

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

Meeting:	Cabinet
Date:	2 December 2025
Cabinet Member (if applicable)	Cllr Graham Turner
Key Decision Eligible for Call In	Yes No – The report is a proposed budget for consultation ahead of the final budget at Council in February 2026
<p>Purpose of Report The purpose of this report is the Council’s proposed budget for 2026/27 for consultation. This includes the Capital, General Fund revenue and Housing Revenue Account (HRA).</p>	
<p>Recommendations</p> <p><u>Cabinet are asked to:</u></p> <ul style="list-style-type: none"> Note that the proposed budget is balanced based on assumptions around the potential impact of the Fair Funding Review 2.0 as outlined in the Medium Term Financial Strategy (MTFS) in September. These assumptions may be subject to change when the provisional local government finance settlement is published by Government (expected mid-December) and furthermore once the final settlement is published. A balanced budget must be set no later than 10th March 2026. Agree to a 5 week consultation on the Proposed Budget for 2026/27 starting on 3rd December and closing on 7th January. This includes the proposed 2.99% increase in core Council Tax and the 2% increase in the Adult Social Care precept. Note the forecast spending and funding plans for the 2026-27 year and indicatively the following 2 years (Appendix B); Note that the Proposed Budget for 2026/27 presented in this report is based on the approval and delivery of £6.9m of new savings for 2026/27 as identified in this report (Appendix D). Note the forecast levels of statutory and other Council reserves as set out at Appendix C; Note the proposed savings as set out in Appendix D <p><u>Capital</u></p>	

- Note the draft updated Capital Plan for 2025-33 for consultation as part of the budget; (Appendix E)
- Note the proposed release of £57.7m uncommitted budget across the multi-year capital plan (£1.3m 2025/26, £56.4m 2026/27 onwards) to assist treasury management of the capital financing budget
- Note the proposed addition of £35.1m budget towards a new sport and leisure facility in North Kirklees (£0.1m feasibility 2025/26, £35m construction budget 2028/29 – 2032/33)
- Note following changes to the operation of business rates pools set out by Government, there will be no Leeds City Region business rates pool in 2026/27.

Housing Revenue Account

- Note the proposed budget including rent and service charges increases for the HRA which is considered as a separate report on this Cabinet.
- Note the Integrated Impact assessments referred to in paragraph 3.5 of this report before making any decisions.

Reasons for Recommendations

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

Resource Implications:

This report sets the provisional budget resource allocations for 2026/27 details of which are included in the following pages and appendices

Date signed off by <u>Executive Director</u> & name	Rachel Spencer-Henshall –21 November 2025
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 21 November 2025
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Sam Lawton – 21 November 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

1. Overview

- 1.1 The structure of this report begins with an executive summary, followed by a range of Appendices.

A	Provisional Budget 2026/27
B	Movement in Budgets by Directorate
C	Reserves
D	Savings Proposals
E	Multi-Year Capital Plan

1.2 **Integrated Impact Assessments**

- 1.3 Members' attention is drawn to the information and advice in section 3.5 of this report which makes reference to the Council's Public Sector Equality Duty.

1.4 **Executive Summary**

- 1.5 The council's draft budget provides a stable financial platform to fund and improve vital local services across Kirklees in 2026/27. It also represents a continuation of the ambitious programme to invest in the Kirklees economy and infrastructure over the coming five years.
- 1.6 Funding decisions within the budget are in line with the council's priorities. This means that spending aims to improve services that residents and businesses rely on as well as supporting local people who need the council's help the most. At the same time, budget decisions aim to bring communities together and invest in towns and villages across Kirklees.
- 1.7 Many local authorities in England have faced severe financial challenges. In the past two years, around 50 councils have required Emergency Financial Support (EFS) from central government. By delivering on its Medium-Term Financial Strategy and taking difficult funding decisions in previous years, Kirklees has avoided this fate and the negative impact on services that follows intervention. In line with the council's strategy, the draft budget for 2026/27 is therefore balanced, with budget provided for the additional cost of services balanced with increased funding.
- 1.8 A major part of the pressure on council budgets has been due to increased demand for services, especially for social care for both adults and children. This is an ongoing national issue. The draft budget addresses these demands with an additional £15.2m for adult social care and an extra £5.2m for children who need extra support. These decisions are essential to maintain financial stability for any local authority but also mean residents in Kirklees can continue to receive some of the council's most important services.
- 1.9 By stabilising the council's finances and benefiting from changes to central government support to councils like Kirklees, the draft budget provides additional revenue funding in 2026/27 for priorities identified by residents and businesses. This means additional revenue funding for the planning service (£135k) which means the council can address unlawful development more effectively and enforce planning conditions that protect the quality of life for resident and to explore opportunities for

improving their Digital offer within the service, to increase productivity and improve outcomes for residents. There is also extra funding to tackle fly-tipping across Kirklees (£215k) and to support for community organisations whose external funding is due to end (£150k).

- 1.10 Alongside the draft revenue budget, the capital programme maintains the momentum behind the major economic investment coming into Kirklees in recent years. In total, the plan represents a £1.4bn commitment to economic, transport and housing investment in all parts of Kirklees. Despite the ambition of the council's investment, the capital programme has been reviewed to make sure it is both affordable and deliverable. As a result of that work, the plans can now include £35m in capital funding for a new sports facility for Dewsbury and the wider North Kirklees community.
- 1.11 To deliver the financial stability upon which services rely, and in line with the council's legal responsibilities, the draft budget is balanced so that planned spending matches the council's assessment of available income. The council must also maintain a prudent level of reserves to protect services in case of the kind of economic shocks the country has seen in recent years. The draft budget achieves those aims by identifying efficiency savings across services. The plans include £6.9m in new revenue savings. This is the lowest savings requirement for the last three years and demonstrates the increasing sustainability of the budget. Savings are primarily focused on reducing the management and administration costs of services and retaining posts that are already vacant. This approach minimises any impact on frontline services and Kirklees residents.
- 1.12 While changes to central government funding are expected to benefit Kirklees, the council tax system in England remains unreformed. This means that local authorities, primarily based in the south, are able to balance their budgets through relatively lower rates of council tax. The current system leads to extra pressure on councils like Kirklees to raise council tax to meet increasing demand for services. In line with predicted council tax increases across the country, the draft budget proposes a 2.99% increase for 2026/27 with an additional 2% dedicated to services for older residents who need social care and local people with disabilities. In total, this equates to £1.88 each week for a typical Band D property.
- 1.13 The draft budget will now be subject to public consultation. Last year, for the first time, the council published a complete budget so that residents and businesses could scrutinise specific proposals before they were put forward for final agreement. This year, a budget book including details of individual lines of proposed spending, will be published alongside the budget to add an additional layer of transparency to the budget setting process.
- 1.14 Overall, the draft budget balances the council's ambition to transform and improve services for residents while focusing funding on local people and services that need support the most. It builds on the significant investment already coming into Kirklees through the council and its partners while setting a stable and prudent platform for service and economic development for future years.
- 1.15 **Overall Budget Position**
- 1.16 The following table summarises the updated balanced budget position for 2026/27 with movements from the 2025/26 base budget.

	2026/27 £m
Opening Position Balanced 2025/26 Budget	-
Funding Changes	(23.1)
Use of Reserves Changes	1.8
Additional Budgeted Spend	39.1
Superannuation Rate Reduction (estimate)	(7.1)
Savings Proposals (total inc previously approved)	(10.7)
Balanced Budget	0.0

Information required to make a decision.

2 BACKGROUND

2.1 Financial Strategy

2.1.1 The 2026/27 Medium Term Financial Strategy (MTFS) reported to Council on 17th September 2025 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 The overarching principles of the Financial Strategy are:

2.1.3 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 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 and seeks to reach a desirable level over the medium term. This strategy provides the removal of use of reserves supporting base expenditure by 2028.
- The strategy will also provide specific funding for the creation of ~~certain~~ 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 modern efficient Council.
- The strategy also recognises the need to provide the Council's agreed contribution to the SEND Safety Valve plan at c£10.6m, the first contribution is being made as budgeted in 2025/26 at £2.15m and the following four years assume the same level.

- 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 2025/26 financial monitoring.
- In general, fees and charges to the public are assumed to be increased annually by 3%; however, 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 Council's financial position. Charges for users of Adult Social Care services will continue to be based on assessment of a clients' ability to pay.
- The Capital plan will continue to be reviewed and will evolve on an ongoing basis and it is likely that as part of the ongoing review, some schemes will 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. It is anticipated that as the Council's Digital strategy develops, it is likely that significant capital investment will be required to support the implementation costs of more modern systems that will enable the Council to become more efficient and productive.
- Collectively, these principles are designed to continue the work from last year to ensure the base revenue budget is robust and affordable and one from which Members can make decisions on savings proposals that will be required to deliver a balanced budget.
- By recognising the ongoing pressures within the base budget the S151 Officer is content that this ensures the budget set for 2026/27 in the context of anticipated Government funding increases continues to set the Council's finances on a more sustainable footing. However, there still remains a need for savings across services to be able to set a balanced budget for 2026/27.

2.2 **Proposed Budget 2026/27**

- 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 The September MTFS outlined a total gap between pressures and anticipated funding of £56.3m, of which £17.9m related to 2026/27.
- 2.2.3 Given the financial challenges facing the Council, the focus of attention has been to set a balanced budget for 2026/27, based on detailed up to date estimates of all the pressures and developing savings proposals to address the immediate reported gap of £17.9m in 2026/27.
- 2.2.4 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
 - Continue to provide sufficient resource to those services, particularly in the social care sector where **levels of demand** will increase
 - 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
- 2.2.5 Once the budget is approved, there will be a longer-term focus around delivery of transformational activity and in particular, how the refreshed Digital strategy can help deliver change at speed and for the Council to be as efficient and enterprising and as productive as possible.
- 2.2.6 The updated figures presented in this report include early estimates of changes in funding highlighted in the governments' Fair Funding Review 2.0. The upcoming Autumn Budget, the Government response to the Fair Funding 2.0 consultation and the policy statement are all due in late November. Collectively these which will inform the Local Government Finance Settlement (the draft figures of which, are expected in mid to late December 2025).
- 2.2.7 They also reflect that the Council is forecasting a £5.1m overspend for 2025/26 (at Quarter 2) and there are several pressures that are expected to continue into 2026/27 and in some cases beyond. The budget proposals provide the necessary funding, whilst providing challenge to services, to meet budget pressures and funding essential to deliver our priorities without placing additional burdens on the Council to deliver greater savings.
- 2.2.8 Detailed work has been ongoing since September 2025 to close the £17.9m savings gap for 2026/27 and the updated budget forecast indicates a balanced budget can be presented for consultation at this stage. The following table summarises the changes since the MTFs report and more detail is provided in the main report.

	Change £m
Opening Position – MTFS Update Gap 2026/27	17.9
Reduce Contribution to Transformation Reserve	(0.8)
Taxbase Adjustments - Council Tax	(2.3)
Service Reserve Usage	(0.7)
Superannuation Rate Reduction (estimate)	(7.1)
Pressure Increases	2.6
Pressure Decreases	(3.3)
Existing Savings Changes	0.6
New Savings	(6.9)
Revised Position – Draft Budget Report 2026/27	0

2.2.9 The forecast funding gap for the period to 2030/31 is now estimated to be £30.1m; a reduction of £26.2m from the MTFP Update report figure of £56.3m. The position will be updated further in the final Annual Budget Report to Cabinet and Council in February, once the Local Government Finance Settlement figures are known and a quick refresh of known pressures.

2.3 **Local Government Draft Financial Settlement and Autumn Budget 2025**

2.3.1 The Chancellor is expected to announce the Autumn Budget in late November, followed by the publication of the Draft Local Government Financial Settlement in mid-December. As such there are no further updates to the funding assumptions at this time beyond those highlighted in the Council's Budget Strategy report in September 2025 including the effects of the proposed Council Tax Equalisation.

2.3.2 The Draft Local Government Financial Settlement will incorporate the finalised updated Fair Funding Review figures. The Fair Funding Review 2.0 represents a comprehensive reform of the local government finance system, aiming to better allocate funding based on councils' relative needs and resources. The review introduces various new relative needs formulae, a resource adjustment, and a business rates reset and with a three-year transition, so as to dampen any financial impacts across individual authorities. The Council's Budget Strategy Update report in September 2025 provided a detailed insight into the methodology involved and an early estimate of the likely financial impact. The final figures are expected to be confirmed within the Draft Local Financial Government Settlement.

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 funding reforms noted in section 2.3 above include our estimates of the proposed realignment of various grants into SFA for 2026/27. This means that some grants previously recognised within services, will be rolled in and paid through RSG going forwards. The result of these changes means that it is estimated that approximately £56m of grant budgets currently held in services will be removed for 2026/27, with

this income being recognised within government funding figures instead. The impact of this is assumed to be subsumed within the overall funding envelope for the council, however the adjustments will artificially inflate the changes from 2025/26 to 2026/27 of both net directorate budgets and funding levels. It is important to understand these are technical adjustments and do not provide for additional spending power. The following table provides a summary of grants assumed to rolling into RSG in 2026/27.

Grants Rolled into RSG in 2026/27	2025/26 Kirklees Allocation £m
Service Grants	
Social Care Grant	46.081
ASC Market Sustainability and Improvement Fund	8.137
Domestic Abuse Safe Accommodation Grant	1.193
Homelessness Prevention Grant (Temporary Accommodation Element)	0.925
	56.336
Unringfenced Grants	
Recovery Grant	8.396
New Homes Bonus	0.114
Employers National Insurance Contributions Grant	3.518
	12.028
Total Grants Rolled into RSG	68.364

2.4.3 It is noted from the Policy Statement that it is now intended for the Recovery Grant to remain separate from RSG in 2026/27. The final budget report will be updated to reflect this, along with any other changes to the Government's grant simplification within the LGFS.

2.4.4 The table below summarises the total and assumed variations in funding available to support the budget next year. The figures exclude specific grant funding streams that are expected to remain budgeted within directorates.

2026/27 Funding Build Up	Council Tax Income £m	Business Rates Retained Income £m	Government Funding £m	Collection Fund Re-payment £m	Net Contribution to Reserves £m	Total Funding £m
2025-26 Funding	(252.9)	(64.1)	(82.4)	3.8	8.3	(387.3)
Grant Realignment -Directorates to SFA	-	-	(56.3)	-	-	(56.3)
Updated Baseline	(252.9)	(64.1)	(138.7)	3.8	8.3	(443.6)
Funding Increase	(14.9)	(0.8)	(6.8)	-	-	(22.5)
Other Changes				(0.6)	1.8	1.2
2026-27 Funding	(267.8)	(64.9)	(145.5)	3.2	10.1	(464.9)

2.4.5 Whilst the estimates above are considered prudent and with respect to the Government funding remain unchanged from the September MTFs, if the final LGFS and submission of Council tax base results in a changed level of funding beyond that

budgeted for here, it is proposed that any additional funding be directed in order towards

- The emergence of any new significant budget pressures between the date of this report and the final approved budget in February 2026, including any direct impacts of the Chancellors Budget on 26th November
- Budget Contingency Reserve - to provide resilience in those services that are subject to volatility in demand and to mitigate against any unforeseen slippage in the delivery of agreed savings. This would be informed by the Quarter 3 2025/26 financial monitoring report.
- Repay reserves for drawdowns that may be required as a result of the 2025/26 budget being overspent.
- Review the contributions to the Collection Fund and other reserves that are assumed in these draft budget proposals.

2.4.6 Should the final LGFS settlement be at a level lower than the assumptions contained in this report or additional funding assumed comes with new burdens that has not been recognised, then further savings proposals will need to be brought forward at speed from Directorates to enable a balanced budget to be set. However, at this stage this is not expected.

2.5 **Business Rates and Government Funding**

2.5.1 Government funding is uplifted by c5% in 2026/27 budget plans. This increase is included in the assumption that Kirklees will receive 60% of the current modelled funding gain from the funding reforms, as outlined in the MTFS update report to Cabinet and Council in September 2025. Actual uplifts and grant allocations will not be confirmed until the provisional settlement in mid-December which is after this Cabinet.

2.5.2 Business Rates income is inflated by approximately 1% in the 2026/27 budget plans.

2.5.3 A breakdown of the business rates and government funding assumptions is outlined in the following table and reflects assumptions that existing grants such the Recovery Grant and the Employers NI grant will be rolled up into the Revenue Support Grant. Government has previously confirmed that New Homes Bonus grants will end.

Business Rates & Government Funding	25/26 updated baseline £m	26/27 budget estimate £m
Retained Business Rates	(64.1)	(64.9)
Government Funding:		
- Business Rates Top Up	(32.0)	(25.8)
- Business Rates Grants	(20.3)	-
- Revenue Support Grant	(73.4)	(118.9)
- New Homes Bonus	(0.1)	-
- Housing Benefit Admin Grant	(1.0)	(0.8)
- Employers NI	(3.5)	-
- Recovery Grant	(8.4)	-
Total Government Funding	(138.7)	(145.5)
TOTAL	(202.8)	(210.4)

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 2026/27 MTFs update report to Council on 17 September 2025 gave delegated authority for the Chief Executive and Service Director – Finance, in consultation with the Leader and Finance and Regeneration Portfolio holder to approve the Council’s continued participation in a Leeds City Region (LCR) Pool for 2026/27, which included all West Yorkshire Councils and York.
- 2.6.2 Following this approval, MHCLG have since provided further details on the arrangements for business rates levies in 2026/27. Under the new arrangements, this is the first year that authorities are considering business rates pools after the resetting of the Business Rates Baseline (BRBs) under Fair Funding 2.0. This reset essentially wipes away all the business rates growth accumulated since 2013/14; and it was the pooling of this growth that provided the financial benefit for the Pool as a whole and which was distributed across all the members.
- 2.6.3 The aforementioned baseline reset also increases the risk that one or more of the authorities will fall into safety net if their business rates income falls. Within the changes there is also an expectation that Government will raise the safety net threshold to 95% of the new Baseline Funding for all authorities (previously 92.5%) which further increases this risk. The members of the Pool would be expected to fund any such safety net payments (to one or more of the member authorities) and it would represent a financial loss to the region.
- 2.6.4 The result of these changes mean that there is little chance of a financial benefit being generated to retain within the Pool, but with a much increased level of risk that individual member authorities require safety net funding from the other members of the Pool. As such, there has been agreement from all members of the 2025/26 Pool that the pooling arrangements will not be continued into 2026/27. This will be kept under review for future years.

2.7 **Council Tax**

- 2.7.1 It is expected that the current Government Council Tax referendum principles are extended as part of the 2026/27 local government finance settlement. These allow Council's 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 2026/27 (excluding precepts). This has been very clearly signposted in the Government's Fair Funding 2.0 consultation.
- 2.7.2 In addition to allowable Council Tax uplifts within referendum principles, it is expected that Government will also grant Councils with Social Care responsibilities local discretion to uplift Council Tax up to a maximum of a further 2%.
- 2.7.3 Council updated budget plans assume the maximum allowable uplift of 2% for Adult Social Care (ASC) precept in 2026/27 and this will be ring-fenced to support adult social care base budget additional spend requirements.
- 2.7.4 Taking into account both the basic Council Tax uplift and the ASC precept, the current budget assumes a total proposed Council Tax increase for 2026/27 will be 4.99%.
- 2.7.5 The impact of the proposed 4.99% uplift on households in Kirklees is outlined in the following table.

Council Tax Charge - Kirklees Only	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Annual								
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
2026/27	1,374.95	1,604.11	1,833.26	2,062.42	2,520.74	2,979.06	3,437.37	4,124.85
Increase	65.35	76.24	87.13	98.02	119.81	141.59	163.37	196.05
Weekly								
2025/26	25.18	29.38	33.58	37.78	46.17	54.57	62.96	75.55
2026/27	26.44	30.85	35.26	39.66	48.48	57.29	66.1	79.32
Increase	1.26	1.47	1.68	1.88	2.31	2.72	3.14	3.77

- 2.7.6 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 acutely aware of the significant financial burden that places on households.
- 2.7.7 The Council Tax system continues to be disproportionate across the country and successive Governments have failed to come up with an alternative method of local taxation.
- 2.7.8 In addition to the Council Tax uplifts, the taxbase has also been updated to reflect the most current available figures. This results in an estimated increase of 1.1% compared to the 2025/26 taxbase level. Final figures will be confirmed as part of the final budget report to Council in February 2026.

2.7.9 Historically the budget has assumed an ultimate Council tax collection rate of 98.5%. The Council has not been able to achieve this ultimate target despite having good systems in place to recover debt. As a guide the total amount collected as at Sept 2025 for Council tax in 2021/22 is 97.9% and for 2020/21 is 98.2%. It is therefore proposed to reduce this ultimate target rate to 98.25%. Should more income collected this would be accounted for in the Collection Fund and if this is in surplus be available for future years budgets.

2.7.10 Overall, there is a forecast £14.9m increase in Council Tax income for 2026/27 as summarised in the table below:

Council Tax	2025/26 £m	2026/27 £m
Base Council Tax Income		(252.9)
<i>2026/27 Changes:</i>		
Change in Taxbase – Net Growth		(2.8)
Increase - Basic Council Tax Charge 2.99%		(7.7)
Increase - Adult Social Care precept 2%		(5.1)
Collection Rate Reduced from 98.5% to 98.25%		0.7
Total Changes		(14.9)
Council Tax Income	(252.9)	(267.8)

Directorate Portfolios

The 2026/27 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 £5.2m of additional funding to be invested into Children’s Services (prior to savings proposals). This funding provides funding for demand led pressures for Looked After Children (LAC) and 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.

2.8.2 As referenced in para 2.4.2, a sum of £3.0m represents a technical adjustment to reflect the assumed wrapping up of the Social Care grant into the Revenue Support Grant (RSG).

2.8.3 Children’s Services new savings proposals total £2.5m in 2026/27, a further £0.9m in 2027/28 and £0.7m in 2028/29, these are summarised at Appendix D.

2.8.4 Directorate savings proposals include the redesign of a number of internal and commissioned areas to ensure the most effective service is delivered. The service will also look to reduce the number of external residential placements through development of internal residential provision as well as an increased number of experienced and skilled Foster Carers to mitigate the need for external residential

placements. The service will also develop Edge of Care proposals to provide intensive and timely support for Families at risk of breakdown aiming to keep children at home.

2.9 **Adults & Health**

- 2.9.1 The budget proposals provide an additional £15.2m of funding for demand and cost pressures (excluding staff pay awards – held centrally until agreed) due to the volume and complexity of need of social care provision. The 2% ASC precept will raise c£5.1m to help fund these pressures.
- 2.9.2 Within this £15.2m of additional funding, there are significant forecasted pressures arising from the potential impact of an increase to the headline National Living Wage (NLW) for 2026/27. Current budget modelling is based on a rise in the NLW to £12.71 per hour, from the current £12.21 per hour. This is estimated to cost c£5.6m. The NLW rate is expected to be confirmed in the Chancellor’s budget on 26th November.
- 2.9.3 The 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.
- 2.9.4 Savings approved as part of last year’s budget for 2026/27 were £2.4m. Work is ongoing toward their achievement. As Adult Social care had already identified significant savings towards the budget gap, there is reduced scope for further savings in this upcoming budget and an additional £2m of new savings are proposed, bringing a total requirement for 26/27 of £4.4m.
- 2.9.5 These proposals for Adult Social Care savings centre around reviewing the scope and means of current provision, across a range of activities and client need including realising the benefits of technology. Additional staffing savings of £0.4m are also proposed, mainly from service re-design and a review of staff turnover.
- 2.9.6 The 2026/27 budget also assumes the term grant funding totalling £680k with Communities services. These short term (1 -2 years) savings can be made by ensuring full cost recovery for council delivered activity to a number of external income sources and grants.

2.10 **Place**

- 2.10.1 The updated budget plans for Place 2026/27 include new pressures of £3.6m, existing savings of £0.4m and new savings of £1.3m.
- 2.10.2 The Council has been proactive in trying to reduce Home to School Transport cost pressures. In 2025 we have spent £0.75m of capital budget buying new minibuses. However, there are still underlying demand pressures which need addressing. The budget proposes a sum of £2m to be added to address this. There is also a need to continue towards the establishment of a robust and resilient Seasonal Weather budget which means a further £0.3m is being provided for, with any in-year underspends being transferred to a reserve.

- 2.10.3 The Parking income budget will be reduced by c£0.6m to reflect the current levels of activity. This adjustment corrects the underlying structural shortfall in the Parking budget prior to last year's reset of charges.
- 2.10.4 The budget also provides for the permanent increase in resources into the Greenspaces Action Team budget of £215k to support the removal of Flytipping.
- 2.10.5 A sum of £135k is proposed to be added for additional staff resource to support Planning enforcement and caseload and to provide a budget to explore opportunities for improving their Digital offer within the service.
- 2.10.6 The end of the Leeds City Region (LCR) Business Pool in 2026/27 requires £200k of funding to be added to the budget to support the Local Plan. Previously Council had agreed that LCR business rate pool surpluses be set aside for this purpose.
- 2.10.7 Additionally, there are pressures relating to the cessation of some previously grant funded activities - £0.2m baselined into Climate Change budgets, previously funded through the WYCA gainshare and £0.2m for Parks and Greenspaces to reduce the reliance on S106 funded activity.
- 2.10.8 As per para 2.4.2, £0.9m (50%) of the Homelessness Prevention Grant is expected to be rolled into overall settlement funding.
- 2.10.9 There is an existing saving of £0.4m included in respect of Highways Network Management income and efficiencies.
- 2.10.10 New savings proposals include £0.4m regarding the consolidation, rationalisation, closure and disposal of buildings and assets as part of a 3 year plan to reduce the cost of the corporate estate by nearly £1.5m following an initial review of the Council's corporate estate; £0.4m in respect of the deletion of vacant posts across the directorate and £0.1m in respect of the income generation of Planning Performance Agreements. More details of savings are provided in Appendix D .

2.11 **Public Health and Corporate Resources**

- 2.11.1 The updated proposals for 2026/27 include pressures of £1.7m, existing savings of £0.2m and new savings of £1.8m.
- 2.11.2 Income pressures of £0.5m relate to the impact of the continued rollout of Universal Credit, which is expected to reduce Housing Benefit overpayment recovery levels.
- 2.11.3 Legal Services demand pressures are £0.3m relating to additional casework and £75k is required a new Procurement system to replace YorTender.
- 2.11.4 A total of around £0.7m (£0.4m in Year 1) over 3 years is proposed to be added to the Council's central software licensing budget to reflect increased costs and the movement for a Microsoft Enterprise (E3) license to an E5 license. The council has delayed this move in recent years in order to keep costs down, but the move is now required in order to ensure technology supports improvements in services to the public, productivity and efficiency in back office services. The E5 license will enable significant improvements in digital service provision, the storage and sharing of files across teams, the management and presentation of data, and further benefits to the

management of cyber security measures, complementing the council's existing strengths.

- 2.11.5 The budget proposals also assume that Members will once again be able to enrol in the Local Government Pension Scheme and the estimated employer's contribution is £0.15m. This is expected to be confirmed in the Chancellor's budget.
- 2.11.6 There is not anticipated to be any UKSPF funding in 2026/27 but to mitigate this loss, the budget proposes a sum of £150k to provide continued support for the Voluntary Sector within Kirklees for projects previously funded by UKSPF. Discussions will be undertaken with the sector to review the current UKSPF projects to determine the final allocation of support.
- 2.11.7 The proposed budget for 2026/27 for Kirklees Active Leisure (KAL) will remain at the same level as 2025/26 at £2.6m. This includes the estimated cost of energy as well as the Council grant.
- 2.11.8 There are staffing savings of £0.5m (over two years) in Welfare and Exchequer to reflect the anticipated reduction in workload from the roll out of Universal credit and subsequent Housing Benefit admin grant and other funding reductions.
- 2.11.9 Savings in people services/Kirklees Direct over three years will deliver £0.6m, this will be achieved from investment in technologies, team redesigns for more agile ways working and vacancy management
- 2.11.10 Vacancy management, including the deletion of vacant posts across the Directorate will save c£0.4m
- 2.11.11 With respect to Catering services, the Council currently provides a subsidy for the provision of school meals for Kirklees children of £0.9m (excluding overheads). Total costs are expected to rise by £0.6m (pay and food inflation) next year and therefore to maintain this subsidy at current levels, it is proposed to increase the price of a school meal by 15p (c5%).
- 2.11.12 There is a proposal to cease providing the Peripatetic caretaking services which currently operates with a £0.1m subsidy.

2.12 **Central budget**

- 2.12.1 The budget provides for a pay award of 3.5% in 2026/27. Each 1% costs broadly £2.5m per annum on the Council's existing payroll costs. The budget also provides for the additional 0.2% relating to the 2025/26 pay award which was settled at 3.2% compared with the budget provision of 3%.
- 2.12.2 Budgets for pay awards and inflation continue to be held centrally until they are agreed nationally or are contractually committed within service. Where there are no known contractual commitments, all other budgets are assumed to be cash limited to the current level of provision with no inflationary uplifts.
- 2.12.3 Central Budgets also reflect an assumed 3.7% point reduction in the employers' pension contribution rate, from 15.7% to 12%. (Ultimately these savings will be allocated to service budgets). This reduction is estimated to save a net c£7.1m

compared to the current budget. This reduction has been recommended for approval by the West Yorkshire Pension Fund (WYPF) Advisory Committee to the WYPF Investment Committee. The decision will be made on the same day as this Cabinet.

2.12.4 This recommended reduction has arisen following the improvement in the overall performance of the WYPF and detailed discussions with senior officers of the WYPF, their actuaries and representatives of the five WY Councils. This Council welcomes the fact that the WYPF has listened carefully to the collective and individual responses to the consultation in proposing this level of reduction in employers' contribution. There is no impact on the pension entitlements to staff from this change.

2.13 **Treasury Management**

2.13.1 Treasury management budgets assume that the Bank of England base rate of 4.0% (as at October 2025) is estimated to fall to 3.75% by March 2026 and remain at that level until March 2027, based on advice from the Council's Treasury advisors. The budget reflects assumed combined average borrowing rates of 4.69% in 2026/27 and in future years. This is based on the continuation of current borrowing strategy, which combines the use of both short- and long-term borrowing.

2.13.2 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 £10m and Minimum Revenue Provision (MRP) costs of £21m. Following an independent review in 2023/24 a further saving of £10.8m will be released through a Voluntary Revenue Provision in 2025/26 and £10.7m in 2026/27. The total treasury budget is £39m for 2026/27.

2.14 **Flexible Capital Receipts**

2.14.1 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. On 26 March 2025, the government published a new version of the Direction and Guidance on Flexible Use of Capital Receipts, extending the general direction on flexible use of capital receipts to 2029/30.

2.14.2 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 will be presented as part of the final budget papers.

2.14.3 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 2025/26 and £4m in 2026/27, dropping to £2m from 2027/28 onwards. Whilst the current guidance runs through to 2030, 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.

2.15 **Budget Savings**

- 2.15.1 On the 17 September 2025, 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 £17.9m for the 2026/27 financial year.
- 2.15.2 In order to bridge that gap, further savings have been developed to help contribute to closing that gap. It should be noted that this is the lowest level of directorate savings that has been required to balance the budget in recent years. These are summarised by Directorate in the following table:

SAVINGS PROPOSALS 2026/27	Existing Savings	New Savings – Included in MTFS	New Savings – After MTFS	Total Savings
	£m	£m	£m	£m
Children & Families	(0.2)	(0.3)	(2.2)	(2.7)
Adults & Health	(2.4)	-	(2.0)	(4.4)
Place	(0.4)	-	(1.3)	(1.7)
Public Health and Corporate Resources	(0.1)	(0.4)	(1.4)	(1.9)
TOTAL	(3.1)	(0.7)	(6.9)	(10.7)

- 2.15.3 High level descriptions of the proposals have been briefly described above in the Directorate portfolio section and are also shown at Appendix D.
- 2.15.4 As shown in paragraphs 1.21 and 2.28 the delivery of these proposed savings is integral to the balancing of the budget. Should, after budget consultation, any savings not be taken forwards then alternative proposals may be required for the budget to remain in balance.
- 2.15.5 When the Annual Budget for 2026/27 is approved in February 2026, next steps will be focused on delivery of this budget, the savings within it, and delivering the priorities set out in the Council Plan. There will be ongoing work to monitor external factors such as demand and costs, so we are able to respond early and appropriately.
- 2.15.6 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 **Monitoring & Challenge**

- 2.16.1 Throughout the process of developing the current MTFS and the detailed proposals contained here for the 2026/27 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 2026/27.

2.16.2 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.

2.16.3 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.

2.17 **Reserves**

2.17.1 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.

2.17.2 General reserves are balances held as contingencies against risks such as emergency events. The general reserves are expected to be £26.0m by March 2026, assuming no further use of these balances is required in 2025/26, and as illustrated in the table below reach £30m by 2030 with an annual contribution of £1m.

31 st March 2025 £m	31 st March 2026 £m	31 st March 2027 £m	31 st March 2028 £m	31 st March 2029	31 st March 2030
(25.0)	(26.0)	(27.0)	(28.0)	(29.0)	(30.0)

2.17.3 A contribution of £1.7m will be made to the Transformation Reserve in 2026/27 to help deliver change capacity within the organisation. With expected carried forward balances, there will be around £2.8m available to provide continuing support to Transformation activity in 2026/27 which will be used to support the delivery of future savings.

2.17.4 The base budget will be supported a reduced contribution of £3.2m 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 2025/26 budget is supported by c£6.0m drawdown from this reserve. The Council is moving in the right direction to reduce the reliance on one off funding to support ongoing revenue expenditure.

2.17.5 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.

2.17.6 A risk assessment of the Council's level of general reserves was updated as part of the Budget Strategy Update Report (in September 2025), which estimated the value of the risks at £22.0m. This will be updated again as part of the final Budget Report to Cabinet and Council in February 2026. 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. The proposals contained in this report will provide additional funding to areas of overspending which should provide greater assurance and reduce the financial risk in those areas.

2.18 Schools Funding (Dedicated Schools Grant or DSG)

2.18.1 A detailed report on Schools funding is due to be presented at Cabinet on 13 January 2026 following the provisional local government finance settlement, expected late December 2025.

High Needs Safety Valve funding agreement

2.18.2 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.

2.18.3 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 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.

2.18.4 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, £2.3m in 2024/25 and £1.5m so far in 2025/26.

2.18.5 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 initial contribution of £2.15m was made in 2025/26, a further instalment of £2.15m will be provided as part of the 2026/27 budget and this will continue annually until 2029/30.

2.18.6 There has also been significant broader schools' system support through schools block funding transfers to High needs block; £1.6m in 2022/23, £2.1m in 2023/24, £2.6m in 2024/25, £3.6m in 2025/26 and a proposal to transfer £3.6m in 2026/27. 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.

2.18.7 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 £14.7m in year and increasing the deficit at the end of the 2025/26 to around £78.5m. This is primarily due to the rising numbers, inflationary costs and complexity of cases.

2.18.8 There is currently a statutory override in place for DSG deficits. This is a provision introduced by the government in 2020 and was originally extended to 2026. This 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. This has now been further extended until March 2028.

2.18.9 There has been a delay to the publication of the Government's White Paper on SEND, an update of the effects of this will be provided in due course.

2.19 Housing Revenue Account (HRA)

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

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

2.19.2 Updated HRA budget proposals including their capital plan are subject to a separate report on this Cabinet agenda and will be incorporated in full in the Council's final budget report in February 2026.

2.20 CAPITAL

2.20.1 The Council Budget Strategy Update (17th September 2025) referred to a corporate review and affordability assessment of Capital Plan being undertaken to mitigate against the forecast 2025/26 outturn position and ongoing financial challenges facing the Council.

- 2.20.2 As part of the Council's internal 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.
- 2.20.3 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) have all been considered to help control the cost of borrowing.
- 2.20.4 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 2025/33

- 2.20.5 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.
- 2.20.6 Following a refresh of the plan, the updated multi-year plan will deliver capital investment of £1.383bn (£954m General Fund and £429m Housing Revenue Account). The HRA Capital Plan is subject to a separate report on this Cabinet agenda.
- 2.20.7 The most recent Quarter 2 Financial Monitoring report is also presented at this meeting of Cabinet. Members are asked to consider an updated position on the Council's capital plan for 2025/26. The General Fund Capital Plan has been revised to £215.4m as at quarter 2 and is in line with the refreshed multi-year capital plan presented within this Council Budget Report and will be refreshed again as part of the final budget report in February.
- 2.20.8 The General Fund Capital Plan is summarised in the following table, and shown in more detail at Appendix E.

Multi-Year Capital Expenditure Summary (General Fund)

Council Plan	25/26 £m	26/27 £m	27/28 £m	28/29 £m	29/30 £m	30/31- 31/33 £m	Total £m
Children & Families	23.9	30.5	21.0	3.8	2.7	2.5	84.4
Adults & Health	4.0	2.3	1.0	0.0	0.0	0.0	7.3
Place	179.0	229.1	123.2	90.2	98.9	70.7	791.1
Public Health & Corporate Resources	8.5	7.6	5.9	10.4	10.8	28.4	71.6
Expenditure Total	215.4	269.5	151.1	104.4	112.4	101.6	954.4
Funding:							
Capital Grants / S106/ Contributions	119.0	121.9	66.7	53.8	49.4	21.0	431.8
Earmarked Capital Receipts	7.9	14.9	2.4	5.4	5.4	2.0	38.0
Service Funded Prudential Borrowing	4.3	26.1	9.2	9.6	4.0	1.0	54.2
Non-Earmarked Capital Receipts	1.3	1.1	1.2	0.7	0.7	0.0	5.0
Corporate Prudential Borrowing	82.9	105.5	71.6	34.9	52.9	77.6	425.4
Funding Total	215.4	269.5	151.1	104.4	112.4	101.6	954.4

*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. 2030/31 – 2032/33.

2.20.9 For the General Fund, £23.4m slippage was identified in 2025/26 and moved into future years resulting in a more deliverable forecast plan. The below table breaks the re-profiled budget down into funding streams, noting most of the slippage is self-financed and just over half of the slippage being transferred into 2028/29:

Council Plan	25/26 £m	26/27 £m	27/28 £m	28/29 £m	29/30 £m	30/31 £m
Borrowing	-6.6	2.8	1.5	1.0	1.0	0.3
Self-Funded	-11.1	3.5	0.0	7.6	0.0	0.0
Grant/S106/Contributions	-4.7	1.1	0.0	3.6	0.0	0.0
Receipts	-1.0	1.0	0.0	0.0	0.0	0.0
	-23.4	8.4	1.5	12.2	1.0	0.3

Officers will continue to identify further re-profiling of the current year financial budget, which will help to reduce in-year capital financing costs as part of the ongoing monitoring, and this will next be reported within the Quarter 3 Financial Monitoring Report.

2.20.10 The Budget Strategy Update Report (17th September 2025) noted that a review of the Capital Plan will be undertaken, highlighting key stages in the exercise. Further to the re-profiling of the plan, the initial stage of the multi-year review of the Capital Plan has also been undertaken. All uncommitted lines funded by borrowing or self-financed were reviewed with a view to removal from the Capital Plan. In total £57.7m was identified across all years and released from the existing Plan:

- Investment & Modernisation Fund (-£40m). Budget was decreased to bring it down to more realistic levels with an even profile across years. Whilst some invest to save bids are being worked up, it is evident that a sum of £10m per year is not needed at this point and therefore it is appropriate to reduce this and the Capital Financing Requirement (CFR) overall.
- Homes for Children (-£0.2m). Remaining budget left to support the Children Homes Strategy. Purchase of properties from the open market to convert into small 'satellite' children's homes will cost substantially more than budget remaining. It is more appropriate that in future such acquisitions would be considered for funding via the Investment and Modernisation Fund as self-financed business cases on the basis that they would be a net saving after borrowing from the LAC budget.
- Short Breaks (-£1.1m). A strategy is under development which recommends a strategic and collaborative approach with a unified asset strategy. The uncommitted budget is recommended for removal until such a point when a future strategy with suitable budgets is known and again could be subject to business case approvals.
- Libraries (-£2.6m) unallocated programme line to be reduced (from an initial budget of £3.6m).
- Dementia Day Care (-£5.9m) unallocated programme line to be removed.
- Highways (-£5m) borrowing for Principal Roads is assumed to be funded by grant and a bid is being prepared for funding from WYCA.
- Waste Depot (-£2.5m). Whilst budget was initially put in as a marker, it is proposed this is removed until a business case can be fully developed.
- Start Up & Retention Grant (-£0.1m). Future business cases for the provision of grant to local businesses will be considered for funding from the Investment & Modernisation Fund.
- Information Technology (-£250k). Reduction over the life of the programme.

2.20.11 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 year 5 allocation based on the previous year's baseline levels. In total £27.8m has been added into 2030/31 of which £10.8m is borrowing and £17m is grant assumption.

2.20.12 The Council will continue to use the powers under the government guidance on the flexible use of capital receipts to fund up to £4m qualifying transformation expenditure in 2025/26 and £4m in 2026/27, dropping to £2m from 2027/28 onwards. 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, and future year budgets have been added to reflect the policy in the Capital Plan.

2.20.13 Cabinet considered an update report for a new sports and leisure facility to serve communities of Dewsbury and Batley (21st October 2025). The next steps were agreed and £0.1m has been added into 2025/26 for the commissioning of an external options appraisal followed by a feasibility study. Until the outcome of these studies is understood, it is difficult to define the total amount of capital required, so an indicative sum of £35m has been added to the plan. There is an expectation that £5m of the budget will be met by external funding to help mitigate against borrowing. As more information becomes available, the capital plan will be updated accordingly.

2.20.14 Apart from the new leisure facility in Dewsbury, at this stage there are no further recommendations for new schemes to be added to the Plan. It is envisaged that there will be some drawdown against the Investment & Modernisation Fund set up to help services transform and deliver ongoing revenue savings. Business cases will be appraised by Capital Assurance Board and proposals for drawdown towards new schemes will be recommended to Cabinet for approval via upcoming financial reports. There will be no additional revenue pressures as a result of additional borrowing incurred for the Investment and Modernisation Fund (borrowing costs are covered by reduced revenue costs).

2.20.15 The Council's capital plan will continue to be reviewed and will evolve on an ongoing basis. It is anticipated that as the Council's Digital strategy develops, it is likely that significant capital investment will be required to support the implementation costs of more modern systems that will enable the Council to become more efficient and productive. There is, as yet, no provision in the plan for these issues as need developing further.

Summary Capital Plan Changes

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 – 32/23 £'000	Total
Budget Update Strategy	239,203	273,258	158,344	93,303	111,565	54,480	930,153
General Fund:							
Re-profiling	(23,408)	8,402	1,542	12,164	1,000	300	0
Removal	(1,359)	(22,360)	(10,849)	(8,050)	(8,050)	(7,000)	(57,668)
Grant Adjustments	806	7,306	0	(1)	0	0	8,111
Addition	100	0	0	5,000	6,000	24,000	35,100
Transformation Capitalisation (FCR)	0	3,000	2,000	2,000	2,000	2,000	11,000
Continued Operational Activities	0	0	0	0	0	27,784	27,784
Total Change	(23,861)	(3,652)	(7,307)	11,113	950	47,084	24,327
Revised Capital Plan	215,342	269,606	151,037	104,416	112,515	101,564	954,480

2.20.16 The General Fund capital plan has a net increase of £24.3m and this is to be funded mainly by a reduction of £40m self-financed borrowing, a net increase of £23.2m borrowing, an increase of £30.1m grants/S106/contributions and £11m un-ringfenced capital receipts.

2.20.17 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 be continued 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.

2.21 Risk

2.21.1 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.

2.21.2 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:

- The risk that the final LGFS is worse than that contained in the budget assumptions detailed in this report, requiring further savings proposals to be brought forward at pace. This is considered unlikely as the assumptions in this report reflect a 60% gain from Fair Funding 2.0.
- Risk that additional funding announced comes with unbudgeted for new burdens
- 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.
- Risk of increased costs due to inflation, in particular the pay award and NLW increases being above those assumed in the budget proposals.
- Demand pressures, generally, and particularly within Adults and Children's Social Care result in unbudgeted additional costs.
- Risks associated with the availability and provision of Temporary Accommodation for persons accepted as homeless and the resulting cost implications.
- 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.
- 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.

- Failure to maintain sufficient level of priority and focus leading to required savings initiatives not being delivered, resulting in budget overspend.
- Exposure to material unforeseen costs or uninsured losses and the overall adequacy of Council Reserves.

2.22 Positive Assurance Statement

2.22.1 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

The statement will form part of the final Annual Budget Report due to Cabinet and Council in February 2026 based on the financial position at that time.

3. Implications for the Council

3.1 Council Plan
N/A.

3.2 Financial Implications

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

3.3 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.

There is a limited statutory duty to consult Non-domestic ratepayers representatives before setting the budget (under **section 65 LGFA 92** and **the Non-domestic ratepayers (consultation) regulations 1992 /3171**) This statutory duty does not specify a timescale for consultation .However, the Council's Constitution says it must no be less than 4 weeks .

The Council is consulting more widely than the statutory duty and in carrying out its consultation exercise the council must comply with the "Gunning principles" namely:

- That consultation must be at a time when the proposals are still at a formative stage.
- The council must provide sufficient information about the proposals to

consultees to enable intelligent consideration and informed responses.

- Adequate time must be given to facilitate responses.
- The product of the consideration of responses must be conscientiously taken into account in finalising any proposals.

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.

3.4 Climate Change & Air Quality
N/A

3.5 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.

The new budget saving proposals outlined within the 2026/27 budget (and within Appendix D) have a total potential reduction of FTE (Full time equivalent posts) in the region of 55. However, we can mitigate some of this impact by deleting vacant posts that are currently being held in service structures, equating to approximately 28.

This means that the number of staff potentially at risk, because of the 2026/27 budget saving proposals, is currently 27. As such, we will be making an HR1 declaration of 27 FTE posts that are potentially at risk of redundancy.

The Council 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 on a case-by-case basis and we will not be offering this council wide.

4. Consultation

This report has been prepared by the Service Director - Finance, in consultation with the Executive Leadership Team and Members of the Cabinet.

5. Engagement

The public consultation to support the 2026/27 annual budget will be launched on the 3rd December 2025 and will run up until 7th January 2026.

Similar to previous years, the public consultation will be available online and will be supported by information providing a summary of the proposed budget.

The consultation will ask the public for their opinions on the draft budget, and whether they are impacted by any of the savings proposals. The consultation will be promoted to citizens, communities, businesses and partners.

Feedback from the consultation will then be collated, analysed and used to help inform final decision making related to the budget. A summary of the consultation results will be provided alongside the budget at Cabinet on the 10th February 2026, and at Council on the 25th February 2026.

6. Options

6.1 Options Considered

N/A

6.2 Reasons for Recommended Option

N/A

7. Next Steps and timelines

7.1 The draft budget will be presented to Overview and Scrutiny Management Committee on 16th January 2026 and Political Groups during January 2026. A final version of the Budget will be presented to Cabinet and Council in February 2026 following the release of the Local Government Finance Settlement.

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

- Annual Budget Report 2025/26 and future years (Item 7)
- Annual Financial Outturn Report and Rollover Report 2024/25 (Item 8)
- Autumn Budget 2024 - GOV.UK
- Council Budget Strategy Update report; 2026/27 and future years; 17th September 2025 (Item 10)
- Our 2025/26 Council Plan: Council 5 March 2025
- Corporate Financial Monitoring Report Quarter 2, 2025/26 to Cabinet December 2025
- Integrated Impact Assessments (kirklees.gov.uk).
- Summary Budget Book 2025/26

10. Appendices

Appendix A MTFs Summary

- Appendix B Detailed Budgets by Service Area
- Appendix C Reserves
- Appendix D Savings Proposals
- Appendix E Capital Plan

11. Service Director Responsible

Kevin Mulvaney Service Director – Finance