

**REPORT TITLE: Council Financial Outturn & Rollover Report 2025/26 incorporating General Fund Revenue, Housing Revenue Account, DSG, Capital and Treasury Management.**

<b>Meeting:</b>	<b>Chief Executive Decision Making</b>
<b>Date:</b>	<b>30<sup>th</sup> June 2026</b>
<b>Cabinet Member</b> (if applicable)	<b>NA – Decision to be taken by the Chief Executive using powers set out in the Constitution under Article 7 paragraph 7.9.1</b>
<b>Key Decision Eligible for Call In</b>	<b>Yes Yes</b>
<b>Purpose of Report:</b> <ul style="list-style-type: none"> <li>To provide information on the Council's 2025/26 financial outturn position for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, including proposals for capital rollover from 2025/26 to 2026/27</li> <li>To provide information on the level of Council reserves</li> <li>To provide an annual review of Council Treasury Management activity.</li> </ul>	
<b>Recommendations</b> The Chief Executive is asked to: <ol style="list-style-type: none"> <li>Note the improved General Fund revenue outturn position of +£1.8m overspend for 2025/26 compared to £4.1m at Q3; but that there remain significant pressures in both adults and children's social care which are of concern going forward into 26/27;</li> <li>Note the total delivered savings of £19.2m compared to the budgeted savings target of £30.2m (64%) (paragraph 3.2.22);</li> <li>Note the year end position on reserves and balances of £62.5m (excluding Statutory Reserves), and that the level of general reserve has increased by £1m to £26m as per the 2025/26 approved budget) (paragraphs 3.2.24-28);</li> <li>Approve the creation of the Taxi Licensing earmarked reserve (paragraph 3.2.27), with a balance of £101k at 31/3/26; funded from the cumulative revenue balances for taxi licensing (Paragraph 3.2.28);</li> <li>Note the application of the Councils flexible capital receipts strategy to the value of £4m applied against eligible transformation costs in 2025/26 thereby reducing revenue expenditure, in accordance with the agreed budget (paragraph 3.2.32);</li> <li>Note the regular monitoring and review of corporate reserves in 2026/27 to be reported to Cabinet as part of the Quarterly financial monitoring cycle;</li> <li>Note the year end deficit position on the Collection Fund of £10.4m (£10.2m at 31/3/25) which is anticipated be repaid by 2027/28 (paragraphs 3.2.31-34) ;</li> </ol>	

## HRA

- 8) Note the HRA revenue outturn position for 2025/26 as an underspend of £628k (£0.9m underspend at Quarter 3) which is transferred to reserves. (Paragraphs 3.2.37-41)  
Note the year end reserves balance of £26m compared to £30.6m in 24/25;

## Capital

- 9) Note the Council capital outturn spend of £209m for 2025/26;
- 10) Approve the £10m capital slippage from 2025/26 to 2026/27, noting that the slippage relates to deferred delivery and that the only reductions in the capital plan contained in this report relate to the removal of £0.65m revenue capitalisation budget underspend and £33k of uncommitted rollover from the Capital Plan (paragraph 3.2.49 - 3.2.51);
- 11) Note the revised capital plan for the period 2026/27 onwards after taking into account the re-phasing of schemes including the slippage, additional grant funding assumptions and a change in funding of the Bradley Mills Road Scheme (Appendix 4a: Summary Capital Plan and Appendix 4b: Detailed Capital Plan);

## Dedicated Schools Grant (DSG)

- 12) Note the cumulative deficit on the DSG of £80.3m, an increase of £15.9m from the previous year. Within this is the High Needs Block (HNB) which now has a cumulative deficit of £82.2m (after an increase in 2025/26 of £17.5m). The Council is required to report the High Needs Block position in accordance with the national statutory override, which allows the HNB reserve to be held in deficit and shown as a negative balance on the balance sheet. This is set out in the Local Authority Capital Finance and Accounting Regulations;
- 13) In February 2026 the Council was informed that the Safety Valve Programme would end and 90% of the historic DSG deficit would be paid off by Government during 2026/27 through a High Needs Stability Grant, subject to an agreement with the DfE on the SEND action plan;

The Statutory Override remains in place until March 2028 and it has been indicated by the DfE that a “proportionate” contribution will be made by the DfE towards in year DSG deficits during 2026/2027 and 2027/2028;

It is expected that the Council will be responsible for the remaining 10% and will need to plan accordingly to fund that cost until March 2028;

## Treasury Management

- 14) Note the Review of Treasury Management activity for 2025/26 (Appendix 5);

## Reasons for Recommendations

This financial outturn report updates the Cabinet on the year-end financial position as of 31 March 2026. It provides a timely update on the Council’s financial position and ties in with the completion and publication of the Council’s Draft Statutory Accounts, which need to be

published by 30<sup>th</sup> June 2026. The report will also be discussed at Overview and Scrutiny Management Committee on 3<sup>rd</sup> July 2026.

**Resource Implications:**

There are no additional resource implications relating to this report.

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

**Rachel Spencer Henshall – 19 June 2026**

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

**Kevin Mulvaney – 19 June 2026**

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

**Sam Lawton – 19 June 2026**

**Electoral wards affected: All**

**Ward councillors consulted: None**

**Public or private: Public**

**Has GDPR been considered?** Yes. This report contains no information that falls within the scope of General Data Protection Regulations.

**1. Executive Summary**

1.1 The slides in Appendix 1 provide information on financial outturn for General Fund, Revenue, DSG, Collection Fund, Housing Revenue Account (HRA) and Capital Plan, as at 31st March 2026.

1.2 Cabinet are advised that the overspend at outturn of +£1.8m for the General Fund is the lowest outturn overspend since COVID. The projected overspends in each of the last few years at the equivalent period and outturn are shown below.

	Q1 Projection (£m)	Q2 Projection (£m)	Q3 Projection (£m)	Outturn (£m)
2022/23	24.6	24.3	29.4	27.0
2023/24	20.3	16.1	9.9	7.3
2024/25	12.9	9.9	9.9	5.6
2025/26	5.9	5.1	4.1	1.8

The outturn position has improved significantly from a projected overspend at Q3 of £4.1m. However, the position on Children and Families and Adults deteriorated significantly from the Q3 projection (£1.2m adverse movement in Children and Families and £6.4m adverse movement in Adults) which is a concern going forwards and will be closely monitored as we move into 2026/27; existing budget assumptions will be reviewed as part of the Autumn refresh of the Medium-Term Financial Strategy (MTFS); in all other services the position has improved significantly.

The year-end position on General fund usable reserves and balances of £62.5m (£61.0m at 31.3.25 (excluding Statutory Reserves – Public Health and Schools Balances)), highlights that the in-year position hasn't been underpinned by significant drawdowns in

reserves. The £1.8m overspend will be funded by using the Voluntary Revenue Provision reserve and the balances referenced above include the effects of the overspend.

## 2. Information required to take a decision

2.1 The slides accompanying this report provide a more detailed breakdown of the outturn position, as follows:

General Fund revenue outturn position in 2025/26 by service area;

General Fund reserves and balances movements in-year;

HRA revenue outturn position including movements in HRA reserves in-year;

DSG Outturn position

Collection Fund position

Capital outturn position in 2025/26;

Treasury management prudential indicators.

## 3. Implications for the Council

### 3.1 Council Plan

N/A

### 3.2 Financial Implications

3.2.1 The table below summarises the outturn position by Directorate and how each moved from Q3. The main variances are explained below with more detail provided in the accompanying slides at Appendix 1.

## Outturn Position 2025/26

	Revised Budget £000	Outturn £000	Variance £000	Variance Q3 £000	Change from Q3 £000
Children and Families	108,389	116,681	8,292	7,046	1,246
Adults and Health	108,720	122,058	13,338	6,964	6,374
Place	56,708	59,194	1,486	3,884	(2,398)
Public Health & Corporate Resources	64,842	60,504	(4,338)	(1,513)	(2,825)
Central Budgets	52,393	40,907	(11,486)	(6,804)	(4,682)
<b>General Fund</b>	<b>391,052</b>	<b>398,344</b>	<b>7,292</b>	<b>9,577</b>	<b>(2,285)</b>
Use of Budget Contingency Reserve		(5,500)	(5,500)	(5,500)	0
Use of Voluntary Revenue Provision		(1,792)	(1,792)	0	(1,792)
<b>Adjusted General Fund Total</b>	<b>391,052</b>	<b>391,052</b>	<b>0</b>	<b>4,077</b>	<b>(4,077)</b>

3.2.2 The outturn position for **Children's Services** is £8.3m (Q3 position was £7m). Kirklees has a number of relative strengths compared to its statistical comparators including

- Lower than average numbers of children in care
- Higher use of Special Guardianship Orders, enabling children to remain within their extended families, improving outcomes and reducing costs
- Sustained avoidance of agency social workers, improving workforce stability and delivering cost efficiencies

Despite these strengths there are significant and increasing financial pressures. Over the past two years, there has been a sustained rise in the number of children placed in private children's homes. At outturn, 45 children were in these placements (budget 32), representing the primary driver of the overspend, together with an increase in the average weekly cost from £6.2k to £7.2k. These are being managed carefully, but it is a continuing pressure, not only for this Council, but across the sector. These upward trends are of concern both in terms of outcomes for children and overall financial sustainability. There is strong operational and strategic oversight with a Sufficiency Board chaired by the Chief Executive and an External Placement Board chaired by the Executive Director of Children's services.

3.2.3 Other variances within Children's Services were in relation to other Sufficiency led activities (Leaving Care Supported Accommodation, and Home Care), again representing pressures on the system. There were also overspends in relation to Home to School Transport on Looked After Children due to increased demand and complexity of routes.

3.2.4 In the Learning & Early Support area of the service, there are continued pressures relating to the necessary use of Educational Psychology Locums to support service delivery, and there were also pressures seen on the Education, Health and Care Plan (EHCP) team in relation to staffing, linked to increased demand and complexity. Collectively these total £0.3m. These pressures were partially offset by other vacancies in the service, and higher income on penalty notices for unauthorised absences.

3.2.5 Adult social care services across the country are facing sustained pressures from rising demand, complexity of cases, impact of national living wage rises all leading to higher costs. This means more older people and working-age adults requiring support for longer, more complex and specialist needs, fragile market capacity, and higher costs for care packages and placements. In line with the actions referenced in Children's services, there is strategic oversight with the Executive Director of Adults chairing the Adults Transformation Board and the Chief Executive chairing a group that reviews the overall savings programme in addition to the monitoring the impacts of changes to demand for services.

3.2.6 The overall position for the **Adults & Health** Directorate was an overspend of £13.3m partially offset by a drawdown from the Budget Contingency Reserve to fund a contribution to an in year slippage in savings (£2.6m) and the delay in the transfer of the Care Homes (£0.65m) to leave an outturn overspend of £10.1m (9%) on a budget of £112m. The position has worsened position from Quarter 3 by £6.3m. Growing demand and increasing weekly costs for service users in placements led to an overspend of £8.6m, shortfalls in income totalled £3.4m mainly relating to shortfalls of client income compared to budgeted levels;

these were partially offset by underspends, some of which are staffing related (£1.7m), resulting in the overall £10.1m overspend

3.2.7 Significant variances were seen across key demand-led headings, and on the achievement of the savings target which were 15% of the overall net budget. The ambitious savings target was £16.9m (including carried forward savings from 24/25). Actual savings delivered or alternative one-off funding provided totalled £8.7m (51%).

3.2.8 Breaking down the overspends into client groups, services provided to support Older People and People with a Physical Disability overspent by £7.6m, on a £61m budget. The budgeted savings target was £9.6m of which, £4.1m (43%) has been achieved in year. Key variations are noted below

- Assessment and Care Management and other Social Work teams underspent by £1.1m due to vacancies which are taking longer than expected to fill.
- Self-directed support overspent by £1.6m. This budget is comprised of Home Care, Direct Payments and other Personal Payments for support. The costs of Home Care provision showed an increase in average weekly costs across all client groups, although numbers reduced by 37 to 1,375 residents.
- Independent sector Residential and Nursing Care had a pressure of £8.4m. There are 1,033 people receiving Residential and Nursing Care services, primarily Older People (951). Overall, there has been a reduction in numbers compared to the budget of 84 people. There are, however, increases to average weekly costs across all client groups including Older People Residential £924.72 (+£79.01), Older People nursing £1,257.54 (+£139.30).

3.2.10 Services provided to support People with a Learning Disability and People with Mental Health needs overspent by £2.9m, on a £61.9m budget. There was a budgeted savings target of £4.2m of which, £1.5m (36%) has been achieved to date.

- Assessment and Care Management and other Social Work teams are underspending by £0.9m due to vacancies which are taking longer than expected to fill.
- Self-directed support is underspent by £0.4m. This is largely due to the reduced numbers of people (208) using this service to 1,350.
- Independent sector Residential and Nursing Care overall overspent by £5.5m. There are 524 people in Residential, and Nursing Care in these services which is a reduction of 80. However, increases in average weekly costs across most client groups ranging from +£135 to £281 per week being seen.
- Shared Lives is underspent the £2.9m budget by £1.2m. There was a planned expansion of the Shared Lives service as part of the Transformation programme which would reduce demand in other services, predominantly in Residential Care. Whilst work has been undertaken to recruit the carers, the recruitment has not been as successful as planned, and work is continuing into next year to deliver the net saving of £0.5m. This is part of the reason why costs in residential care are in excess of the budget.

3.2.11 Strategic Commissioning, Partnership and Provider Services overspent the £24.4m budget by £2.2m. The savings target of £2.7m was 85% achieved.

- In house Residential Services overspent by £2.9m of which the staffing budget overspent by £1.6m mainly relating to two Care Homes that were budgeted to close. £647k of costs have been funded through the budget contingency reserve. The closure of the homes was delayed by the judicial review process, and during this process there have been difficulties in filling posts and a need to cover those vacancies with either agency or overtime.

3.2.12 Communities and Access Services have underspent the £6.7m budget by £2.2m and this is largely due to in year vacancies and utilisation of grants.

3.2.13 The outturn for the **Place** directorate is an initial overspend of £1.5m prior to the release from the Budget Contingency Reserve of £2.1m relating specifically to Home to School Transport pressures and £0.2m for Care Homes to leave an outturn underspend of £0.8m, which is a £2.4m favourable movement from Q3 (and reflects a continued improvement from the Q1 position which projected an overspend of £2.9m).

3.2.14 Highways and Streetscene overspent by £1.7m. The areas of overspend include Parking £0.5m, Transport £0.5m, Highways £0.5m and Adverse Weather £0.7m. These are offset by underspends on Waste (£0.4m) and Parks and Greenspaces (£0.3m). The main reason for the overpends are under recovery of parking income / permit fees and spend on hire vehicles. It should be noted that whilst there was an overspend on Adverse Weather budgets, there was a reduced number of grits in 2025/26 compared to the previous 2 years. Additional budget provision is being made in respect of Parking income and Adverse weather in 2026/27 to mitigate the risk of ongoing pressures.

There was an underspend of £1.1m across Development. This included an underspend of (£0.2m) on Housing Services (maximising staff charges to capital and grants, (£0.2m) within Housing Growth linked to vacancies and a one-off refund of Business Rates.

3.2.15 The Home to School Transport budget overspent by £0.1m but this is after an in-year injection of £2.1m. To mitigate this going forward, a permanent increase in budget of £2m has been provided in 2026/27 and as with other demand related activity will be closely monitored in year. There was also an underspend of £0.3m in the Directorate Programme Office linked to holding of vacancies

3.2.16 Skills and Regeneration services underspent by £1.4m. Various underspends, mainly staffing related were seen across the portfolio including within Major Projects teams (£0.4m), Employment & Skills (£0.3m) and Planning and Building control (£0.7m).

3.2.17 **Public Health and Corporate Resources** underspent by £4.3m. The Strategy and Innovation function (which includes IT, Data and Insight, Policy and Communications teams) and People Services underspent by £1m each predominantly due to vacancy management. Savings on Emergency Planning and Health and Safety were £0.2m; Public Health services which are funded by a ring-fenced grant underspent by £0.8m and this has been transferred to the statutory ring fenced reserve.

3.2.18 Governance and Commissioning overspent by £0.2m, due to a £0.9m overspend on Legal Services linked to demand pressures and increased external costs (+£1m). Vacancies and reduced insurance charges offset this pressure. Finance underspend by £0.4m mainly through vacancy management, although there were pressures on debt tracing and external

audit fees.

3.2.19 There was a £0.6m underspend on Housing Benefit subsidy. Following a review of outstanding benefit debt, a reduction in the provision for bad debt of £1.2m has been made. This helped to offset the £0.8m overspend due to the numbers of people in bed and breakfast and other temporary accommodation for which 100% subsidy is not payable by the DWP. These numbers are stabilising as work continues to find alternative accommodation.

3.2.20 Culture and Visitor Economy underspent by £1.5m, predominantly due to increased income from Town Halls (£0.5m), and continued cost savings in Catering (£0.7m). Vacancy management across the service also contributed to the underspend. Bereavement Services overspent by £0.4m due to reduced income levels arising from lower demand and a switch to cheaper cremations.

3.2.21 There is an underspend of £11.5m in **Central Budgets** (£6.8m at Q3). Of this underspend, £5.5m sits within Treasury Management and is related to slippage in the in-year capital plan (paragraph 3.2.42) and a combination of interest rates on borrowing taken being lower than budgeted, proactive debt management and additional interest income on balances. There is also a £4.2m saving in the central budget, largely due to a historic rebate of energy charges relating to PPP schools. This is a one off reduction. The remaining balance of £1.8m relates to contingency budgets not required in-year.

## Savings Delivery

Directorate	2025/26					
	Total budgeted savings £000	25/26 Delivered £000	25/26 Variance £000	RAG Rating	Change in Variance from previous £000	RAG change from previous report
Children and Families	(3,860)	(2,289)	1,571	Slipped	66	↓
Adults and Health	(14,256)	(8,167)	6,089	Slipped	2,042	↔
Place	(3,756)	(3,333)	423	Mitigated	(29)	↑
Public Health and Corporate Resources	(2,981)	(2,643)	338	Complete	42	↑
Central Budgets	(2,000)	(2,000)	0	Complete	0	↔
<b>All Directorates</b>	<b>(26,853)</b>	<b>(18,432)</b>	<b>8,421</b>		<b>2,121</b>	
Housing Revenue Account	(3,785)	(3,212)	573	Slipped	49	↓
<b>Total Directorates + HRA</b>	<b>(30,638)</b>	<b>(21,644)</b>	<b>8,994</b>		<b>2,170</b>	

3.2.22 New savings for 2025/26 in the General Fund were budgeted at £26.9m and in total £18.4m has been delivered in year (68%).

- Adults had the largest new savings target of £14.3m. Around £8.2m has been delivered, leaving a slippage of £6.1m. It is forecast that most of the £6.1m will be delivered as a full year effect of completed activity; however, there does remain some risk on the timing of the delivery of two of the Contracting and Commissioning workstreams going

forward

- Within Children and Families, the shortfall related mainly to the not being able to achieve a reduction in the number of external placements to the budgeted number and a delay in the review of how Children with disabilities are supported. In both cases, the 2026/27 budget has been adjusted and new targets set.
- Within Place, 89% of savings have been delivered. There was slippage in the savings budgeted from the Electric Vehicle Salary Sacrifice scheme as this commenced later in the year than planned and also savings of £100k from Pool Cars have not been delivered. The latter remains a risk in 2026/27.
- Savings budgeted relating to postage and printing costs in PHCR have yet to be fully achieved. Whilst these were mitigated in the service from other staffing savings, it is likely that some pressure will remain in 26/27 and this will be monitored.

3.2.23 There were also carried forward savings from 24/25 of £3.3m, of which only £0.8m was delivered. The largest variation relates to savings attributed to increasing social care income. A target of £2.6m was set as part of the 24/25 budget and following a review this level is unlikely to be achieved and the shortfall is being addressed in the MTFs. Two other prior year savings relating to proposals on Bowling Greens and School Crossing patrols have been addressed in the 26/27 budget and will not be an ongoing issue.

## **Reserves**

3.2.24 The S151 Officer, in line with Financial Procedure Rules, has undertaken a review of all balances, earmarked reserves and grant reserves.

3.2.25 To note that, at outturn, the Council's General (Unallocated) Reserve balance is now £26m (£25m at 31<sup>st</sup> March 2025). An assessment of the minimum and desirable level of reserves was made as part of the 2026/27 budget process. They were assessed to be a minimum balance of £22m and a desirable balance of £30.5m. The balance at outturn remains within this range and will be topped up by a further £1m in 2026/27 as per the approved budget and reassessed in due course.

3.2.26 The Strategic Budget Contingency reserve totalling £3.5m was created at the end of 2024/25 to cover emerging issues that were likely to affect the delivery of the 2025/26 budget. A further contribution of £2m was made to this reserve in-year from central budgets. The full £5.5m has been drawn down in 2025/26 as per the following table.

3.2.27 There has also been an additional contribution to this reserve of £1m at year end arising from costs initially earmarked to be funded from the Transformation Reserve being more appropriately charged to capital. The Budget Contingency Reserve in 2026/7 will now total £4.8m and can be used to cover budget pressures that may arise and that cannot be wholly mitigated within services. Given the increasing cost pressures experienced between Q3 and outturn within both Adults and Children's social care it is highly likely that the reserve will be used as a temporary source of additional funding in year in those Directorates.

	<b>Total (£000)</b>
<b>Opening Balance</b>	<b>(3,500)</b>
Additional Contribution	(2,000)
Home to School Transport	2,060
Care Homes	867
Fund Slippage in budgeted ASC savings	2,573
Year End Contribution	(1,022)
<b>Closing Balance</b>	<b>(1,022)</b>

3.2.28 To approve the creation of a separate Taxi Licensing reserve. A review of historic balances on the taxi licensing account has been undertaken. A total surplus of £101k has been identified and it is appropriate that this net surplus is transferred to an earmarked reserve.

3.2.29 Total usable reserves at March 2026, are £62.5m, of which £36.5m are identified as earmarked. This is in line with the equivalent figure at March 2025. More details are provided in the slides in Appendix 1.

### **Dedicated Schools Grant**

#### DSG Balances

	Balance at 31.3.25	25/26 In Year	Balance at 31.3.26
High Needs	£64.7m	£17.5m	£82.2m
Early Years	£0	(£1m)	(£1m)
Schools / DSG	£0	(£0.9m)	(£0.9m)
<b>Overall DSG</b>	<b>£64.7m</b>	<b>£15.6m</b>	<b>£80.3m</b>

3.2.30 As previously reported, High Needs Block (HNB) deficits are a national issue with the LGA reporting deficits at March 2025 being over £3bn. Forecast deficits at March 2026 are up to £5bn. At 31<sup>st</sup> March 2026 the HNB cumulative deficit for Kirklees was £82.2m, an increase of £17.5m from March 2025 (annual deficit in 24/25 was £21m). The deficit mainly relates to rising complexity and demand in mainstream schools and inflationary increases from external providers, mainly in the Independent Non-Maintained Schools sector remaining significantly above the funding provided by Government and the safety valve contributions. The service is working collaboratively with schools to change the way in which funding is allocated to mainstream schools for children with SEND through the introduction of “Cluster Working” and it is anticipated that over time this will lead to stabilisation of costs. A more robust approach to contract management has also been introduced and this is helping to mitigate the impact of provider increases. These actions are all part of the Council’s safety valve agreement which also included the building of 2 new special schools.

This has been slightly off-set by an underspend on other areas of the DSG of approximately £1.9m. The cumulative deficit has therefore now increased to £80.3m which will be the basis of the 90% payment.

3.2.31 During 2025/2026 quarterly returns have been made to the DfE in respect of performance against the Safety Valve plan and funding has been released in accordance with the Safety Valve plan including the Council’s own contribution of £2.15m. However, in February 2026 the Council was informed that the Safety Valve Programme would end immediately and that the Government intended to fund 90% of historic Council DSG deficits during 2026/27 through the High Needs Stability Grant. This is subject to the agreement of a plan with the

DfE. This plan is due for submission in mid June 2026.

3.2.32 The Statutory Override remains in place until March 2028 and it has been indicated by the DfE that a “proportionate” contribution will be made by the DfE towards in year DSG deficits during 2026/2027 and 2027/2028 (assumed to be 90% again). It is expected that the Council will be responsible for the remaining 10% and the cost of this will need to be addressed in the MTFS. Estimates of the required Council contribution between now and March 2028 are c£10m (cumulative total of 10% of the 25-26 closing deficit plus 10% share of the in-year deficits for 2026-27 and 2027-28).

### Collection Fund

3.2.33 The Collection Fund accounts separately for council tax and business rates income and payments. The table below summarises the financial performance of the Collection Fund in 2025/26:

<b>Collection Fund Outturn (Council Share)</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(Surplus)/Deficit at 1 April 2025</b>	4,848	<b>5,307</b>	<b>10,155</b>
Re-payments to/(from) General Fund 25/26	(2,052)	(1,737)	(3,789)
In year Financial Position	2,143	1,886	4,029
<b>(Surplus)/Deficit at 31 March 2026</b>	<b>4,939</b>	<b>5,456</b>	<b>10,395</b>
Planned Repayments to general fund 26-28	(2,796)	(3,570)	(6,366)
<b>Adjusted (Surplus)/Deficit</b>	<b>2,143</b>	<b>1,886</b>	<b>4,029</b>

3.2.34 The in-year Council Tax performance was a £2.1m deficit (0.8% of budgeted income). This position was largely due to higher than budgeted bad debt provision requirement of £1.4m as a result of increased arrears and an income shortfall of £0.7m and is likely a reflection of the wider economic conditions that are prevalent across the country.

3.2.35 The in-year Business Rates performance was a deficit of £1.9m (3.6% of budgeted income) largely due to lower than budgeted income because of higher than budgeted exemptions/empty properties and increased unfunded reliefs (mainly Charity and Improvement reliefs).

3.2.36 The 2025/26 in year deficit for both Council Tax and Business Rates of £4.0m requires funding from the General Fund as part of the Council’s MTFS. The existing approved MTFS provided £6.4m of funding, the estimated deficit when at the time. It is intended to fund the additional £4.0m, shortfall from business rates safety net payments due to the Council in 2026/27 and the funding set aside at this outturn in the Collection Fund Smoothing reserve.

### HRA

3.2.37 The HRA outturn is reporting an operational underspend of £628k and this has been transferred to the ringfenced HRA reserves.

3.2.38 On income, there was an under-recovery of £0.9m on rental income and £0.4m for void rent loss, although the management of empty properties has improved during the year.

3.2.39 A review of service charges was undertaken as part of the 2025/26 budget. The aim is to achieve a full cost recovery of service charges, as there was a budgeted shortfall of £1.7m. There was a shortfall on the recovery of service charges of £0.4m during the year, which has been addressed going forward and action has now been taken to increase income from 1<sup>st</sup> April 2026.

3.2.40 There was an underspend for housing management costs of £0.7m, which was achieved through vacancies, efficiencies; there was a revenue underspend of £0.9m for damp mould and condensation as the service moved to a business-as-usual position, with additional capital works being completed and capitalised. Costs for legal disrepair have been managed by a transfer of £738k from a provision.

3.2.41 An overspend of £0.5m occurred relating to council tax payable on empty properties

### Capital Plan

3.2.42 The opening capital budget for 25/26 was £300.4m. Re-profiling of budgets has taken place regularly throughout the year to reflect capital delivery and have been presented throughout the year through quarterly financial monitoring. As part of the Quarter 3 Corporate Financial Monitoring Report on 24<sup>th</sup> March 2026, the 2025/26 capital budget was reset at £224.7m. The budget has decreased further by £5m since Quarter 3 largely due to the re-profiling of budget into latter years of the plan (-£6.7m) offset by increased grants and contributions and other minor changes (+£1.7m). A breakdown of the budget change since Quarter 3 is shown in more detail in Appendix 3.

3.2.43 The Council's revised capital plan budget was **£219.7m** at year end. Capital expenditure in 2025/26 totalled **£209m**; equivalent to 95% against budgeted investment. The variance at year end is **£10.7m**; £12.2m General Fund underspend, £1.5m HRA overspend.

3.2.44 The 2025/26 capital outturn of £209m is c£68m higher than equivalent capital outturn spend in 2024/25 of £140.6m and reflects progress on the development of Our Cultural Heart Phase 1 and the provision of 2 new special schools

3.2.45 The capital outturn position is summarised in Table 1 below and Appendix 1. Of the total £209m actual spend, £128.9m relates to strategic priorities (62%), £75.1m relates to baseline capital spend (36%), the balance of £5m to projects of a one-off nature (2%).

3.2.46 Capital expenditure at year end was funded by the following sources of finance; borrowing £70.8m, grants and contributions £93.1m, capital receipts at £15.2m, Major Repairs Reserve (HRA) at £24.7m and HRA reserves/revenue contributions at £5.2m. This is shown in more detail at Appendix 4 (a).

**Table 1 - Capital Outturn**

	Original Budget	Q3 Monitoring	Change / Re-profile	Outturn Budget	Actual Costs	Variance	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	%
Children and Families	25,727	23,563	2,265	25,828	24,829	(999)	(4%)
Adults & Health	4,223	4,706	0	4,706	4,043	(663)	(14%)
Place	204,201	152,084	(6,943)	145,141	135,684	(9,457)	(7%)
Public Health & Corporate Resources	18,848	7,705	(255)	7,450	6,372	(1,078)	(14%)
<b>General Fund</b>	<b>252,999</b>	<b>188,058</b>	<b>(4,933)</b>	<b>183,125</b>	<b>170,928</b>	<b>(12,197)</b>	<b>(7%)</b>
<b>HRA</b>	<b>47,363</b>	<b>36,619</b>	<b>0</b>	<b>36,619</b>	<b>38,117</b>	<b>1,498</b>	<b>4%</b>
<b>TOTAL</b>	<b>300,362</b>	<b>224,677</b>	<b>(4,933)</b>	<b>219,744</b>	<b>209,045</b>	<b>(10,699)</b>	<b>(5%)</b>

- 3.2.47 The key service capital variations are outlined in more detail in the slide deck (Appendix 1). The nature of capital schemes and funding means that the variance is largely slippage due to the size and complexity of schemes resulting in larger lead times than originally profiled for in capital budgets or due to the timing of external funding being secured.
- 3.2.48 The Council's budget strategy set out 'in principle' proposals to allow officers the flexibility to consider a range of funding options in-year to meet intended transformation objectives, hence under the flexible capital receipts policy, £4m for Transformation Capitalisation was originally set aside in the budget for transformation costs. At year end £3.906m revenue transformation costs and £94k pension strain/voluntary redundancy costs were capitalised (Appendix 1). The Council used the powers under the government guidance to fund the costs from 'in-year' generated capital receipts.
- 3.2.49 To aid the revenue monitoring position and help offset in-year pressures, a revenue capitalisation exercise was undertaken at year end to capitalise in-year revenue costs within allowable accounting rules and Council financial procedure rules. A budget of £1m was set aside for these costs which were to be funded from un-ringfenced capital receipts and approved in the Quarter 2 Financial Monitoring Report on 2<sup>nd</sup> December 2025. At year end £0.35m of revenue spend was capitalised resulting in £0.65m underspend. As this was a one-off exercise, the underspend will not be rolled forward into the next financial year.
- 3.2.50 As part of the year end Uncommitted Rollover exercise undertaken by the Capital Assurance Board, £33k of uncommitted capital budgets no longer required has been removed from the Capital Plan and will not be rolled forward. This includes £23k for renewable energy project and £10k on underspends on smaller projects within the Regeneration of Local Centres budget.
- 3.2.51 This report proposes to re-profile the remaining planned spend totalling £10m from 2025/26 to 2026/27; and largely reflects deferred spend against existing schemes rolled forward into future years.

### **Updated Multi-year Capital Plan**

- 3.2.52 The Quarter 3 Capital Plan approved at Cabinet on 24<sup>th</sup> March 2026 for the period 2026/27-2033 totalled £1.165bn. and a further £0.9m was approved at budget Council, revising the multi-year Capital Plan position to £1.166bn. During the last financial quarter, the multi-year plan for 2026/27 onwards increased by a net £7.6m, due to further re-profiling from 2025/26 added into later years (+£6.7m) and additional grant (+£0.9m). At outturn, the multi-year capital plan stood at £1.174bn prior to the refresh and addition of rollover.

**Table 2 – Multi-Year Capital Plan Outturn Position**

EXPENDITURE CAPITAL PLAN	Capital Plan at Outturn						Total £m
	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 -32/33 £m	
<b>Q3 MONITORING</b>	224.7	328.3	230.6	206.1	200.6	200.0	<b>1,165.6</b>
Budget Amendment	0.0	0.5	1.5	(1.3)	(4.8)	5.0	<b>0.9</b>
<b>COUNCIL TOTAL</b>	<b>224.7</b>	<b>328.8</b>	<b>232.1</b>	<b>204.8</b>	<b>195.8</b>	<b>205.0</b>	<b>1,166.5</b>
Change - Re-profile	(6.7)	9.4	0.3	0.1	0.0	(3.1)	<b>6.7</b>
Change - net grant additions	1.7	0.8	0.0	0.1	0.0	0.0	<b>0.9</b>
	<b>(5.0)</b>	<b>10.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>(3.1)</b>	<b>7.6</b>
<b>OUTTURN COUNCIL TOTAL</b>	<b>219.7</b>	<b>339.0</b>	<b>232.4</b>	<b>205.0</b>	<b>195.8</b>	<b>201.9</b>	<b>1,174.1</b>

3.2.53 The multi-year Capital plan has been updated to take into account capital slippage, rephasing and changes in the estimated levels of resources available. The revised Capital Plan totals £1.192bn; £801m General Fund, £391m HRA. This is summarised in Table 3 and 4 below and is detailed in Appendix 4(a) and 4(b):

**Table 3 – Revised Capital Plan (Expenditure Summary)**

EXPENDITURE CAPITAL PLAN	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 - 32/33 £m	Total £m
Children & Families	34.0	24.7	5.8	3.3	3.0	<b>70.8</b>
Adults & Health	1.7	1.1	0.0	0.0	0.0	<b>2.8</b>
Place	219.2	132.6	132.3	81.3	97.5	<b>662.9</b>
Public Health & Corporate Resources	6.5	7.4	11.7	11.8	27.4	<b>64.8</b>
<b>GENERAL FUND</b>	<b>261.4</b>	<b>165.8</b>	<b>149.8</b>	<b>96.4</b>	<b>127.9</b>	<b>801.3</b>
<b>HOUSING REVENUE ACCOUNT</b>	<b>50.4</b>	<b>76.2</b>	<b>87.5</b>	<b>91.6</b>	<b>85.5</b>	<b>391.2</b>
<b>COUNCIL TOTAL</b>	<b>311.8</b>	<b>242.0</b>	<b>237.3</b>	<b>188.0</b>	<b>213.4</b>	<b>1,192.5</b>

**Table 4 – Revised Capital Plan (Funding Summary)**

<b>CAPITAL PLAN FUNDING SUMMARY</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31 -</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>32/33 £m</b>	<b>£m</b>
Capital Grants / S106/ Contributions	142.5	51.2	79.0	38.9	42.8	<b>354.4</b>
Capital Receipts	9.2	11.5	2.4	5.4	5.0	<b>33.5</b>
Service Funded Prudential Borrowing	18.6	15.6	13.7	5.1	0.0	<b>53.0</b>
Corporate Prudential Borrowing	91.1	87.5	54.7	47.0	80.1	<b>360.4</b>
<b>GENERAL FUND FUNDING</b>	<b>261.4</b>	<b>165.8</b>	<b>149.8</b>	<b>96.4</b>	<b>127.9</b>	<b>801.3</b>
<b>Funding:</b>						
Capital Grants / Contributions	3.8	6.0	2.0	0.5	0.2	<b>12.5</b>
Capital Receipts	10.2	12.2	20.7	15.9	9.8	<b>68.8</b>
HRA Revenue Contributions/ Reserves	10.5	3.2	0.0	0.0	0.0	<b>13.7</b>
HRA MRR	25.9	26.7	27.5	28.3	29.2	<b>137.6</b>
Corporate Prudential Borrowing	0.0	28.1	37.3	46.9	46.3	<b>158.6</b>
<b>HRA FUNDING</b>	<b>50.4</b>	<b>76.2</b>	<b>87.5</b>	<b>91.6</b>	<b>85.5</b>	<b>391.2</b>

**Updated Multi-year Capital Plan – Changes**

3.2.54 The main changes to the Capital Plan following Outturn are detailed below and summarised in Table 5. In addition to £10m slippage in 2026/27, the Capital Plan has been reviewed in terms of re-profiling. In total £39.3m was moved from 2026/27 into later years of the plan to reflect spending profiles of schemes (£28.8m General Fund, £10.5m HRA). The change to the Capital Plan since Outturn is summarised in Table 5 below:

**Table 5 - Changes to the Capital Plan since Outturn**

<b>CHANGES</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31 -</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>32/33</b>	<b>£m</b>
					<b>£m</b>	
<b>OUTTURN COUNCIL TOTAL</b>	<b>339.0</b>	<b>232.4</b>	<b>205.0</b>	<b>195.8</b>	<b>201.9</b>	<b>1,174.1</b>
<b>General Fund Changes:</b>						
Re-profiling	(28.8)	(0.3)	31.7	(6.3)	3.7	<b>0.0</b>
Grant	0.6	4.7	0.6	0.5	0.5	<b>6.9</b>
Borrowing	1.5	0.0	0.0	0.0	0.0	<b>1.5</b>
Rollover	11.5	0.0	0.0	0.0	0.0	<b>11.5</b>
<b>GENERAL FUND CHANGE</b>	<b>(15.2)</b>	<b>4.4</b>	<b>32.3</b>	<b>(5.8)</b>	<b>4.2</b>	<b>19.9</b>
<b>Housing Revenue Account Changes</b>						
Re-profiling	(10.5)	5.2	0.0	(2.0)	7.3	<b>0.0</b>
Rollover	(1.5)	0.0	0.0	0.0	0.0	<b>(1.5)</b>
<b>HRA CHANGE</b>	<b>(12.0)</b>	<b>5.2</b>	<b>0.0</b>	<b>(2.0)</b>	<b>7.3</b>	<b>(1.5)</b>
<b>COUNCIL TOTAL</b>	<b>311.8</b>	<b>242.0</b>	<b>237.3</b>	<b>188.0</b>	<b>213.4</b>	<b>1,192.5</b>

3.2.55 The General Fund Capital Plan includes significant additional grant funding of £6.9m. These are summarised in Table 6 and discussed further below:

**Table 6 - Grant Changes**

Directorate	Grant	£m
<b>Children &amp; Families</b>	High Needs	4.4
	Capital Maintenance	0.5
	Capital Maintenance Uplift (Baseline yrs 2-5)	2.0
	Best Start Family Hubs	0.4
<b>Place</b>	Local Highways Maintenance Funding	3.1
	Highways grant assumption	(5.2)
	Receipt contribution Bradley Mills Road	0.8
	Disabled Facilities Grant	0.9
	TRU W2C Marsden To Huddersfield	0.1
	Dalton / Deighton Cycle Track	(0.2)
<b>Corporate</b>	Cyber Assessment Framework Sector Support Fund	0.1
		<b>6.9</b>

- 3.2.56 The Department for Education announced capital funding for the 2026-27 financial year to support the creation of school places for children and young people with Special Educational Needs and Disabilities (SEND) or who require Alternative Provision (AP). Kirklees was allocated funding (+£4.4m) to adapt schools to be more accessible for children with SEND, to create specialist facilities within mainstream schools that can deliver more intensive support adapted to suit the pupils' needs, and to create special school places for pupils with the most complex needs. Some of this High Needs grant is used to fund spend (c.£0.3m) incurred on existing Additionally Resourced Satellite Provisions (ARP's) schemes currently in the Plan. The remaining grant (£4.1m) has been profiled into 2027/28 until further spend decisions are made.
- 3.2.57 The Children and Families Capital Plan also reflect increases in confirmed grant allocations in 2026/27 for Schools Conditions (+£536k), and Devolved Formula Capital (+£34k) since the budget was approved in March. Future allocations for the Capital Maintenance baseline programme had grant assumptions from 2027/28 onwards. Over the past couple of years, grant levels have not dropped to the levels previously anticipated, therefore grant levels for Capital Maintenance have been increased by £2m overall i.e. £0.5m p.a. (2027/28 – 2030/31) over 4 years to more accurately reflect recent grant levels.
- 3.2.58 In November 2025, the Department for Education shared provisional Best Start Family Hubs funding. The Best Start Family Hubs (BSFHs) should act as a gateway to wider local services beyond their core offer, ensuring families experience joined up seamless services. The delivery grant includes an element of capital funding for adaptations to existing buildings that improve accessibility and enable multi-agency working. Local authorities are expected to use the funding to enhance, expand and reshape existing services to ensure families experience an improved and strengthened offer. Confirmation of the final allocation of £0.363m was received on 30<sup>th</sup> March 2026 over a 3-year period 2026/27-2028/29. This has now been built into the Children and Families Capital Plan and further details of proposals will be presented to Cabinet at a later date.

- 3.2.59 The Department for Transport announced a tranche of additional Local Highways Maintenance (LHMF) funding for 2026/27 to maintain and improve local roads across the country. This funding increase will allow local authorities to invest in significantly improving the long-term condition of England's road and local highways network more widely, delivering faster, safer and more reliable journeys. The total allocation for West Yorkshire is £15.6m and based on the allocation ratios set for City Region Sustainable Transport Settlement (CRSTS) this will result in an uplift of £3.1m for Kirklees. The Highways Baseline Capital Plan has been updated to reflect the grant.
- 3.2.60 The Budget Report in March reflected an assumption that 2 major Highways schemes could be funded by grant. It hasn't been possible to identify grant funding for one of the schemes, Bradley Mills Road, and borrowing will be reinstated for this scheme, (£1.5m). A further £0.75m contribution from capital receipts. Other grant assumptions for Community Traffic projects (£0.2m) and Principal Roads (£0.2m) have also been reduced to match agreed allocations.
- 3.2.61 The Place Capital Plan includes a number of other additional grant and contributions. A further Disabled Facilities Grant (DFG) (+£0.9m) allocation has been built into the Private Sector Housing Plan for the provision of home adaptations to help eligible older and disabled people to help them live as independently and safely as possible in their homes. The DFG allocation was confirmed by the Ministry of Housing, Communities & Local Government (MHCLG) in May 2026. The TransPennine Rail upgrade (TRU) includes further contributions for the Marsden to Huddersfield line (+£0.1m). The Dalton/Deighton Cycle Track scheme funded by CRSTS has now been pipelined so funding assumptions (-£0.2m) have been removed from the plan. The Play Strategy plan also reflects an increase (+£0.1m) in general capital contributions for Mirfield Memorial Park upgrades.
- 3.2.62 The Information Technology Capital Plan includes a Cyber Assessment Framework Sector Support Fund (+£0.1m) capital grant from the Ministry of Housing, Communities & Local Government (MHCLG) to enhance and strengthen the cyber resilience of the Council. This will be done through Improvement and Implementation Plans (IIPs), including assessing critical systems against the Cyber Assessment Framework (CAF) and then sharing insights and lessons learnt with MHCLG to support wider sector improvement.
- 3.2.63 The Investment and Modernisation Fund capital plan (IMF) was created to provide funding to help services transform to deliver on-going savings and efficiencies. The current Enterprise Resource Planning (ERP) system is due for replacement with an opportunity to put forward a Business Case to utilise the IMF to fund the replacement cost, leading to efficiencies across enabling services once a new system is implemented to offset the cost of borrowing. Costs in the pre-procurement period (the point at which a provider is chosen) will be met from the Transformation Reserve. Officers will continue to review future capital receipts through acceleration of disposals with a view to potentially earmark un-ringfenced receipts towards this scheme to reduce the need for borrowing.
- 3.2.64 The Housing Revenue Account Capital Plan provides for investment of £391.2m, which includes a planned replacement programme of £128.4m for kitchens, bathrooms, rewires, boilers and roofs etc, a building safety programme of £126.8m, adaptations of £20.3m, fuel efficiency of £8.8m and works to high rise projects of £52.7m including the demolition of Berry Brow. It also provides for additional council housing estimated to cost £53.2m, which is funded from right to buy receipts of £40.8m, grant of £5.2m, HRA resources of £4.6m and borrowing of £2.6m. The plan also provides £975k for the costs of completion of new IT systems.

3.2.65 A full review of the capital plan is underway and an update will be included in the Council's Medium Term Financial Plan report in September 2026. All schemes will be reviewed in respect of deliverability priorities, financial risk and other risks and this will also consider new capital bids.

3.2.66 Provision has been made in the Revenue Budget and Medium-Term Financial Plan to cover the anticipated costs of borrowing. The delivery of the capital programme is increasingly impacted by the rise in borrowing rates, requiring the authority to reassess the viability, prioritisation, and phasing of projects. This may result in delays, scaling back of schemes, and/or the need to identify alternative funding sources. As revenue resources are themselves under considerable pressure, close scrutiny will need to continue to ensure borrowing fulfils the criteria of being affordable, prudent and sustainable.

### **3.3 Legal Implications**

Section 28 Local Government Act 2003 imposes a statutory duty, from time to time to carry out budget monitoring of expenditure and income against budget calculations during the financial year. If there is a deterioration in its financial position the council must take such action as it considers necessary to remedy the situation.

Section 31A Local Government Finance Act 1992 imposes a statutory duty to balance the budget and take necessary in year steps to ensure this.

### **3.4 Climate Change and Air Quality**

N/A

### **3.5 Other (eg Risk, Integrated Impact Assessment or Human Resources)**

There is an ongoing risk around the volatility of demand budgets.

## **4 Consultation**

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

## **5 Engagement**

N/A

## **6 Options**

### **6.1 Options considered**

N/A

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

N/A

## **7 Next steps and timelines**

Subject to member approval, capital slippage proposals and the update of the multi-year capital plan will be incorporated into in year financial monitoring in 2026/27 and reported quarterly to Cabinet from Quarter 1 onwards.

Cabinet are asked to agree that the recommendations as set out in the report be submitted to the meeting of Council on 15 July 2026, with a recommendation of approval.

## **8 Contact officer**

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

Annual budget report 2026-28 to Budget Council, 25 February 2026

Annual budget report 2025-27 to Budget Council, 5 March 2025

Budget Strategy Update Report to Council, 17 September 2025

Annual budget report 2026-28 to Budget Council, 25 February 2026

Quarter 1 Financial Monitoring report to Cabinet, 9 September 2025

Quarter 2 Financial Monitoring report to Cabinet, 2 December 2025

Quarter 3 Financial Monitoring report to Cabinet, 24 March 2026

## **10 Appendices**

Appendix 1: Financial Monitoring slides

Appendix 2: Savings Plan slides

Appendix 3: Budget Changes at Outturn since Q3 Monitoring

Appendix 4a: Summary Capital Plan

Appendix 4b: Detailed Capital Plan

Appendix 5: Annual Report on Treasury Management 2025/26

## **11 Service Director responsible**

Kevin Mulvaney, Service Director – Finance.