin scheme would apply in certain cases)</b>  <b>Minimum reserve needed: £0.5m</b></p>
500	1,000	<p><b>Unbudgeted borrowing costs</b> – 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;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £500k    Medium £1m    High £2m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b>  <b>Minimum reserve needed: £0.5m</b></p>

## Appendix H

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
1,000	1,000	<p><b>Delay in repayment or default on loans made by the Council or having to set aside additional sums for the provision for bad debts</b> – there is a risk on loans made by the Council to third party organisations potentially resulting in the need to write off the loans, or to agree to extend loan repayment periods, with a resulting cashflow cost of the need to reassess bad debt provisions for services provided.</p> <p style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b> Low £500k    Medium £1m    High £2m</p> <p style="text-align: center;"><b>Likelihood of risk occurring: Medium</b> <b>Minimum reserve needed: £1m</b></p>
1,500	1,500	<p><b>Changes in fair value of Council long-term investments</b> – 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. The draft financial settlement for 25/26 suggested that the statutory override would be removed.</p> <p style="text-align: center;"><b>Assessment: Degree of risk / reserve needed:</b> Low £0    Medium £1.0m    High £1.5m</p> <p style="text-align: center;"><b>Likelihood of risk occurring: High</b> <b>Minimum reserve needed: £1.5m</b></p>
0	5,000	<p><b>Safety Valve Programme</b> – 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;"><b>Assessment: Degree of risk / reserve needed:</b> Low £0m    Medium £5m    High £10m</p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b> <b>Minimum reserve needed: £0m</b></p>
0	0	<p><b>Receipt of Capital Resources/ Capital Plan Funding</b> – 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: £10.0m, 2025/26: £11.0m, 2026/27: £12.6m; 2027/28: £4.3m; 2028/29: £7.3m). 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;"><b>Assessment: Degree of risk / reserve needed:</b> Low £0k    Medium £1.0m    High £2.0m</p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b> <b>Minimum reserve needed: £0k</b></p>

## Appendix H

Minimum £000	Desirable £000	Area of expenditure / Explanation of risk / Justification for Reserves
0	0	<p><b>VAT- Partial Exemption</b> – If the PE limits are breached there is a risk that c£3m could be potentially lost (based on £60m input tax in 2023/24 &amp; 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;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £0m    Medium £0m    High £3m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b>  <b>Minimum reserve needed: £0m</b></p>
1,300	2,500	<p><b>Collection Fund –</b>            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.            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 2025/26. 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;"><b>Assessment: Degree of risk / reserve needed:</b>  <b>Low £1.3m    Medium £2.5m    High £3.9m</b></p> <p style="text-align: center;"><b>Likelihood of risk occurring: Low</b>  <b>Minimum reserve needed: £1.3m</b></p>
16,000	29,000	<b>Total</b>



**Introduction**

This capital strategy report gives 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.

Decisions made on capital and treasury management can have financial consequences many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

**Capital Expenditure and Financing**

Capital expenditure is money spent money on assets, such as property or vehicles that will be used for more than one year. In local government this can include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

Over the period 2024/25 to 2031/32, the Council is planning capital expenditure of £1,418.1 million as summarised below:

**Prudential Indicator: Estimates of Capital Expenditure across years**

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m	2029/30- 2031/32 budget £m	2024/25- 2031/32 Total £m
General Fund services	111.1	157.3	314.2	212.6	102.5	101.3	146.2	1034.1
Capital Investments	5.6	2.0	0.0	0.0	0.0	0.0	0.0	2.0
<b>Total General Fund</b>	<b>116.7</b>	<b>159.3</b>	<b>314.2</b>	<b>212.6</b>	<b>102.5</b>	<b>101.3</b>	<b>146.2</b>	<b>1036.1</b>
Council Housing (HRA)	31.6	43.2	47.6	71.1	63.0	50.8	106.3	382.0
<b>TOTAL</b>	<b>148.3</b>	<b>202.5</b>	<b>361.8</b>	<b>283.7</b>	<b>165.5</b>	<b>152.1</b>	<b>252.5</b>	<b>1418.1</b>

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that Council housing does not subsidise, or is itself subsidised, by other local services paid for from the general fund. HRA capital expenditure is therefore recorded and funded separately.

Capital investments include loans and shares made for service purposes in line with the definition in the CIPFA Treasury Management Code.

**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 reassess capital priorities in line with the new Council Plan. Any bids for the addition of projects to the Capital Plan will be collated by corporate finance, who will advise Strategic Directors on both the financing costs (which can be nil if the project is fully externally financed) and service revenue implications, which if approved are required to be reflected in the Council's MTFP.

The Capital Assurance Board is the Officer oversight on the Capital Plan. The Board is chaired by the S151 Officer and is supported by service directors across the four directorates. Capital Assurance Board meets on a regular basis throughout the year to provide a check and challenge on progress on all approved schemes. Reprofiling occurs on

an ongoing basis to ensure the latest cost of capital financing is included in the Council's revenue monitoring report.

The Board also appraises new business cases based on a number of criteria including how cases contribute to the achievement of priority outcomes, deliver ongoing revenue savings, meet health and safety obligations and the overall availability of funding. The Board makes recommendations to Executive 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 the town centre programme board.

The final multi-year capital plan is then considered as part of the budget proposals published at Cabinet in December. Full details of the Council's multi-year capital plan is set out in the Council's Annual budget report.

Council Financial Procedure Rules also set out the specific financial governance requirements relating to Capital expenditure. 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 report or business case as required.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue contributions, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Capital financing

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m	2029/30- 2031/32 budget £m	2024/25- 2031/32 Total £m
<b>General Fund</b>								
Grants & Contributions	60.1	104.5	166.1	53.5	48.5	47.6	28.8	449.0
Capital receipts	8.4	10.0	11.0	12.6	4.4	7.4	7.4	52.8
Revenue resources	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing	47.9	44.8	137.1	146.5	49.6	46.3	110.0	534.3
<b>Total General Fund</b>	<b>116.7</b>	<b>159.3</b>	<b>314.2</b>	<b>212.6</b>	<b>102.5</b>	<b>101.3</b>	<b>146.2</b>	<b>1036.1</b>
<b>Council Housing (HRA)</b>								
Grants & Contributions	3.9	1.6	1.3	9.9	7.6	0.9	0.7	22.0
Capital receipts	3.2	5.4	3.2	0.4	1.6	6.5	4.6	21.7
Revenue resources	24.5	36.2	32.9	26.7	30.9	25.1	75.8	227.6
Borrowing	0.0	0.0	10.2	34.1	22.9	18.3	25.2	110.7
<b>Total Council Housing (HRA)</b>	<b>31.6</b>	<b>43.2</b>	<b>47.6</b>	<b>71.1</b>	<b>63.0</b>	<b>50.8</b>	<b>106.3</b>	<b>382.0</b>
<b>TOTAL</b>	<b>148.3</b>	<b>202.5</b>	<b>361.8</b>	<b>283.7</b>	<b>165.5</b>	<b>152.1</b>	<b>252.5</b>	<b>1418.1</b>

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). The Council's minimum revenue provision (MRP) policy is set out in the Council's Treasury Management Strategy which is appended at Appendix J to the Council's 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:

Replacement of prior years' debt finance

	<b>2023/24 actual £m</b>	<b>2024/25 forecast £m</b>	<b>2025/26 budget £m</b>	<b>2026/27 budget £m</b>	<b>2027/28 budget £m</b>
Minimum Revenue Provision (MRP) (underlying cost)	9.0	10.7	11.9	14.3	17.8
Minimum Revenue Provision (MRP) (unwind of over-provision)	(9.0)	(4.0)	0.0	0.0	0.0
Capital receipts - loan repayments	0.9	1.2	1.4	1.4	1.5
<b>TOTAL</b>	<b>0.9</b>	<b>7.9</b>	<b>13.3</b>	<b>15.7</b>	<b>19.3</b>

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. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Prudential Indicator: Estimates of Capital Financing Requirement

	<b>2023/24 actual £m</b>	<b>2024/25 forecast £m</b>	<b>2025/26 budget £m</b>	<b>2026/27 budget £m</b>	<b>2027/28 budget £m</b>
General Fund CFR- Non PFI	663.2	716.8	848.0	1015.6	1072.6
General Fund CFR- PFI	33.6	36.9	33.9	31.0	27.2
HRA CFR- Non PFI	163.7	159.1	160.1	161.1	162.1
HRA CFR- PFI	40.6	53.1	49.3	45.4	41.2
<b>TOTAL CFR</b>	<b>901.1</b>	<b>956.9</b>	<b>1091.3</b>	<b>1253.1</b>	<b>1303.1</b>
Less: PFI debt liabilities	(74.2)	(89.9)	(83.2)	(76.3)	(68.4)
Less: IFRS 16 debt liabilities	-	(2.8)	(2.8)	(2.8)	(2.8)
Less: Other deferred liabilities	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
<b>TOTAL Loans CFR</b>	<b>823.5</b>	<b>869.8</b>	<b>1001.9</b>	<b>1170.6</b>	<b>1228.5</b>

**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, please see the link below:

## Disposals & Acquisitions Policy

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 for the Council. The Council plans to receive up to £15.4 million each year over the period of the Capital Plan (2025-32) from the sale of assets, this includes both General Fund and HRA assets, including Right To Buy sales. Updates on progress against asset disposal targets will be brought to Cabinet on a regular basis over the period of the Capital Plan. The Council is currently also permitted to spend capital receipts 'flexibly' on service transformation projects. Government guidance covering the use of this power covers the period up to and including 2024/25, and whilst an official announcement is awaited, it is expected that the current capital receipt flexibilities will be extended up to 2030.

## Treasury Management

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.

**Borrowing strategy:** 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. The Council's strategic approach over the last few years has been to take a combination of long, medium and short-term borrowing at the best opportunity, to ensure a balanced risk approach. 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.

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 (see above).

### Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Debt (incl. PFI & leases)	784.9	887.0	1015.2	1176.1	1226.1
Capital Financing Requirement	901.1	965.9	1091.3	1253.1	1303.1

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.

**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 £793.7 million and is projected to rise to £1,154.3 million over the next three years.

Prudential Indicator: Borrowing and the Liability Benchmark

	2023/24 actual	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Existing borrowing	707.3	726.4	657.6	611.0	567.0
Forecast borrowing	-	763.7	898.6	1066.4	1124.3
Liability benchmark	707.3	793.7	928.6	1096.4	1154.3

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.

**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.

Prudential Indicators: Authorised limit and operational boundary for external debt

	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Authorised limit – borrowing	892.6	1024.7	1193.4	1251.3
Authorised limit – PFI and leases	98.3	91.6	84.7	76.8
<b>Authorised limit – total external debt</b>	<b>990.9</b>	<b>1116.3</b>	<b>1278.1</b>	<b>1328.1</b>
Operational boundary – borrowing	872.6	1004.7	1173.4	1231.3
Operational boundary – PFI and leases	93.3	86.6	79.7	71.8
<b>Operational boundary – Total</b>	<b>965.9</b>	<b>1091.3</b>	<b>1253.1</b>	<b>1303.1</b>

Further details on borrowing are highlighted in the Treasury Management Strategy appended at Appendix J to the Council's annual 2025-27 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.

### Treasury management investments

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
Near-term investments	28.9	20.0	20.0	20.0	20.0
Longer-term investments	10.0	10.0	10.0	10.0	10.0
<b>TOTAL</b>	<b>38.9</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>

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

**Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details to which financial derivatives may be used to manage treasury risks.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Service Director Finance and staff, who must act in line with the treasury management strategy approved by Council/Corporate Governance and Audit Committee. Reports on treasury management activity are presented every 6 months to Council/ Corporate Governance and Audit Committee. The Corporate Governance and Audit Committee is responsible for scrutinising treasury management decisions.

### 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.

**Risk management:** In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs. The risk of incurring unexpected losses is managed by continued oversight and involvement in the strategic and operational aspects of the business and participation in decision making.

**Governance:** Decisions on service investments are made by the Strategic Director - Growth and Regeneration, in consultation with the Service Director Finance, and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. The Service Director – Growth and Regeneration is responsible for ensuring that adequate due diligence is carried out before investment is made.

Further details on service investments are shown in the Investment Strategy appended to the Treasury Management Strategy (Appendix J in the Council's annual budget report).

## **Commercial Activities**

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. Total commercial property investments are valued at £20.3 million. The Council's current commercial asset portfolio held for investment purposes is largely a historical portfolio, and 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.

**Risk management:** With financial return being the main objective, the Council accepts higher risk on commercial investments than with treasury investments. The principal risk exposures include a fall in capital value and reduction in rentals. These risks are managed by monitoring and annual reviews as part of the Council's wider asset strategy including potential future appreciation and potential receipt value.

**Governance:** Decisions on commercial investments are made by The Service Director – Growth and Regeneration in line with the criteria and limits approved by Council in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore be approved as part of the capital programme. 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. The Strategic Director – Place is responsible for ensuring that adequate due diligence is carried out before the investment is made.

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

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

	<b>2023/24 actual</b>	<b>2024/25 forecast</b>	<b>2025/26 budget</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>
Total net income from service and commercial investments (£m)	(1.4)	(1.6)	(2.0)	(2.0)	(2.0)
Proportion of net revenue stream	(0.4%)	(0.4%)	(0.5%)	(0.5%)	(0.5%)

## **Revenue Budget Implications**

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.

*Prudential Indicator: Proportion of financing costs to net revenue stream*

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget	2029/30 budget
Financing costs (£m)	21.4	33.9	44.3	52.9	60.2	63.4	67.4
Financing costs without reduced MRP (£m)	36.9	37.9	44.3	52.9	60.2	63.4	67.4
Proportion of net revenue stream	11.6%	10.1%	11.1%	12.7%	13.8%	13.9%	14.2%
General Fund (excl PFI)	10.7%	9.0%	10.2%	11.8%	12.9%	13.0%	13.0%
HRA	35.9%	31.6%	31.2%	31.5%	31.6%	31.8%	32.4%
HRA (excl PFI)	35.5%	31.1%	30.9%	31.4%	31.8%	32.1%	32.7%

Further details on the revenue implications of capital expenditure are detailed in the Council's annual budget report.

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Service Director Finance and Council s151 Officer has to be satisfied that the proposed multi-year capital plan and borrowing affordability remains prudent, affordable and sustainable. The Council capital plan continues to reflect the Administration's continuing key priorities to protect our most vulnerable, including sufficiency growth within District, and longer term economic growth & regeneration ambition across the Districts places and major town centres. The borrowing proposals are significant over the longer term, and at the same time the financial challenges facing the Council are also significant over the short to medium term, and also in a current wider economic environment where Bank of England base rates, which impact on new borrowing costs, are 4.75% (as at January 2025) and expected to gradually fall to 3.75% by March 2026 based on advice from the Council's Treasury advisors. In this context, 'affordability' has become an increasingly significant risk as well from just 12 months ago. The overall capital plan has been reviewed and re-phased with enhanced future flexibility, and the expectation is that in order for the overall capital plan to remain affordable, the Council will deliver, year on year, on its approved medium term financial strategies and plans including sustainable revenue savings requirements, within available means. The context for this current judgement is also reflected in the s151 Officer's statutory Positive Assurance statement as part of the annual budget report.

### **Liabilities**

In addition to debt detailed above the Council is committed to making future payments to cover its PFI finance lease obligation (total liability of all schemes £74.2 million, offset by a net book value of assets of £80.4 million). It has also set aside provisions of £12.5 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.



**Governance:** 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.

### **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 – Place 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.



**Report title:** Treasury Management Strategy and Investment Strategy 2025/26

<b>Meeting:</b>	<b>Corporate Governance and Audit Committee</b>
<b>Date:</b>	<b>31 January 2025</b>
<b>Cabinet Member (if applicable)</b>	<b>Councillor Graham Turner</b>
<b>Key Decision Eligible for Call In</b>	<b>Yes No</b>
<p><b>Purpose of Report</b> 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.</p>	
<p><b>Recommendations</b></p> <p>That Corporate Governance &amp; Audit Committee recommend the following for consideration by Cabinet and then approval by full Council:</p> <ul style="list-style-type: none"> <li>• the treasury management strategy incorporating: the borrowing strategy outlined in paragraphs 2.16 to 2.29;</li> <li>• the investment strategy (treasury management investments) outlined in paragraphs 2.30 to 2.38 and Appendices A and B;</li> <li>• to note the policy for provision of repayment of debt (Minimum Revenue Provision) outlined in paragraphs 2.39 to 2.40 and at Appendix C;</li> <li>• the treasury management prudential indicators in Appendix D; and</li> <li>• the investment strategy (non-treasury investments) at Appendix F.</li> </ul> <p><b>Reasons for Recommendations</b></p> <ul style="list-style-type: none"> <li>• Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs.</li> <li>• 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).</li> </ul>	

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<b>Resource Implications:</b> The revenue implications of the strategies outlined have been reflected in the Council's annual budget report to be presented to Council in March 2025.	
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	<b>N/A</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Kevin Mulvaney – 20/01/2025</b>
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>Sam Lawton –20/01/2025</b>

**Electoral wards affected:** All

**Ward Councillors consulted:** N/A

**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

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### 1 Executive 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 2024 by the Council's treasury management advisors/consultants, Arlingclose. Further training is confirmed for January 2025.
- 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 2025/26;

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- (ii) outline the current and estimated future levels of Council borrowing and recommend a borrowing strategy for 2025/26;
- (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 2025/26.

### 2 Information required to take a decision

The following paragraphs 2.1 to 2.7 have been provided by our Treasury Management external advisors, Arlingclose:

#### Economic Background

- 2.1 The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.
- 2.2 The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at its December 2024 meeting, six Committee members voted to maintain Bank Rate at 4.75%, while three members preferred to reduce it to 4.5%. Members will recall that interest rates peaked at 5.25% during 2024/25.
- 2.3 The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).
- 2.4 ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar year 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

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- 2.5 The labour market appears to be easing slowly however, but the data still requires treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity declined. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

### **Interest Rate Forecast**

- 2.6 The Authority's treasury management adviser Arlingclose expects the Bank of England's Monetary Policy Committee will continue reducing Bank Rate throughout 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- 2.7 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

### **Borrowing and Investments – Local context**

- 2.8 On 31st December 2024 the Council held £746.8 million of borrowing and £36.5 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 2025 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. Table 1 shows that the Council expects to comply with this recommendation.

Table 1: Balance Sheet Summary and Forecast

	31.03.24 Actual £m	31.03.25 Forecast £m	31.03.26 Estimate £m	31.03.27 Estimate £m	31.03.28 Estimate £m
<b>Capital Financing Requirement</b>	<b>901.1</b>	<b>965.9</b>	<b>1,091.3</b>	<b>1,253.1</b>	<b>1,303.1</b>
Less: PFI liabilities*	74.2	92.7	86.0	79.1	71.2
Less: Other deferred liabilities*	3.4	3.4	3.4	3.4	3.4
<b>Loans CFR</b>	<b>823.5</b>	<b>869.8</b>	<b>1001.9</b>	<b>1170.6</b>	<b>1228.5</b>
Less: External borrowing**	707.3	726.4	657.6	611.0	567.0
<b>Internal (over) borrowing</b>	<b>116.2</b>	<b>143.4</b>	<b>344.3</b>	<b>559.6</b>	<b>661.5</b>
Less: Balance sheet resources	155.1	106.1	103.2	104.2	104.2
<b>New borrowing (Treasury investments)</b>	<b>-38.9</b>	<b>37.3</b>	<b>241.1</b>	<b>455.4</b>	<b>557.4</b>

\* Leases and PFI debt liabilities that form part of the Council's total debt. These figures now include additional debt due to the introduction of IFRS16 leasing standard from 01.04.24.

\*\* 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 Cultural Heart and town centre regeneration programme as part of the Huddersfield Blueprint. The Council will be required to borrow up to £358.7 million to fund the increase in the Loans CFR over the 3 year period from 31 March 2025 to 31 March 2028.

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 £557.4 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

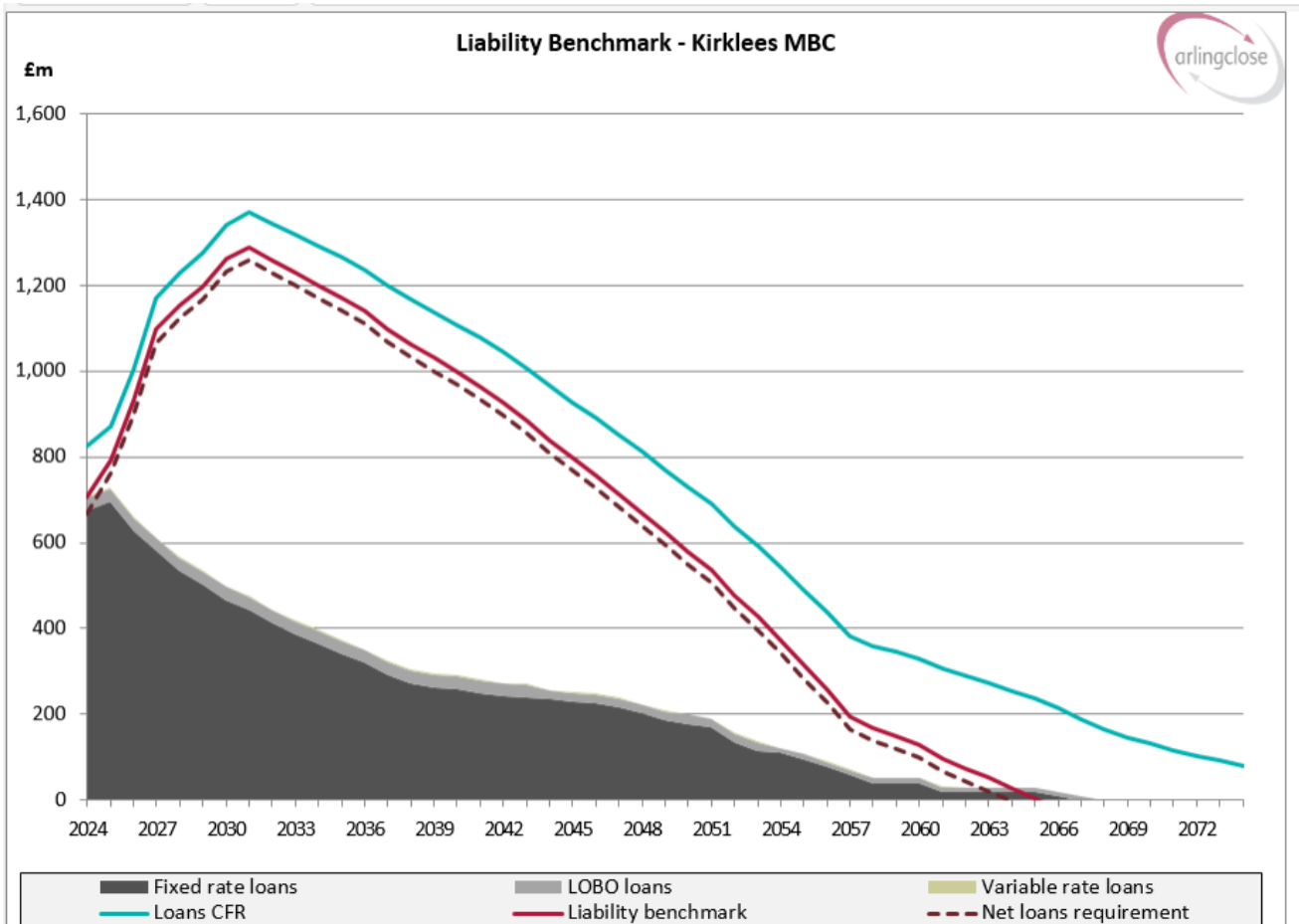
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an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow. The liability benchmark estimates the Council will hold £1,154.4 million of borrowing at 31 March 2028.

Table 2: Prudential Indicator: Liability Benchmark

	<b>31.03.24 Actual £m</b>	<b>31.03.25 Estimate £m</b>	<b>31.03.26 Forecast £m</b>	<b>31.03.27 Forecast £m</b>	<b>31.03.28 Forecast £m</b>
Loans CFR	<b>823.5</b>	<b>869.8</b>	<b>1001.9</b>	<b>1170.6</b>	<b>1228.5</b>
Less: Balance sheet resources	155.1	106.1	103.2	104.2	104.2
<b>Net loans requirement</b>	<b>668.4</b>	<b>763.7</b>	<b>898.7</b>	<b>1066.4</b>	<b>1124.4</b>
Plus: Liquidity allowance	38.9	30.0	30.0	30.0	30.0
<b>Liability benchmark</b>	<b>707.3</b>	<b>793.7</b>	<b>928.7</b>	<b>1096.4</b>	<b>1154.4</b>

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 £793.7 million of external borrowing at 31 March 2025, an increase of £86.4 million on the previous year, as part of its strategy for funding the capital programmes. Other long-term liabilities forecast of £96.1 million is an increase of £18.5 million on the previous year due to the addition of £23.4 million for the introduction of IFRS16 Leasing standard from 01 April 2024. The balance sheet forecast in table 1 shows the Council expects to borrow up to a further £241.1 million by 2025/26. The Council may also borrow additional sums to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £1024.7 million for 2025/26.
- 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. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective. The Council is in regular contact with its Treasury advisors who provide appropriate support and advice in delivering this objective.
- 2.18 The Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.



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- 2.19 The Council's strategic approach over the last few years has been to take a combination of long, medium and short-term borrowing to ensure a more balanced risk approach. During the first three quarters of the 24/25 financial year, the Council took £50.0 million of medium-term EIP Borrowing from the PWLB, and £30m of short to medium-term borrowing from other Authorities.
- 2.20 Short-term interest rates are currently higher than in the recent past but are expected to fall slowly in the coming year, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead, which can then be re-financed when rates are lower. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators.
- 2.21 However, the Council has a large long-term borrowing requirement which will ultimately require longer term borrowing and therefore the Council will continue to take a combination of short, medium and long-term loans during 2025/26, diversifying the borrowing and maturity structure of the loans.
- 2.22 In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.23 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 remaining high, there is 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. Total borrowing via LOBO loans is currently £30.0 million which is 4.0% of debt.
- 2.24 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. The Code allows the Council to borrow for purposes essential to its core aims, such as for housing and regeneration projects, or for treasury management purposes.
- 2.25 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
  - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)

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- 2.26 The Municipal Bonds Agency established in 2014 by the Local Government Association is an alternative source of borrowing. 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 rise in interest rates means that more favourable debt rescheduling opportunities should arise.
- 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 (including the CCLA property fund), 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. The Council may hold more than this amount as borrowing is taken at various points throughout the year in order to spread risk resulting in potential higher investment balances. In the past 12 months, the Council's treasury investment balance has ranged between £27.9 million and £107.7 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.

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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. Cash balances may be higher dependent upon at what stage in the year borrowing is taken.
- 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 Current DHLUC guidance (MHCLG) 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**

- 2.41 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.
- 2.42 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.
- 2.43 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.
- 2.44 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**

- 2.45 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**

- 2.46 The CIPFA Code also requires the Council to note the following matters each year as part of the treasury management strategy:
- (i) Investment Consultants

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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. As noted in 2.30, the Council does invest externally short term when cashflows are positive and to manage unexpected payments.

### (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 and adjusted for credit risk.

## 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: N/A

3.7 Legal Implications

3.8 Other (e.g Risk, Integrated Impact Assessment or Human Resources)

The revenue implications of the strategies outlined have been reflected in the Council’s annual budget report.

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 Consultation**

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

**5 Engagement**

**6 Options**

**6.1 Options considered**

N/A

**6.2 Reasons for recommended option**

N/A

**7 Next steps and timelines**

The report and recommendations be submitted to Cabinet on 11 February 2025 and Council on 05 March 2025.

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

**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 Appendices

Appendix A: Investment Policy for 2025/26  
Appendix B: Credit ratings  
Appendix C: Minimum Revenue Provision Policy  
Appendix D: Treasury Management Prudential Indicators  
Appendix E: Glossary of Treasury Terms  
Appendix F: Investment Strategy 2025/26

## 11 Service Director responsible

Kevin Mulvaney            01484 221000

## APPENDIX A

### Investment Policy for 2025/26

#### ***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-

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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.



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	Short-term Credit Ratings / Long-term Credit Ratings			Investment Limits per Counterparty		Counterparties falling into category as at 30 Nov 2024	
	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)	AAAmmf	Aaa-mf	AAAam	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		P-2	A+	A-1	A+	F1
A2	A		A			
A3	A-		A-	F2		
Baa1	P-3	BBB+	A-2	BBB+	F3	Lower medium grade
Baa2		BBB		BBB		
Baa3		BBB-	BBB-			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-	B-			
Caa1		Not prime	CCC+	C	CCC	C
Caa2	CCC		Extremely speculative			
Caa3	CCC-		In default with little prospect for recovery			
Ca	CC					
	C					
C		DDD	In default			
/		DD				
/						
		D	/			

## **CURRENT MINIMUM REVENUE PROVISION POLICY**

### **1. Background**

- 1.1 Where the Authority funds capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024
- 1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.

### **2 MRP Policy**

- 2.1 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition. Detail of the Council's current capital financing requirement and future projections are provided in the treasury management strategy report 2025/26 to which this Policy is appended.
- 2.2 For capital expenditure incurred as below:
  - General Fund Supported Borrowing – MRP will be determined by charging the expenditure with regard to the 50 year PWLB annuity rate in 2007/08, the year in which the annuity policy has been applied from and use a 34 year period from 1st April 2023, being the remainder of the 50 year life since 1st April 2007.
  - General Fund Unsupported Borrowing (for expenditure up to 31 March 2023) - MRP will be determined by charging the outstanding historic expenditure based on a single annuity calculation, which combines each historic year on a weighted average life basis.
  - General Fund Unsupported Borrowing (for expenditure from 1 April 2023) – MRP will be determined by charging the expenditure based on the expected average useful life of the relevant assets as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational.
  - HRA Borrowing – Provision to be made for debt repayments equal to its share of any scheduled external debt repayments.

- 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.
- Former Operating Leases (brought onto the balance sheet due to IFRS Leases adoption) - MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

### **3 Capital Loans**

#### **3.1 For capital expenditure incurred on capital loans as below:**

- On loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- On loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

### **4 Capital Receipts**

#### **4.1 Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:**

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.

## 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).

### Liquidity Exposure

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
	<b>£m</b>
Total cash available within 3 months	20.0

### Interest Rate Exposure

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Target</b>
	<b>£m</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates on borrowing costs	4.4

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

### 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:

<b>Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate</b>		
	<b>Upper Limit (%)</b>	<b>Lower Limit (%)</b>
Under 12 months	25	0
Between 1 and 2 years	25	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:

<b>Price risk indicator</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>No Fixed Date</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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

<b>Authorised Limit</b>	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.
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bank Rate</b>	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'.
<b>Basis Point</b>	1/100th of 1%, i.e. 0.01%
<b>Bill</b>	A certificate of short-term debt issued by a company, government or other institution, tradable on the financial market
<b>Bond</b>	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.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets.
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital gain or loss</b>	An increase or decrease in the capital value of an investment, for example through movements in its market price.
<b>Capital growth</b>	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).
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>Certainty Rate</b>	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.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>Collective Investment Schemes</b>	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.
<b>Corporate Bonds</b>	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.
<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Cost of carry</b>	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.
<b>Counterparty List</b>	List of approved financial institutions with which the Council can place investments.
<b>Credit Default Swap (CDS)</b>	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.
<b>Credit Rating</b>	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.

<b>Debt Management Office (DMO)</b>	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.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	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'.
<b>ECB</b>	European Central Bank
<b>Fair Value</b>	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.
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	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.
<b>GDP</b>	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	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).
<b>Gilts (UK Govt)</b>	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.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'.
<b>Local Authority Property Fund (LAPF)</b>	A pooled property collective investment scheme for Churches, Charities and Local Authorities. (see Collective Investment Scheme).
<b>Liability Benchmark</b>	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).
<b>LOBOs</b>	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.
<b>Maturity</b>	The date when an investment or borrowing is repaid.
<b>Maturity profile</b>	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.
<b>MiFID II</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	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.

<b>Money Market Funds (MMF)</b>	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
<b>Net Asset Value (NAV)</b>	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
<b>Operational Boundary</b>	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.
<b>Pooled funds</b>	See Collective Investment Schemes (above).
<b>Premiums and Discounts</b>	<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>
<b>Private Finance Initiative (PFI)</b>	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.
<b>Investment Property</b>	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.
<b>Prudential Code</b>	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.
<b>Prudential Indicators</b>	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.
<b>PWLB</b>	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.
<b>Revenue Expenditure</b>	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.
<b>Risk</b>	<p><b>Credit and counterparty risk</b> 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><b>Liquidity risk</b> 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><b>Refinancing risk</b></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><b>Interest Rate risk</b> 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><b>Legal risk</b> 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><b>Operational risk</b> 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><b>Market Risk</b> 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>
<b>RPI</b>	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.
<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	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.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest).
<b>Treasury (T) -Bills</b>	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.
<b>Treasury Management Code</b>	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in 2021.
<b>Treasury Management Practices (TMP)</b>	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.
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure.
<b>Variable Net Asset Value (VNAV)</b>	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.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument.

## Investment Strategy 2025/26

### 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 £80.0 million during the 2025/26 financial year. Cash balances may be higher dependent upon at what stage in the year borrowing is taken.

**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 2025/26 for treasury management investments are covered in the treasury management strategy report 2025/26 to which this Investment Strategy is appended.

### Service Investments: Loans

**Contribution:** The Council lends money to a variety of organisations, including local businesses, the local education college, and local residents to support local public services and stimulate local economic growth.

The Council provided a 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 also issued 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.

Additionally, the Council has provided a loan to WD Kingsgate to remodel the Kingsgate Shopping Centre to provide a cinema, food and leisure facilities in addition to existing retail units as part of delivering the Blueprint vision.

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.

The Council will continue to roll forward from last year's Investment Strategy, the option to provide financial loans to support 3<sup>rd</sup> 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	31.03.2024 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Further education college	13.3	-0.7	12.6	13.3
Leeds City Region revolving investment fund	3.0	0.0	3.0	3.0
Local businesses and charities	22.5*	-8.4	14.1*	24.5
Local residents	2.1	-0.1	2.0	2.1
<b>TOTAL</b>	<b>41.0</b>	<b>-9.1</b>	<b>31.8</b>	<b>42.9</b>

\* This is made up of numerous investments, the largest of which is £12.2 million towards 103 New Street and £5.5 million relates to Kingsgate.

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) and a 14% holding in QED KMC Holdings Ltd (£0.2 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	31.03.2024 actual			2025/26
	Amounts invested	Gains or losses (-)	Value in accounts	Approved Limit
Local businesses	0.2	0.9	1.1	*0.2

\*Approved limit includes amounts already invested.

**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	31.03.2024 actual		31.03.2025 expected	
	Purchase cost	Gains or losses (-)	Value in accounts	Gains or losses (-)	Value in accounts
Commercial Property	*See below	-6.4	20.3	0.0	20.3

\*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 2024/25 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 £0.7 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 - Place 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, 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.

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	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	39.0	30.0	30.0
Service investments: Loans	40.9	42.9	42.9
Service investments: Shares	1.1	1.1	1.1
Commercial investments: Property	20.3	20.3	20.3
<b>TOTAL INVESTMENTS</b>	<b>101.3</b>	<b>94.3</b>	<b>94.3</b>
Commitments to lend	0.0	0.0	0.0
Guarantees issued on loans	0.7	0.7	0.7
<b>TOTAL EXPOSURE</b>	<b>102.0</b>	<b>95.0</b>	<b>95.0</b>

**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	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Service investments: Loans	40.9	42.9	42.9

**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	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.3%	5.1%	4.4%
Service investments: Loans	-1.0%	-0.3%	0.0%
Service investments: Shares	None	None	None
Commercial investments: Property	-25.9%	5.0%	5.0%



**REPORT TITLE:** Housing Revenue Account (HRA) rent and service charge inflationary uplift report and the HRA Budget

<b>Meeting</b>	Cabinet
<b>Date</b>	10 <sup>th</sup> December 2024
<b>Cabinet Member</b>	Cllr Moses Crook Deputy Leader of the Council, Cabinet Member for Transport and Housing
<b>Key Decision Eligible for Call In</b>	Yes Yes
<p><b>Purpose of Report</b> This report provides the financial context and basis for the annual rent and service charges inflationary uplift as well as for the HRA budget, which will be considered by Cabinet on 10<sup>th</sup> December, and by Council on 5<sup>th</sup> March for approval.</p> <p>This report is for a decision for the annual rent and service charge inflationary uplift for 2025-2026, which will form part of the HRA budget proposals.</p>	
<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>To uplift the proposed rents by an average of £2.30 per week (2.7%) and service charges payable by between 0.01p and £0.48 per week (2.7%) for social housing from 1<sup>st</sup> April 2025, which are contained within this report.</li> <li>To introduce a service charge for communal grounds maintenance services capped at £1.00 per week each year until full cost recovery is achieved.</li> <li>That Members approve the charges for Extra Care Services – Intensive Housing Management to be uplifted by between £1.92 and £4.90 (6.7%) and Extra Care Services – Night Care Service to be uplifted by £1.48 per week (6.7%).</li> <li>That Members note the national and local financial challenges outlined as part of the HRA budget proposals for 2025-26.</li> <li>To give delegated authority to the Executive Director of Place in consultation with the Deputy Leader of the Council and Cabinet Member for Transport and Housing to approve the rate for personal charges for Sheltered Heating and District Heating.</li> <li>That the updated Capital Plan for 2024-33, be recommended to Council for approval; Appendix 3</li> <li>That the draft HRA Budget for 2025/26 be recommended to Council for approval; Appendix 2</li> </ul>	
<p><b>Reasons for Recommendations</b></p> <ul style="list-style-type: none"> <li>To maximise rent and service charge income which complies with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 and the rent standard.</li> <li>To propose a balanced HRA revenue and capital budget for 2025-26.</li> <li>To hold reserves at a level which is set at £500 per property at c£10m.</li> </ul>	
<b>Resource Implications</b>	



<p>Date signed off by <u>Executive Director</u> &amp; name</p> <p>Is it also signed off by the Service Director for Finance?</p> <p>Is it also signed off by the Service Director for Legal Governance and Commissioning?</p>	<p>David Shepherd – Executive Director of Place</p> <p>Kevin Mulvaney – Service Director of Finance</p> <p>Samantha Lawton - Service Director of Legal, Governance and Commissioning (Monitoring Officer)</p>
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**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 a ring-fenced account separate to the General Fund 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. This report sets the provisional budget for 2025-26 for the HRA, details of which are included in the following pages and appendices.
- 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. This report sets out the approach to the annual rent and service charge inflationary uplift for council tenants for the 2025/26 financial year. The annual proposed uplift to social housing rents and service charges is based on the government formula of CPI + 1% (Consumer Price Index) which was agreed for five years from April 2020 to March 2025 and now extended to 2031 where the CPI rate is taken from September each year. This year the rate of inflation at the end of September 2024 was 1.7% which means a proposed uplift of 2.7%. The Council needs to uplift rents and service charges by this amount to continue to invest in tenants' homes. The Council is also proposing a 6.7% uplift for the extra care - Intensive Housing Management service and night-time security service charges because the costs are linked directly to staffing and the increase for the National Living Wage.

- 1.4 A review of service charges has been carried out because the Council needs to ensure that it recovers income to cover the cost of providing services to tenants and leaseholders.
- 1.5 The Regulator of Social Housing benchmarking data for 2023-24 shows an average weekly social rent across the country of £99.45 and for Yorkshire and Humberside of £84.10. This compares to the average weekly social rent for Kirklees in 2023-24 of £79.20, where Kirklees continues to charge one of the lowest average rents. The Yorkshire and Humberside region reports the lowest average social rent across the country. The average weekly social rent for Kirklees being proposed for 2025-26 is £87.54. (*Local authority registered provider (LARP) social housing stock in England - stock and rents profile 2023/24*)
- 1.6 Where new council housing is being developed for rent there will be the consideration, subject to a business case to charge a social rent/target rent or an affordable rent, which is 80% of the market rental charge. The affordable rent would be less than the agreed local housing allowance and supports the published rent standard. When a property is relet, the tenant will automatically be charged the target rent for that property, plus any relevant service charge unless the property is subject to an affordable rent, in which case the agreed affordable rent will be charged.
- 1.7 The Proposed HRA revenue budget is £110m, where 29% is budgeted to be spent on repairs and maintenance, 28% to be spent on management and community facility costs, 11% to be spent on extra care schemes, 22% to contribute to the cost of capital and major works, 7% for financing costs and 3% for other provisions and taxes.

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

- 2.1 The Council needs to deliver a balanced 30-year business plan. The HRA (Housing Revenue Account) business plan has been modelled based on a number of scenarios and an inflationary uplift of 2.7% is required to be able to fund all its commitments in the capital plan and support a minimum reserve balance of £500 per unit, (2024-25 - £10.865m). A minimum reserve of £500 per unit is considered prudent and provides for unexpected costs or economic shocks.
- 2.2 Following the outcome of the capital review carried out by ARK consultancy, a backlog of works has been identified that will be required to make council homes decent and the current capital plan is forecast to invest £382m up to March 2032 (Appendix 3). The proposed budgets for 2025-26 are as follows:
- 2.3 For the baseline capital budget there is £35.6m made up as follows:
- Planned Maintenance of £20.1m which includes Planned components replacements to circa 4800 properties and includes kitchens, bathrooms, roofs, rewires, doors, boilers and four district heating schemes which will service 154 properties.
  - Building Safety of £10.2m, which includes capital works relating to fire, Asbestos, water hygiene and refurbishment of six storey blocks, low rise blocks and retirement living schemes.
  - Decarbonisation of £1.5m, which is the resource to be used to match fund resources to bring council properties up to an efficiency level C or above and for retrofitting properties.

- For adaptations there is a budget of £3.8m, which relates to works needed to adapt circa 500 properties for tenants with additional needs, including handrails, ramps, and other adaptations.
- 2.4 For Strategic Priorities there is a budget of £12m which is made up as follows:
- Council Housing Building and Housing Growth of £5m, which relates to existing committed schemes on site and in development and buybacks, where we are buying back properties previously sold through the right to buy scheme.
  - New build extra care scheme, Ash view of £0.2m, which is the final balance for the development costs of fifty units completed in November 2024.
  - Remodeling high rise project of £5m (total £57m), which includes works and related costs to Buxton House and Berry Brow.
  - IT system replacement of £1.8m
- 2.5 Most planned and responsive repair works are carried out by the council's in-house property team. Where they do not have the skills or capacity to deliver the works this will be procured externally.
- 2.6 A budget for fuel poverty of £1.5m has been provided, which is hoped to be matched by funding resources accessed through West Yorkshire Combined Authority. We plan to complete EPCs for Fuel Poverty with the aim to increase the efficiency rating of properties to C or above.
- 2.7 An inflationary provision of 3% of staffing costs has been provided for, until the pay award for 2025-26 has been finalised.
- 2.8 Homes and Neighborhoods are implementing a new housing management system (CX) which includes an integrated customer contact and relationship module. This will support the ongoing transformation work, which includes end to end process reviews, a focus on compliance, statutory, legislative, regulatory and a culture review. This will be supported by better insight and data provided by more efficient systems and processes.
- 2.9 Homes and Neighbourhoods revenue management cost budgets have reduced by £2.6m, which relate to a proportion of the costs for the Assets and Development team of £1.9m being capitalised and staffing savings of £570k being proposed.
- 2.10 The proposed budget for repairs and maintenance is £32.3m, which is a net increase of £1.4m. Resources will be set aside to carry out 40% stock condition surveys, for water quality testing and for the increased demand for damp and mould works. There are ongoing savings from no longer requiring a waking watch service at Buxton House and Harold Wilson Court and savings will be achieved from the review of the concierge service and the move to decorating vouchers agreed as part of the lettable standard. This means that savings can be redirected to other planned investment and responsive repairs areas. An inflationary increase of 3% will be applied to works related budgets.
- 2.11 Savings and additional income of circa £3.7m have been proposed for 2025-26, (Appendix 5) which includes a reduction of 12 days in the time it takes to repair and relet a property,

## APPENDIX K

which will reduce the rent lost by £255k, recovery of service charge income of £725k for Grounds Maintenance and £20k for cleaning, which will be eligible for housing benefit or universal credit, recovery of personal charges of District Heating costs of circa £573k and Sheltered Heating charges of £267k and there will be £190k savings proposed from better ways of working.

- 2.12 The Grounds Maintenance service is provided to tenants and leaseholders in Kirklees and costs £1.7m. It is proposed to introduce a service charge increase of a maximum of £1 per week, per year. The summary of charges shows that costs have been divided equally between tenants and leaseholders based on each property they live in, on an estate-by-estate basis. This means that 1,486 will pay nothing, 7,680 will pay less than 50p, 4,261 will pay between 50p and less than £1 and the remaining 6,942 will pay £1. Service standards will be issued, and regular monitoring will take place.
- 2.13 For district heating schemes, meters will be adjusted by the appropriate cost per kwh to match current prices. It is requested that the decision to approve those charges is delegated to the Service Director for Homes and Neighbourhoods along with the Deputy Leader of the Council and Cabinet Member for Transport and Housing.
- 2.14 For Sheltered heating schemes, it is requested that the decision to approve charges is delegated to the Service Director for Homes and Neighbourhoods along with the Deputy Leader of the Council and Cabinet Member for Transport and Housing. Increased charges will be effective from April 2025.
- 2.15 Given the need to invest in Tenant Safety, High Rise remediation and regeneration, meeting the Decent Homes Standard, decarbonising the council's housing stock and building new council homes, there is a requirement to propose a rent and service charge uplift of 2.7% for the financial year 2025-26. The report aims to provide context in terms of the key challenges for the Housing Revenue Account even with the proposed 2.7% rent uplift. The appendix to the report sets out the full schedule of proposed weekly dwelling rent, service and other charge inflationary uplifts to Council tenants for 2025/26, noting that these will be calculated on a basis that matches the billing period to the number of weeks in the year (i.e., 52 weeks for 2025/26) Appendix 1.
- 2.16 For 2025-26 budget purposes there is a net reduction of £253k to rental income. This is because there will be a net reduction of 296 properties where rents will no longer be charged. This is made up of properties at Berry Brow and Sycamore Grange which are planned for demolition in 2025-26 and through the reduction of 140 properties sold through the right to buy with the addition of properties developed or purchased.
- 2.17 The proposed inflationary uplift will mean an average uplift across all tenancies of £2.30 per week, which will be an average uplift of £2.03 per week for a one-bedroom property, £2.41 per week for a two-bed property, £2.71 per week for a three-bedroom property and £2.86 per week for a four plus bedroom property.
- 2.18 There are 72% of council tenants that are currently in receipt of some benefit either Universal Credit or Housing Benefit and so the Council needs to ensure that they consider the impact of the proposed uplift for the 28% of tenants who are not in receipt of any benefits. The council have a dedicated Income Management and Money Advice Team who will work with these tenants to support them with completing claims for benefits and signposting them to other agencies. Tenants can also access Kirklees corporate support. [Local Welfare Provision | Kirklees Council](#)

- 2.19 Where new council housing is being developed for rent, there will be the consideration, subject to a business case to charge a social rent/target rent or an affordable rent. An affordable rent may be charged, which is 80% of the market rental charge and is inclusive of service charges. This is supported by the rent standard published by the regulator of social housing.
- 2.20 There are 46% of tenants that are currently reported as having some arrears of which 65% are in receipt of Universal Credit and so it cannot be guaranteed that payments will be made because the benefit goes direct to the tenant, although claims to have the benefits paid direct to Kirklees can be made if the tenant is reported to have more than eight weeks arrears. There are 46% of tenants who pay by direct debit and 54% who pay by alternative methods of payment. Tenants are encouraged to sign up for direct debit arrangements.
- 2.21 All services are looking to achieve efficiencies to address the cost-of-living inflationary increases and in total savings of £3.7m for 2025-26 have been proposed. These savings have been built into the proposed budget to ensure there is budgetary control and accountability.
- 2.22 The Intensive Housing Management service charge provides a manager presence in the extra care schemes and the provision of a housing related support service to tenants to help them maintain their tenancies. Of the total cost of this service tenants pay for 80% and the charge is eligible for housing benefit. An uplift of 6.7% is proposed because the costs are linked directly to staffing and the increase for the National Living Wage.
- 2.23 There are two service charges which are commissioned by the Council's Adult Social Care. The Night-time Security service charge provides a staff presence in the extra care schemes overnight and to respond to emergency calls made by tenants during the night. The charge that tenants pay for this service amounts to 50% of the total cost and the service charge is eligible for housing benefit. The total cost of this service will increase annually due to an uplift to the National Living Wage. An uplift of 6.7% is proposed because the costs are linked directly to staffing and the increase for the National Living Wage.
- 2.24 The Council assumes a number of properties will be sold through the RTB Scheme, which on average is around 200 properties per annum. The number of sales has reduced over the last two years and for 2025-26 there is an assumption that there will be 140 sales. There has been an increased number of applications due to the budget announcement to amend the discount levels with effect from 21<sup>st</sup> November 2024. These will be assessed and managed appropriately.

### **3. Implications for the Council as part of the Council Plan**

#### **3.1 Working with People by providing direct support to tenants.**

- 3.1.1 The rollout of Universal Credit (UC) started in June 2015 and is now accelerating due to DWP Managed Migration with 44% of tenants currently in receipt of UC, 28% partial or full Housing Benefit (HB) and 28% in receipt of no benefits and so there are dedicated staff to support tenants transitioning from Housing Benefit to Universal Credit. As of 14th October 2024, there were 5683 tenants who were not in receipt of any benefits of which 4753 (84%) of those tenants who are already on an arrangement to pay by Direct Debit. The Money Advice team will support these tenants to assess whether they will be eligible for any benefits, will support them to claim any entitlements and to put in place an arrangement to

pay by Direct Debit. Contact details for support and additional information will be sent out to all tenants with the statutory increase notice.

- 3.1.2 Tenants will have access to a discretionary Housing Fund which is still available to fund short term gaps in customer benefit entitlement etc. Unfortunately, the Housing Support Fund where tenants received support with fuel poverty ended in September 2024. All assessments are made on specific need.

### **3.2 Working with Partners**

- 3.2.1 Homes & Neighbourhoods Income Management resources are being made available and targeted towards new and transitioning UC claimants to ensure that they receive the support that they need to successfully make the change and keep in control of their rent accounts. The waiting period is around 5 weeks before the first payment is received, although tenants can claim an advance payment. There are significant strategic and operational challenges in dealing with the claimants in receipt of benefits in Kirklees Council tenancies and as UC continues to be rolled out in Kirklees, with increased risks associated with managing the HRA, cashflow and income collection rates. The Homes & Neighbourhoods Income Management team work with partners to oversee the delivery of a set of action plans designed to directly mitigate the impact of welfare reform changes such as UC on tenants through a dedicated debt advice team that adopts a restorative approach to debt management.

### **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 & 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 There is a plan for Sycamore Grange to be redeveloped, this will 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, the 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 £191m over the next five years, 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 improves outcomes.

### 3.6 Financial Implications

- 3.6.1 The Council will propose a balanced budget for 2025-26 and maintain a balanced 30-year HRA business plan, which will be supported by funding from reserves and additional borrowing.
- 3.6.2 A number of key policy announcements have been made following the enactment of the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. The implications of the new legislation have been included within the 30-year financial modelling for the HRA. The budget proposals for 2025/26 result from a review of the HRA with the key objective to deliver a balanced 30-year HRA business plan.
- 3.6.3 People living or working in Kirklees will have access to the Kirklees local welfare provision: [Local Welfare Provision | Kirklees Council](#)

### 3.7 Legal Implications

- 3.7.1 The approval of the above recommendations will ensure that a balanced HRA is achieved, which means the Council is compliant with section 76 of the Local Government and Housing Act 1989. Section 24 of the Housing Act 1985 allows the council as a registered provider the discretion to set its own rents, but the charges must be reasonable and are subject to legislative rent caps imposed by the government. The Local Government and Housing Act 1989 also covers the recovery of service charges, and the rent standard applies to both rents and service charges.
- 3.7.2 The Equality Act 2010 (Section 149) requires the Council to have due regard to the need to:
- a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act.
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- 3.7.3 A landlord, including a social landlord has the legal right to impose charges for services they provide which are payable in addition to the charges imposed for rent. The tenancy agreement or lease the landlord has with a tenant sets out the obligations on the tenant to pay these service charges. The service charges each tenant is required to pay should be clearly set out at the commencement of the tenancy. The Council, as a landlord must ensure it meets its statutory obligations when deciding to increase or introduce service charges and ensure the right to impose such charges is clearly set out in the tenancy agreement/lease as this may limit the ability to charge. The amount of service charges each tenant is required to pay should be reasonable. This applies to both secure and leasehold tenants.
- ### 3.8. Other (e.g. Risk, Integrated Impact Assessment or Human Resources)
- 3.8.1 It is believed that the proposals to change rents and other charges set out in this report will not have an unduly adverse impact on any persons in any of the nine protected characteristics namely, age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion, or belief, sex, and sexual orientation. All

tenants affected by any approved changes to rents and other charges will be notified of the specific changes to their charges and be provided with information and guidance on how to access information and guidance on housing and other benefits. Ref: IIA-667140185 Ref: IIA- 656525132.

#### **4. Consultation**

4.1.1 Consultation has been carried out with the Tenant Led Panel in relation to the proposed inflationary uplift and Consultation with TRA's (Tenant and Residents Associations) and tenants' groups as required. The proposal has been reported to Homes and Neighbourhoods Senior Management Team, Place Senior Leadership Team, Homes and Neighbourhoods Improvement Board, Executive Leadership Team and Executive Board before the proposal will be reported to Cabinet on 10<sup>th</sup> December 2024. From a previous recommendation from the Tenant Advisory & Grants Panel, direct contact details to access support and a summary breakdown of budget expenditure will be included with the rent uplift notifications.

4.1.2 Consultation was undertaken with tenants and leaseholders to introduce a service charge for the provision of communal Grounds Maintenance (GM) services capped at £2.00 per week from 2025/26. There were 2369 responses received, equating to approximately 11% of all tenants and leaseholders. The following provides a summary of the key findings from the consultation:

- 1647 of those who responded disagree with the proposal to charge a maximum of £2 per week for providing a communal grounds maintenance service.
- 1470 of those who responded said that introducing the £2 per week service charge would have a high impact on them.
- 749 of those who responded said that the charge would impact on them financially from an affordability perspective and
- 317 of those who responded said that the current service is poor and is not worth paying for

4.1.3 In response to the above feedback and to reflect that the council have listened to and considered the views of tenants, it is proposed that the charge for grounds maintenance will be capped at £1 per week until full cost recovery is achieved. This should generate income of up to £725,000 in 2025/26 and it is assumed that full cost recovery will be achieved by 2028/29.

#### **5. Engagement and communication**

5.1.1 There is a requirement to give tenants 28 days' notice of any uplift in rents or service charges.

5.1.2 Given the proposal contained in this report is to introduce a service charge for the provision of communal grounds maintenance services there will be a requirement to vary the existing tenancy agreement to reflect this. This approval is subject to the period of consultation with tenants and evaluation of the issues raised in that consultation. The Service Director of Homes & Neighbourhoods has delegated authority to consider feedback from tenants and provide final approval for the amendment to the Tenancy Agreements in consultation with the Portfolio Holder. The amendment can be



implemented by serving a Notice of Variation of tenancy that would take effect from 1 April 2025.

## **6. Options**

### **6.1 Options considered**

- 6.1.1 To do nothing would mean that Kirklees would have to either increase its borrowing to cover the cost of services, make additional savings or would have to consider reducing the level of services delivered.
- 6.1.2 To maximise rental income based on the government formula to uplift rents annually by CPI +1% and to move to a full cost recovery for service charges.

### **6.2 Reasons for recommended option**

- 6.2.1 To maximise income so that Kirklees can invest in tenants' safety and decent homes and so it can set a balanced budget.
- 6.2.2 To recover income where Kirklees Homes and Neighbourhoods has incurred costs on behalf of tenants, so that tenants are charged for the service they receive.
- 6.2.3 To recover service charge income to cover the cost of services provided to tenants and leaseholders to achieve a full cost recovery position.

## **7. Next steps and timelines**

- 7.1 In order to comply with the requirements of the Local Government and Housing Act 1989 to have a balanced HRA and the Welfare Reform and Work Act 2016 and the rent standard which requires registered providers to comply with specified rules about their levels of rent set under section 194(2A) of the Housing and Regeneration Act 2008; to implement the uplift of 2.7% subject to Cabinet approval,
- 7.2 Council Officers will prepare for the implementation of rents and service charge changes from 1st April 2025 as set out in Appendix 1 and the issuing of prior notification letters to individual tenants in accordance with the statutory 4 week notice period.

## **8. Contact officer**

Jacqui Fieldhouse, Head of Finance – Homes & Neighbourhoods

Tel: 01484 221000 ext 79267

Mobile: 07795 080373

Email: [jacqui.fieldhouse@kirklees.com](mailto:jacqui.fieldhouse@kirklees.com)

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

- 9.1 Rent setting report to Cabinet – 12<sup>th</sup> December 2023 and Approved budget for 2024-25

## **10. Appendices**

- 10.1 Appendix 1 – Schedule of weekly rent and service charges for 2025-26
- 10.2 Appendix 2 – Revenue Medium Term Financial Plan - April 2025 to March 2030
- 10.3 Appendix 3 – HRA Capital Plan for the period April 2025 to March 2032

- 10.4 Appendix 4 – HRA Reserves – March 2025
- 10.5 Appendix 5 – Summary of proposed savings for 2025-26

**11. Service Director responsible**

Naz Parkar for Homes & Neighbourhoods

Tel: 01484 221000 ext 75312

Email: [naz.parkar@kirklees.gov.uk](mailto:naz.parkar@kirklees.gov.uk)

Appendix 1

	Schedule as at 1 April 2024 £		Schedule as at 7 April 2025 £		Increase %
<b>RENTS</b>					
Average Dwelling Rent Split:	85.24		87.54		2.7
Average 1 Bedroom Rent	75.21		77.24		2.7
Average 2 Bedroom Rent	89.24		91.65		2.7
Average 3 Bedroom Rent	100.22		102.93		2.7
Average 4 and Over Bedroom Rent	105.80		108.66		2.7
Garage Rents (Excl VAT)	6.40		6.57		2.7
<b>51</b>					
<b>Housing Benefitable Service Charges</b>					
Concierge	2.70 to 17.64		2.77 to 18.12		2.7
Door Entry Systems	0.48		0.49		2.7
Communal Cleaning	1.10 to 8.47		1.13 to 8.70		2.7
Communal Cleaning (contract extension)	2.44		2.51		2.7
Window Cleaning	0.24 to 2.81		0.25 to 2.89		2.7
<u>Sheltered Housing:</u>					
Scheme Management	15.53		15.95		2.7
Independent Living Officer	5.73		5.88		2.7
Furnishings	20.01, 21.32		20.55, 21.90		2.7
<b>PFI Service Charges</b>					
Communal Cleaning	12.00 to 16.33		12.32 to 16.77		2.7
Communal Utilities	2.46 to 13.07		2.53 to 13.42		2.7
External Lighting (General Needs Only)	1.93 to 2.85		1.98 to 2.93		2.7
Grounds Maintenance	3.23 to 8.39		3.32 to 8.62		2.7
Intensive Housing Management (Extra Care Only)	28.65 to 73.07		30.57 to 77.97		6.7
Management and Admin	1.45 to 1.46		1.49 to 1.50		2.7
Night Time Security (Extra Care Only)	22.15		23.63		6.7
Property Management (Extra Care Only)	24.44		25.10		2.7
R&M Com fac&ut cost	5.74 to 13.11		5.89 to 13.46		2.7
<b>Other Charges</b>					
Parking Spaces	5.50		5.65		2.7
Other Utilities charges	16.26, 22.71		16.70, 23.32		2.7
Older People Support	6.95, 23.42		6.95, 24.05		2.7
Council Tax	5.45, 8.55		5.72, 8.98		4.99
Gardening	3.67		3.77		2.7

**APPENDIX K**  
Appendix 2

SERVICE ACTIVITY	24-25 BUDGET	CHANGES	25-26 BUDGET PROPOSAL	CHANGES	26-27 BUDGET PROPOSAL	CHANGES	27-28 BUDGET PROPOSAL	CHANGES	28-29 BUDGET PROPOSAL	CHANGES	29-30 BUDGET PROPOSAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Repairs &amp; Maintenance</b>	<b>30,909</b>	1,400	<b>32,309</b>	350	<b>32,659</b>	- 300	<b>32,359</b>	100	<b>32,459</b>	250	<b>32,709</b>
<b>Housing Management</b>											
Policy & Management	14,297	65	14,362	166	14,528	168	14,696	171	14,867	-	14,867
Council Services bought in	7,751	531	8,282	190	8,472	-	8,472	-	8,472	-	8,472
Homes & Neighbourhoods Man't Costs	19,322	(2,570)	16,752	(281)	16,471	494	16,965	509	17,474	524	17,998
Property Services	-	(190)	(190)	-	(190)	-	(190)	-	(190)	-	(190)
Special Services (Communal facilities)	4,200	(486)	3,714	-	3,714	-	3,714	-	3,714	-	3,714
<b>sub-total</b>	<b>45,570</b>	(2,650)	<b>42,920</b>	75	<b>42,995</b>	662	<b>43,657</b>	680	<b>44,337</b>	524	<b>44,861</b>
<b>Other Expenditure</b>											
Depreciation charge on HRA Assets	20,600	3,389	23,989	250	24,239	250	24,489	250	24,739	500	25,239
Interest payable on capital debt	7,282	224	7,506	1,000	8,506	1,000	9,506	1,000	10,506	1,000	11,506
Bad debt provision	1,000	0	1,000	-	1,000	-	1,000	-	1,000	-	1,000
Rents, Rates, Taxes & other charges	529	100	629	(100)	529	-	529	-	529	-	529
Inflation Provision	2,370	(840)	1,530	840	2,370	500	2,870	500	3,370	500	3,870
<b>Sub total</b>	<b>31,781</b>	2,873	<b>34,654</b>	1,990	<b>36,644</b>	1,750	<b>38,394</b>	1,750	<b>40,144</b>	2,000	<b>42,144</b>
<b>Total Expenditure</b>	<b>108,260</b>	1,623	<b>109,883</b>	2,415	<b>112,298</b>	2,112	<b>114,410</b>	2,530	<b>116,940</b>	2,774	<b>119,714</b>
Dwelling Rent income	(96,084)	253	(95,831)	(2,285)	(98,116)	(2,502)	(100,618)	(2,556)	(103,174)	(2,476)	(105,650)
Non-Dwelling Rent Income	(300)	16	(284)	(8)	(292)	(7)	(299)	(4)	(303)	(3)	(306)
Tenant & Leaseholder charges for services & facilities	(3,664)	(1,892)	(5,556)	(122)	(5,678)	(128)	(5,806)	(131)	(5,937)	(135)	(6,072)
HRA Interest income on cashflow	(300)	-	(300)	-	(300)	-	(300)	-	(300)	-	(300)
Excellent Homes for Life (PFI)											
Government Grant	(7,912)	-	(7,912)	-	(7,912)	-	(7,912)	-	(7,912)	-	(7,912)
<b>Total Income</b>	<b>(108,260)</b>	(1,623)	<b>(109,883)</b>	(2,415)	<b>(112,298)</b>	(2,637)	<b>(114,935)</b>	(2,691)	<b>(117,626)</b>	(2,614)	<b>(120,240)</b>
<b>Net Operating Expenditure</b>	<b>-</b>	-	<b>-</b>	-	<b>-</b>	(525)	<b>(525)</b>	(161)	<b>(686)</b>	160	<b>(526)</b>

**APPENDIX K**  
Appendix 3

HRA Capital Plan	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Total
	£	£	£	£	£	£	£	£	£
<b>STRATEGIC PRIORITIES</b>									
Housing Growth	867,000	2,516,000	732,460	11,000	0	0	0	0	4,126,460
LAHF - Refugee Housing	492,000	358,000	1,142,087	0					1,992,087
LAHF 3 - Refugee Housing	1,090,000	1,560,000	521,000	0					3,171,000
New Build Phase 1 - Ashbrow Extra Care	3,700,000	146,302	0	0	0	0	0	0	3,846,302
Berry Brow Remodelling	1,267,000	901,000	15,000,000	16,000,000	1,993,269	0	0	0	35,161,269
Harold Wilson Court	2,367,000	0	0	0	0	0	0	0	2,367,000
Buxton House	1,357,000	4,148,000	6,145,000	3,267,000	79,271	0	0	0	14,996,271
IT System (Universal Housing Replacement)	530,000	808,832	0	0	0	0	0	0	1,338,832
IT System Property/Assets	0	1,000,000	500,000	0	0	0	0	0	1,500,000
Council House Building	1,396,000	564,500	4,557,000	8,433,926	13,871,936	7,506,309	277,700	1,595,273	38,202,644
<b>Strategic Priorities Total</b>	<b>13,066,000</b>	<b>12,002,634</b>	<b>28,597,547</b>	<b>27,711,926</b>	<b>15,944,476</b>	<b>7,506,309</b>	<b>277,700</b>	<b>1,595,273</b>	<b>106,701,865</b>
<b>BASELINE</b>									
Housing Capital Plan	17,850,000	19,150,000	19,285,000	19,785,000	19,785,000	20,135,000	21,230,163	22,135,000	159,355,163
Estate Improvement (Neighbourhood Investment)	1,233,000	990,000	1,100,000	1,100,000	1,100,000	1,100,000	1,128,720	1,100,000	8,851,720
Building Safety	1,506,000	1,274,000	1,324,000	1,530,000	1,430,000	1,380,000	1,487,809	1,250,000	11,181,809
Six Storey Blocks - 2 projects	915,000	3,674,713	6,000,000	5,420,000	6,295,000	5,406,000	9,805,287	0	37,516,000
Low Rise Blocks - 700 blocks in batches	1,750,000	1,500,000	1,500,000	1,500,000	1,500,000	0	0	0	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	1,632,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,526,411	1,500,000	12,158,411
Adaptations	3,714,000	3,760,437	3,260,400	2,760,400					13,495,237
<b>Baseline Total</b>	<b>30,100,000</b>	<b>35,599,150</b>	<b>38,469,400</b>	<b>38,095,400</b>	<b>36,110,000</b>	<b>35,521,000</b>	<b>35,428,390</b>	<b>25,985,000</b>	<b>275,308,340</b>
<b>Overall Total</b>	<b>43,166,000</b>	<b>47,601,784</b>	<b>67,066,947</b>	<b>65,807,326</b>	<b>52,054,476</b>	<b>43,027,309</b>	<b>35,706,090</b>	<b>27,580,273</b>	<b>382,010,205</b>

**Appendix 4**

HRA RESERVES	Balance at 31 March 2024	Approved Movement in Reserves	Balance at 31 March 2025
	£'000	£'000	£'000
Set aside for business risks	(15,000)	4,135	(10,865)
Set aside to meet investment needs (as per HRA Business Plan)	(18,942)	9,792	(9,150)
<b>Total</b>	<b>(33,942)</b>	<b>13,927</b>	<b>(20,015)</b>

<b>HRA Proposed Savings</b>	<b>2025-26</b>	
	<b>£000</b>	
Reduction of void rent loss with improved relet days	255	Reduction of 12 days turnaround
Establishment efficiencies	100	Review of Asset Structure
Additional income from the recovery of service charges	725	Grounds Maintenance
Additional income from the recovery of service charges	20	Communal Cleaning contract
Income from the cost for heating	573	District heating charges
Income from the cost for heating	267	Sheltered heating charges
Staff savings from review of ILO and use of Graduates	80	Total of £470k where £390k provided for
Savings from council tax	50	Better management of policy voids
R&M and move to Decorating vouchers	500	For new void properties
Review of the concierge service	250	Review service delivered from Berry Brow
Property Service savings	190	Efficiencies through service delivery
Interest charges and inflationary pressures	775	Reduction due to profiling the capital plan
<b>Total of all savings proposed</b>	<b>3,785</b>	

# 2025/26 Annual Budget Consultation – Summary of Responses

## January 2025

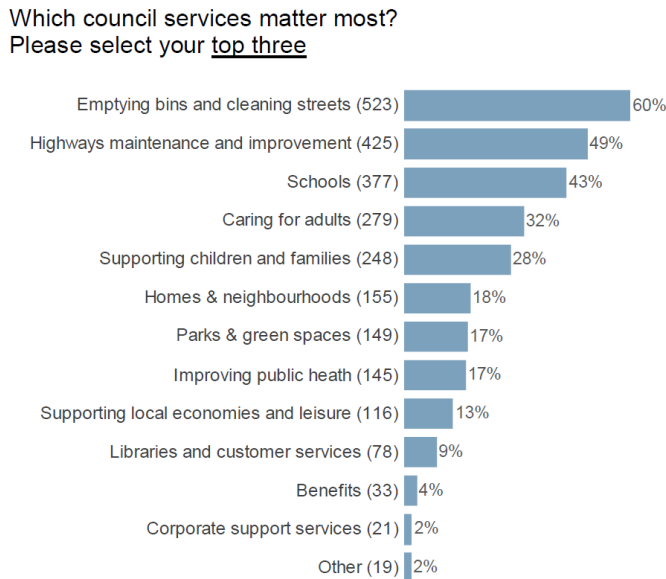
### 1 Overview of the Consultation Process

- 1.1 The purpose of the consultation is to help the council understand what is most important to people and communities in Kirklees, and to inform the development of, and decision making relating to the council’s 2025/26 annual budget. The consultation is part of the Council’s statutory duty to consult the public on its budget.
- 1.2 A draft budget for 2025/26 was made publicly available and was considered by Cabinet on the 10 December 2024. The draft budget was released earlier and in greater detail this year in comparison to previous years, to allow for greater transparency and engagement on the proposals contained within it.
- 1.3 The public budget consultation ran between 11 December 2024 and 15 January 2025. The survey was hosted online, and 881 respondents completed the survey. 94% of respondents had read the consultation information and understood the council’s need to balance the budget and deliver savings, before starting the survey.
- 1.4 This report has been appended to the 2025/26 annual budget report, so that Cabinet and Council are able to consider the views of the public when making decisions relating to the resourcing of the council as well as helping with decisions such as where to reduce spending to ensure a balanced budget.
- 1.5 As a direct result of the substantial level of feedback received through the consultation around the proposal relating to the borough wide replacement of household waste wheeled bins from 240L to 180L (PL2527), the Executive has taken the decision to not proceed with this proposal.

### 2 Summary of Responses

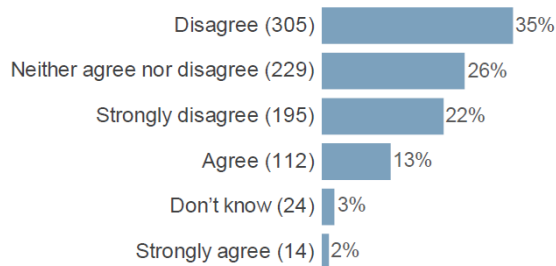
#### PROPOSALS TO SPEND THE BUDGET

- 2.1 The council services that matter most to the respondents are shown below. Emptying bins and cleaning streets, highways maintenance and improvement and schools were the top three most selected services.



- 2.2 57% either disagree or strongly disagree with how the council proposes to spend money in 2025/26. There are more respondents who neither agree nor disagree with this [26%] compared with those who agree or strongly agree at 15%

To what extent do you agree or disagree with how the council proposes to spend money in 2025/26?



- 2.3 Those respondents who disagreed or strongly disagreed with how the council proposes to spend money in 2025-2026 were asked where they felt spend should be prioritised in 2025-2026.

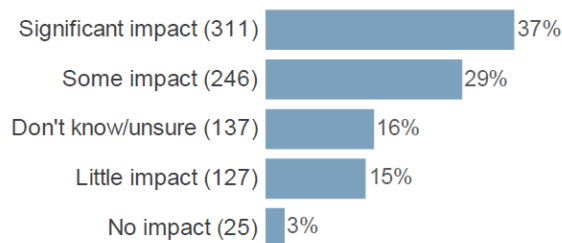
The three most selected services were:

- Emptying bins and cleaning streets
- Highways maintenance and improvement
- Schools

## IMPACT OF PROPOSALS

- 2.4 66% of respondents felt the proposals will have a significant or some impact. 18% identified that it will have little to no impact.

How much impact do you feel the proposals in the budget will have?



- 2.5 Respondents were asked to select up to two proposals from each of the budget categories that were the most important to them. It is important to note that respondents are commenting solely on the savings proposals presented in the documentation, which does not take into consideration the significant amount of additional investment going into budgets to help mitigate budget pressures in relation to increasing demand.

## Supporting Children and Families

The budget proposal which was chosen the most as being important to people in this section, was around reviewing the way children with disabilities are supported in the community (CF2510 - £500k saving). This proposal was chosen by 175 people as being important. This proposal was around changing the way in which we buy packages of home care support and direct payment provision. As



part of this proposal, we will explore how changes to our short breaks service can offer a more flexible community-based offer including outdoor learning opportunities.

The proposal chosen as the second most important in this section, was around reviewing family help resources (CF2502 - £199k saving), with 120 people having chosen this proposal. This proposal is around making savings by implementing the new family help model and bringing together services between early help and family support and child protection.

In addition to the responses from the questionnaire, Kirklees Council also received a statement from the Board of C&K Careers, requesting that the proposal to reduce the C&K Careers budget (a commissioned contract with the council – CF2505 £300k saving) be abandoned, due to the impact on the services they provide and the cumulative impact of other reductions to the contract made in previous years. However, due to the significant financial constraints and challenges facing the council, the Council is proposing to proceed with this proposal. The Council is committed to working in partnership with C&K Careers to ensure its sustainability and to explore further sources of income and activity. We will also work in partnership with C&K Careers to ensure resources are targeted towards the most vulnerable children and young people, in line with the strategic priorities set out within the proposed 2025/26 Council Plan.

## **Caring for Adults**

Within Adult Social Care, we've provided circa £20m of additional budget to cover pressures relating to increasing demand, including forthcoming changes announced in the Chancellors budget with regards to changes in national insurance contributions and increases to the National Living Wage.

The proposal related to staffing (AH2505 – with 314 respondents - £535k saving) and the proposal related to the transfer of the dementia long stay residential homes owned by the council to a private sector operator (AH2501 – 276 respondents - £865k saving) were the most important proposals identified within the 'Caring for Adults' section.

The council is committed to ensuring Adult Social Care services are adequately staffed. The proposal around staffing relates to ensuring that staffing budgets reflect the true position of staff turnover, recruitment and staff progression, and will have no impact on current staffing levels.

The Health and Social Care Scrutiny Panel requested a call-in on the decision taken by Cabinet on the 10 December 2024, related to the future of Council operated Dementia Care Home Provision, at Castle Grange and Claremont House. A further report will be considered by Cabinet, at their meeting on the 11 February 2025, providing feedback from the scrutiny call-in discussion (which took place on the 10 January 2025), and further information (as requested by Scrutiny) related to a detailed multi-year financial analysis to help inform Cabinet decisions on next steps for this proposal.

## **Emptying bins and cleaning streets**

Demand pressures continue to increase within waste services, and significant amounts of money has been allocated to waste services budgets to ensure those demand pressures can be addressed, and to continue the current levels of service provision.

A significant number of respondents chose the proposal around the borough wide replacement of household waste wheeled bins from 240L to 180L (PL2527 - £131k saving) as being important to them (having 497 respondents). The proposal was aimed at helping to encourage more recycling in Kirklees, and to contribute to our climate commitments, while also reducing the cost of the service. A significant

number of respondents also provided supplementary information as to why this proposal would impact upon them in the 'other comments' section of the consultation. Further information on some of the key themes from this feedback is provided in section 2.6 of this report. As a direct result of the substantial level of feedback received through the consultation, the Executive has taken the decision to not proceed with this proposal.

The second highest proposal chosen by respondents in this section was around the review of the staffing capital recharge rate to reflect the annual pay award and overhead costs. (PL2525 – with 248 respondents - £155k saving). This proposal was about reviewing the recharge rates of staff employed on externally funded capital projects/programmes, including agency/temporary staff, and will not directly affect staffing levels.

### **Highways – maintain and improve**

There was only one proposal in the section for Highways, a proposal around highway network management income and efficiencies. This proposal is around reducing the general fund subsidy of network management costs where possible, using other income streams to cover costs as appropriate. (PL2519 – with 493 respondents £400k saving in 2026/27). As also indicated by the responses to the first question of the survey (“Which council services matter most?”), it’s clear that the maintenance and improvement of the council’s highway network is of high importance to the public. This proposal focuses on making efficiencies in relation to income to the service and doesn’t reduce the service that is provided to the public.

### **Libraries and Customer Services**

There were two proposals which relate to functions within the libraries and customer services area. The proposal around maximisation of available grant funding to support services in the Communities and Access Service (AH2503 - £125k saving) was chosen by 294 respondents. This proposal is about looking to prioritise grant funding to support the services provide, resulting in better prioritisation of services.

Changes to the night-time noise service (PL2514 - £70k saving) was chosen by 176 respondents in this section. This proposal is about making changes to the service. A new digital app has been developed that will enable emergency cases to be reported at night-time.

### **Supporting Local Economies and Leisure**

In this area, the proposal that was chosen the highest number of times, was the TransPennine Rail upgrade income (PL2508 – with 152 respondents - £150k saving). This proposal is about increasing income from the TransPennine Rail Upgrade from the lease for a council owned site.

The second area with the highest number of respondents in this section (126 respondents) was the Review of fees and charges across Culture and Visitor Economy services, and the re-structuring of the Town Halls workforce (CR2501 - £220k saving). This proposal is about increasing charges which aim to cover the additional operating costs which commercial services (e.g. Catering and Hospitality) are facing, such as food costs. This proposal is also about the restructuring of the Town Halls team as part of a wider transformation project which includes increased digital efficiencies and commercial activity in the Town Halls.

### **Kirklees Council Homes and Neighbourhoods**

Within the section relating to Kirklees Homes and Neighbourhoods, the proposal chosen the greatest number of times is the Council Tax charges on empty properties (HNNHMP4 - £50k saving) – with 151 respondents choosing this proposal. This proposal is about reducing Council Tax charges to the Council on empty properties by improving void turnaround times and does not affect the council tax paid by residents.

The proposal chosen by respondents the second highest number of times in this section, is the review of staffing structure (HNASS02 – with 94 respondents - £100k saving). This proposal is about making staff related savings which will be achieved by reducing the number of interims in the service and conducting a review of the establishment structure. Proposals will be supported by an Integrated Impact Assessment, to support the identification of any specific impacts, and to help identify suitable mitigations to reduce any negative impacts there might be related to the proposal.

### **Corporate Support Services**

Within the section relating to Corporate Support Services, the proposal chosen the greatest number of times relates to the review of council wide support services (PL2516 – with 157 respondents - £400k saving). This proposal involves completing a review of a range of departmental support services across the council, including business support functions. The second highest proposal chosen by respondents in this section, relates to reducing service provision for grounds maintenance associated with council buildings and facilities (PL2503 – with 118 respondents - £125k saving). Both proposals will be supported by Integrated Impact Assessments, to support the identification of any specific impacts, and to help identify suitable mitigations to reduce any negative impacts there might be related to these proposals.

### **OTHER COMMENTS**

2.6 Respondents were asked for any other comments related to the budget. An open text box was provided for this question. Key themes from this feedback have been summarised in this section.

#### **2.7 Reduction in the size of household waste wheeled bins**

Comments relating to the proposal [PL2527 – Borough wide replacement of household waste wheeled bins from 240L to 180L] dominated this section, with a significant number of respondents providing further information about potential negative impacts relating to this proposal. As a direct result of the substantial level of feedback received, the Executive has taken the decision to not proceed with this proposal.

Key points of feedback on this proposal included:

- Concerns about increased levels of fly-tipping, with negative environmental impacts (such as increased pest problems) as a result.
- Disproportionate impact on larger families who would not have enough space for the levels of waste they produce.

- Questions around the cost-effectiveness of the proposals – when considering the investment required to replace the bins, alongside the savings achieved by reducing the amount of waste collected.
- People who would not support the move, unless there was an accompanying increase in recycling provision, for example the collection of food waste, glass recycling, and improved education and awareness around recycling.
- Disproportionate impacts on people with disabilities who may generate higher than average levels of waste which is required to go into the black bins.

## 2.8 Ideas for saving money

Respondents provided comments around ways the council should spend money differently to make savings. The most common suggestions included:

- Becoming more efficient by making changes to processes and managing resources better.
- Reducing costs related to staffing and salaries, particularly around middle and senior management. In response to these comments, the 2025/26 annual budget proposes circa £3m in total of savings in staffing across all council directorates, either achieved through vacancy management or service re-design.
- That the council should be managing budgets better.
- Saving money by reducing bureaucracy.
- Reducing spending on projects and capital investments to help fund frontline services. (For example, events, regeneration and place improvement projects).
- Increasing income by charging more for services. In response to these comments, the Council has looked to increase fees and charges for services where possible, rising in line with inflation, and in comparison, to similar services provided in other local authority areas.

## 2.9 Other comments about the budget and services of the Council

Respondents provided general comments around the way in which they believe the council manages its budgets and associated services. Some of these points included:

- Points against the rise in Council Tax. In response to these comments, the rise in Council Tax will generate over £16m of additional income for the Council in the 2025/26 financial year and helps to mitigate against the need for more substantial reductions in service provision.
- The importance of services to support better health and wellbeing, such as services provided by Kirklees Active Leisure.
- More support required for people who are on a low income.
- More funding for frontline services (for example services for adults and children) – and more staff to deliver them.
- More funding for highways and waste services. In response to these comments, the Council has put in over £3m of additional funding to the council's highways and waste services budgets for the 2025/26 financial year. In addition to this, in the Capital Plan, we are also contributing £24.6m of capital investment across highways and waste services in the 2025/26 financial year.
- How the council should retain the management of council services and not move them to private providers.
- Understanding the financial challenges the council is facing and the difficult decisions we are having to make.

## 2.10 Comments around the survey

Respondents also provided some comments on the survey itself. Key points included:

- Not enough supporting information to provide a better understanding of the budget.
- Not enough information around the proposals to decide whether they impact them or not.
- Survey taking too long to complete.
- Difficulty in choosing priority areas of council services as all services are important.
- Low confidence in the council changing anything because of the feedback received.

### **3 About Respondents**

3.1 Just over half (52%) of respondents are female.

3.2 Four-fifths (76%) of respondents identified their ethnic group as White British.

3.3 Just over a third (38%) identified as Christian with a similar level identifying as having no religion (37%)

3.4 Just over a quarter (27%) have a long-term disability and/or health condition.

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

**KIRKLEES METROPOLITAN COUNCIL**

**COUNCIL MEETING - 5 MARCH 2025**

**COUNCIL TAX**

1. That the Revenue Budget for the year 2025/2026, 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 31 January 2025) calculated the following amounts for Kirklees for the year 2025/26 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) 128,741.90 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	6,363.46
Parish of Holme Valley	10,784.69
Parish of Kirkburton	9,537.46
Parish of Meltham	3,075.46
Parish of Mirfield	7,124.98

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 2025-26 (excluding parish precepts) is £252,901,000
4. That the following amounts be now calculated by the Council for the year 2025-2026 in accordance with Sections 31 to 36 of the Act:-
  - (a) £ 1,060,104,429 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) £ 806,111,158 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) £ 253,993,271 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) £ 1,972.89 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) £ 1,092,271 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £ 1,964.40 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	1964.40	44.16	2008.56
Parish of Holme Valley	1964.40	30.41	1994.81
Parish of Kirkburton	1964.40	16.18	1980.58
Parish of Meltham	1964.40	72.19	2036.59
Parish of Mirfield	1964.40	15.02	1979.42
Other Kirklees areas	1964.40	0.00	1964.40

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	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Denby Dale	1,339.04	1,562.22	1,785.38	2,008.56	2,454.90	2,901.26	3,347.60	4,017.12
Holme Valley	1,329.87	1,551.52	1,773.16	1,994.81	2,438.10	2,881.40	3,324.68	3,989.62
Kirkburton	1,320.39	1,540.45	1,760.51	1,980.58	2,420.71	2,860.84	3,300.97	3,961.16
Meltham	1,357.73	1,584.02	1,810.30	2,036.59	2,489.16	2,941.74	3,394.32	4,073.18
Mirfield	1,319.61	1,539.55	1,759.48	1,979.42	2,419.29	2,859.17	3,299.03	3,958.84
All other parts	1,309.60	1,527.87	1,746.13	1,964.40	2,400.93	2,837.47	3,274.00	3,928.80

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 2025-2026 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	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
West Yorkshire Fire & Civil Defence Authority	56.33	65.70	75.10	84.49	103.27	122.04	140.82	168.98
West Yorkshire Police Authority	175.52	204.77	234.02	263.28	321.78	380.29	438.80	526.56



**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 2025-2026 for each of the categories of dwelling shown below:-

Valuation Bands

Part of the Council's area	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	£	£	£	£	£	£	£	£
Denby Dale	1,570.89	1,832.69	2,094.50	2,356.33	2,879.95	3,403.59	3,927.22	4,712.66
Holme Valley	1,561.72	1,821.99	2,082.28	2,342.58	2,863.15	3,383.73	3,904.30	4,685.16
Kirkburton	1,552.24	1,810.92	2,069.63	2,328.35	2,845.76	3,363.17	3,880.59	4,656.70
Meltham	1,589.58	1,854.49	2,119.42	2,384.36	2,914.21	3,444.07	3,973.94	4,768.72
Mirfield	1,551.46	1,810.02	2,068.60	2,327.19	2,844.34	3,361.50	3,878.65	4,654.38
All other parts	1,541.45	1,798.34	2,055.25	2,312.17	2,825.98	3,339.80	3,853.62	4,624.34

7. The Council has determined that its relevant basic amount of Council Tax for 2025-2026 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 2025-2026 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 Carole Pattison (Leader) and Cllr Moses Crook (Deputy Leader)**

**Cllr Carole Pattison**

**Cllr Moses Crook**